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StanChart Faces Suspension over Iran Sanctions

Standard Chartered Plc (STAN) conducted \$250 billion of transactions with Iranian banks over seven years in violation of federal money laundering laws, a New York regulator said in an order warning that the firm's U.S. unit may be suspended from doing business in the state.

Standard Chartered earned hundreds of millions of dollars in fees for handling transactions on behalf of Iranian institutions that are subject to U.S. economic sanctions, New York's Department of Financial Services said on 6 August. The London-based bank, which generates almost 90 percent of its profit and revenue in Asia, Africa and the Middle East, was ordered by the regulator to hire an independent, on-site monitor to oversee operations in the state.

When the head of the bank's U.S. unit warned his superiors in London in 2006 that Standard Chartered's actions could expose it to "catastrophic reputational damage," he received a reply referring to U.S. employees with an obscenity, according to the order.

Standard Chartered fell 7.4 percent to HK\$174.20 at the noon break in Hong Kong trading, headed for the biggest decline in more than 2 1/2 years. Its London-traded shares had risen 11 percent this year before 6 August, making it the third-best performing British bank stock after Lloyds Banking Group Plc and HSBC Holdings Plc. (HSBA)

'Strongly Rejects'

The bank said in a statement that 99.9 percent of its transactions with Iran complied with U.S. Treasury regulations, and that the total value of transactions that weren't in compliance was less than \$14 million.

The lender said it "strongly rejects the position and portrayal of facts" made by the state regulator, run by Superintendent Benjamin Lawsky.

Standard Chartered "had previously reported that it is conducting a review of its historical compliance and is discussing that review with U.S. enforcement agencies," the bank said in the statement, referring to the Department of Financial Services, the U.S. Justice Department, U.S. Treasury Department, Federal Reserve Bank of New York and New York District Attorney.

The lender said it "waived its attorney-client and work product privileges to ensure that all the U.S. agencies would receive all relevant information."

Sherrill Shaffer, a former senior economist for the New York Fed who's now a banking professor at the University of Wyoming in Laramie, said the loss of a banking license in New York would have an impact, even on a bank that's focused on other parts of the world.

Barclays, Lloyds, HSBC too in the Dock

"It's a fairly big deal," he said. "Because the U.S. is an important nation and New York is one of a relatively small number of

global financial centers, there is value in having a physical presence there."

The accusations against Standard Chartered are the latest in a series of alleged regulatory transgressions by the New York offices of British banks.

In August 2010, Barclays Plc agreed to pay \$298 million to settle claims it violated trade laws by facilitating transactions involving banks from countries under U.S. sanctions including Cuba, Iran, Libya and Sudan.

In 2009, a unit of London-based Lloyds accused of allowing Iran illegal access to the U.S. financial system agreed to pay \$350 million to settle an investigation by Manhattan District Attorney Robert Morgenthau.

HSBC, also based on London, last month made a \$700 million provision for U.S. fines after a Senate committee found the bank gave terrorists, drug cartels and criminals access to the U.S. financial system. That sum may increase, according to Chief Executive Officer Stuart Gulliver.

Iran Office

Standard Chartered opened its Iran office in 1993. Ten years later, the lender said "cross-border trade flows with markets like Turkey, Afghanistan, Iraq and Iran appear to be growing and offer potential to us."

The bank stopped all new business in Iran in May 2007 and pulled out completely in May 2012.

Wire transfers involving Iranian banks are at the heart of Standard Chartered's alleged misconduct. From 2001 to 2007, according to the order, the bank executed 60,000 wire transfers involving \$250 billion through its New York branch.

During this time, the U.S. Office of Foreign Assets Control, or OFAC, required U.S. banks to identify and filter all dollar-clearing transactions involving financial institutions operating in nations facing U.S. sanctions, including Iran - even if the transactions were handled by third-party banks.

Wire Transfers

The goal, according to the Treasury, was to prevent U.S. dollars from being used to finance terrorist organizations and the proliferation of weapons of mass destruction.

Standard Chartered flouted the OFAC rules by "repairing" wire-transfer orders involving its New York branch to remove any reference to the involvement of Iranian banks, according to the New York filing.

The alleged conduct occurred over seven years, until OFAC revoked authorization for such third-party transfers in 2008, the state said. The lender continued to hide its actions even after the transfers stopped, according to the regulator, leading to the allegation that it hid the conduct from bank supervisors for almost a decade.

The New York agency alleged that Standard Chartered operated as a "rogue institution" that intentionally withheld information from state and federal regulators regarding its dealings with Iranian clients.



Rice Hoard Offers Low Price as Drought Fears Shake World

At a time when droughts are driving corn and soybeans to all-time highs, farmers are set to reap a record rice crop and Thailand is building the biggest stockpile in at least five decades, helping avoid a global food crisis.

The largest exporting nation bought 11 million metric tons as of July, enough to supply the six biggest importers, Commerce Ministry data show. As corn farmers from the U.S. to Ukraine endure drought, paddy fields will yield 1.1 million tons more milled grain, the U.S. Department of Agriculture predicts. Benchmark 5-percent Thai white rice will drop 14 percent to \$480 a ton by Dec. 31, according to the median of 10 estimates from traders and analysts survey.

Shipments of the staple for half the world will expand 2.6 percent to a record in 2012-2013, the USDA predicts. Those exports combined with Thailand's stockpiles, which may be cut to clear space for the next harvest, are a buffer against grain reserves seen at the lowest in at least five years. Cheaper rice may contain global food costs the United Nations predicts will rebound, ending a retreat to a 21-month low in June.

Chicago Board

Rough-rice futures rose 7.1 percent to \$15.92 per 100 pounds on the Chicago Board of Trade this year, trailing corn's 24 percent surge, the 32 percent rally in soybeans and wheat's 39 percent advance to a four-year high. The MSCI All-Country World Index of equities climbed 7.1 percent, while Treasuries returned 2.4 percent, a Bank of America Corp. index shows.

Thailand's reserves expanded after Prime Minister Yingluck Shinawatra began a policy in October of buying from farmers at above-market rates to boost rural incomes. Stockpiles may reach 12.1 million tons in 2012-2013, according to the USDA. The country may need to sell some inventory before the next crop is gathered in October and November, said Concepcion Calpe, a senior economist at the FAO. Thailand was the biggest shipper in the year to December with 10.6 million tons, or 30 percent of world trade, according to the International Grains Council.

Global production will expand 0.2 percent to 465.1 million tons in 2012-2013, a third consecutive record, as output reaches all-time highs in countries from China to Thailand to Vietnam, the USDA estimates. World reserves may touch 102 million tons by the end of the season, the most in at least five years, according to the London-based IGC.

Grain Reserves

That compares with an 11 percent drop in corn stockpiles and a 7.6 percent contraction in wheat inventories, the IGC said in a report July 26. Combined grain reserves will decline 7.9 percent to 337 million tons, the lowest since at least 2009.

The dry weather that's destroying corn, wheat and soybean crops and driving prices higher

may extend to rice. The monsoon in India, which accounts for more than 70 percent of rainfall in the second-largest rice grower, has been 18 percent below the 50-year average since June 1, according to the India Meteorological Department. Farm Minister Sharad Pawar said the country may be facing a drought that's worse than in 1972, the Indian Express reported, citing his comments on Aug. 4.

The shortage of rain is similar to 2002, when India's rice output fell 23 percent, Espirito Santo



Investment Bank Research said in a July 30 report. The government may restrict exports of the grain as well as wheat, sugar and cotton to ensure domestic supply, according to Espirito Santo. The USDA is predicting a 3.3 percent decline in the country's production to

100 million tons, and Food Minister K.V. Thomas said July 26 the government will refrain from banning shipments of food grains for now.

Climate Prediction

It is increasingly likely that the El Nino weather pattern, which can bring dry weather to parts of Asia, will develop this quarter, the U.S. Climate Prediction Center said July 30. That may curb the availability of water for irrigation used in the Philippines and Indonesia. Harvests contracted in both countries in 2009-2010, the last time El Nino occurred.

The FAO said on 6 August that India's crop will shrink this year after the monsoon faltered even as the worldwide harvest expands to a record, according to a quarterly market analysis. There's a growing probability of an El Nino, the FAO said.

Higher prices for other grains may spur more rice buying, with consumption already forecast by the USDA to increase 1.6 percent to a record next year. Slower economic growth may do little to curb consumption, which has only retreated seven times in the past half century. The global economy will expand 3.5 percent this year, from 3.9 percent in 2011, the International Monetary Fund predicted last month.

Worst Drought

Global food-import costs will reach \$1.24 trillion this year, 5 percent below last year's record, the FAO forecast in May before grains rallied as the U.S. endured its worst drought since 1956. The group's index of 55 food items is 15 percent below the record reached in February 2011. Surging prices triggered more than 60 riots worldwide from 2007 to 2009, the U.S. State Department estimates.

Thailand plans to sell stockpiles through the yearend for export and local use, Commerce Minister Boonsong Teriyapirom said Aug. 1. The government has spent almost 258 billion baht (\$8.2 billion) on the program, the state-run Bank for Agriculture & Agricultural Cooperatives said July 17. Boonsong said the government plans to extend purchases for another year and buy as much as 18 million tons of rough rice, while also targeting exports to other countries.

FDI from Pakistan Allowed under Government Route

Press Note - Review of the Foreign Direct Investment policy - permitting investments from Pakistan - dated 1 August 2012

1. Present Position

1.1 As per paragraph 3.1.1 of Circular 1 of 2012- Consolidated FDI Policy', effective from 10.04.2012, investment from a citizen of Pakistan or an entity incorporated in Pakistan is not permitted.

2. Revised Position

1. The Government of India has reviewed the policy, as contained in paragraph 3.1.1 of the circular *ibid* and decided to permit a citizen of Pakistan or an entity incorporated in Pakistan to make investments in India, under the Government route, in sectors/ activities other than defence, space and atomic energy.

3. Amendment to paragraph 3.1.1

1. Accordingly, Paragraph 3.1.1 of Circular 1 of 2012- Consolidated FDI Policy', effective from 10.4.2012, is amended to read as below:

"3.1.1 A non-resident entity can invest in India, subject to the FDI Policy. A citizen of Bangladesh or an entity incorporated in Bangladesh can invest only under the Government route. A citizen of Pakistan or an entity incorporated in Pakistan can invest, only under the Government route, in sectors/ activities other than defence, space and atomic energy."

4.0 The above decision will take immediate effect.

[Source: Press Note - Dept. of Industrial Policy & Promotion, Ministry of Commerce & Industry dated 1 August 2012]

While the strategy raised farmer incomes in Thailand, it has made the grain less attractive in export markets. Thai prices would need to drop by at least \$100 a ton to compete with Vietnam and India, said Rakesh Singh, a New Delhi-based trader at Emmons International Ltd. (EMSI) Thai exports may gain 23 percent to 8 million tons in 2012-2013, according to USDA data.

Iran Loses \$133mn a Day on Embargo as Oil Buys Obama

U.S.-led sanctions against Iran are costing OPEC's third-largest producer \$133 million a day in lost sales without raising global crude prices, handing President Barack Obama an election-year foreign-policy victory.

Shipments from Iran have plunged by 1.2 million barrels a day, or 52 percent, since the sanctions banning the purchase, transport, financing and insuring of Iranian crude began July 1. Annualized, that would cost President Mahmoud Ahmadinejad's country about \$48 billion in revenue, equivalent to 10 percent of its economy.

Cont'd..167

WEEKLY INDEX OF CHANGES

DGAD Initiates Investigation on 4, 4 Diamini Stilbene 2, 2 Disulphonic Acid (DASDA) from China on Complaint of Major Producer Deepak Nitrite

[Ref: F.No. 14/1/2012-DGAD dated 26th July 2012]

Subject: Initiation of Anti-Dumping Duty Investigation concerning imports of 4, 4 Diamini Stilbene 2, 2 Disulphonic Acid (DASDA) originating in or exported from China PR

Whereas M/s Deepak Nitrite Ltd. (hereinafter referred to as the applicant) has filed an application before the Designated Authority (hereinafter referred to as the Authority) in accordance with the Customs Tariff Act, 1975, as amended from time to time, (hereinafter referred to as the Act) and Customs Tariff (Identification, Assessment and Collection of Anti-Dumping Duty on Dumped Articles and for Determination of Injury) Rules, 1995, as amended from time to time (hereinafter referred to as the Rules) alleging dumping of 4, 4 Diamini Stilbene 2, 2 Disulphonic Acid (DASDA) (herein after referred to as subject goods), originating in or exported from China PR, for initiation of anti-dumping investigation and for levy of anti-dumping duties on the imports of the subject goods originating or exported from the subject country.

2. And Whereas, the Authority finds sufficient prima facie evidence of dumping of the subject goods originating in or exported from China PR and injury to the domestic industry and causal link between the dumping and injury, the Authority hereby initiates an investigation into the alleged dumping, and consequent injury to the domestic industry in terms of the Rule 5 of the Anti-dumping Rules, to determine the existence, degree and effect of any alleged dumping and to recommend the amount of anti-dumping duty which, if levied, would be adequate to remove the injury to the domestic industry.

Product under Consideration

3. The product under consideration in the present investigation is 4, 4 Diamini Stilbene 2, 2 Disulphonic Acid (also referred to as DASDA). It is also known as 2, 2'-(1, 2- Ethylenediyl) bis (5-aminobenzenesulfonic acid), 4, 4'-Diaminostilbene- 2, 2'-Disulfonic Acid, 2, 2'-ethene-1, 2-diylbis (5- aminobenzenesulfonic acid), Amsonic Acid and DSD Acid.

4. DASDA is a light yellow color powder/ cream, which is used in synthesis of dye stuffs, like optical brightening agents, fluorescent brightening agents, etc. The subject goods are classified under chapter heading 29215990, although reportedly being imported under a number of other tariff headings such as 29214290, 29215990 etc. However, the customs classification is indicative only and in no way binding on the scope of this investigation.

Domestic Industry Standing

5. The application has been filed by M/s Deepak Nitrite Ltd. on behalf of the domestic industry. As per the evidence available on record, the applicant accounts for a major proportion of the total domestic production of the subject goods

constituting more than 90% of Indian production. Apart from Deepak Nitrite Ltd, M/s J. B. Chemicals, M/s. Pranav Chemicals and M/s. Aishwarya Chemicals are reportedly producers of the subject goods as well. On the basis of available information the Authority notes that the applicant company constitutes a major proportion in Indian production. The Authority, therefore, determines that the applicant constitutes domestic industry within the meaning of the Rule 2 (b) and the application satisfies the criteria of standing in terms of Rule 5 (3) of the Rules supra.

Like Article

6. The applicant has claimed that the subject goods, which are being dumped into India, are like articles to the goods produced by the domestic industry. There are no differences either in the technical specifications, quality, functions or end-uses of the dumped imports and the domestically produced subject goods and the product under consideration manufactured by the applicant. The two are technically and commercially substitutable and hence be treated as 'like article' under the Rules. Therefore, for the purpose of the present investigation, the subject goods produced by the applicant in India are being treated as 'Like Article' to the subject goods being imported from the subject countries.

Country Involved

7. The country involved in the present investigation is People's Republic of China.

Normal Value

8. The applicant has claimed that China PR should be treated as a non-market economy and has determined normal value in accordance with Para 7 and 8 of Annexure I of the Rules. The applicant has proposed construction of the normal value on the basis of consumption norms of the applicant and procurement price as per applicant after adjusting for custom duty. Conversion cost has been claimed as incurred by the applicant. In terms of Para 8 in Annexure 1 to the Rules it is presumed that the producers of the subject goods in China PR are operating under non-market economy conditions. In view of the above non-market economy presumption and subject to rebuttal of the same by the responding exporters, normal value of the subject goods in China PR has been estimated in terms of Para 7 of Annexure 1 to the Rules.

Export Price

9. Export price of the subject goods from the subject country has been estimated by considering transaction-wise import data as provided

by the applicant from International Business Information Services. Price adjustments have been allowed on account of Ocean freight, marine insurance, commission, bank charges, handling charges, adjustment for VAT and port expenses etc. to arrive at the net export price. There is sufficient evidence of the export prices of the subject goods from the subject country to justify initiation of an antidumping investigation.

Dumping Margin

10. Normal value and export price have been compared at ex-factory level, which shows significant dumping margin in respect of the subject country. There is sufficient prima facie evidence that the normal value of the subject goods in the subject country is significantly higher than the ex-factory export price, indicating, prima facie, that the subject goods are being dumped into the Indian market by the exporters from the subject country. The dumping margins are estimated to be above *de minimis*.

Injury And Causal Link

11. The applicant has furnished evidence regarding the 'injury' having taken place as a result of the alleged dumping in the form of increased volume of dumped imports, price undercutting, price underselling, price suppression and decline in profitability, return on capital employed, cash flow etc. of the domestic industry. There is sufficient evidence of 'injury' being suffered by the domestic industry caused by dumped imports from the subject country to justify initiation of an antidumping investigation.

Period of Investigation

12. The period of investigation (POI) proposed by the applicant was 1st January 2011 to 31st December 2011 (12 months). However, for enabling the Authority to make required analysis on the basis of more updated data, the Authority hereby determines the POI as 1st January 2011 to 31st March 2012 (15 months). The injury investigation period will however cover the periods April 2008-March 2009, April 2009-March 2010, April 2010-March 2011 and the POI.

Submission of Information

13. The known exporters in the subject country and their Government through their Embassy in India, importers and users in India known to be concerned and the domestic industry are being informed separately to enable them to file all information relevant in the form and manner prescribed. Any other interested party may also make its submissions relevant to the investigation within the time-limit set out below and write to:

The Designated Authority
Directorate General of Anti Dumping & Allied Duties, Ministry of Commerce & Industry,
Department of Commerce,
Government of India,
Room No. 240, Udyog Bhavan,
New Delhi -110011.

Time Limit

14. Any information relating to the present investigation should be sent in writing so as to reach the Authority at the address mentioned above not later than 40 (forty) days from the

date of publication of this notification. The known exporters and importers, who are being addressed separately, are however required to submit the information within 40 (forty) days from the date of the letter addressed to them separately. If no information is received within the prescribed time limit or the submitted information is incomplete, the Designated Authority may record its findings on the basis of the facts available on record in accordance with the Rules. It may be noted that no request, whatsoever, shall be entertained for extension in the prescribed time limit.

Submission of Information on Non-Confidential Basis

15. In case confidentiality is claimed on any part of the questionnaire's response/submissions, the same must be submitted in two separate sets (a) marked as Confidential (with title, index, number of pages, etc.) and (b) other set marked as Non-Confidential (with title, index, number of pages, etc.). All the information supplied must be clearly marked as either "confidential" or "non-confidential" at the top of each page.

16. Information supplied without any mark shall be treated as non-confidential and the Authority shall be at liberty to allow the other interested parties to inspect any such non-confidential information. Two (2) copies each of the confidential version and the non-confidential version must be submitted.

17. For information claimed as confidential; the supplier of the information is required to provide a good cause statement along with the supplied information as to why such information cannot be disclosed and/or why summarization of such information is not possible.

18. The non-confidential version is required to be a replica of the confidential version with the confidential information preferably indexed or blanked out / summarized depending upon the information on which confidentiality is claimed. The non-confidential summary must be in sufficient detail to permit a reasonable understanding of the substance of the information furnished on confidential basis. However, in exceptional circumstances, party submitting the confidential information may indicate that such information is not susceptible of summary; a statement of reasons why summarization is not possible, must be provided to the satisfaction of the Authority.

19. The Authority may accept or reject the request for confidentiality on examination of the nature of the information submitted. If the Authority is satisfied that the request for confidentiality is not warranted or the supplier of the information is either unwilling to make the information public or to authorize its disclosure in generalized or summary form, it may disregard such information.

20. Any submission made without a meaningful non-confidential version thereof or without a good cause statement on the confidentiality claim may not be taken on record by the Authority. The Authority on being satisfied and accepting the need for confidentiality of the information provided; shall not disclose it to any party

without specific authorization of the party providing such confidential information.

Inspection of Public File

21. In terms of Rule 6(7), the Designated Authority maintains a public file. Any interested party may inspect the public file containing non-confidential version of the evidence submitted by the interested parties.

Consumer Packs of Branded Oil Export Prohibited, 10,000 tons Window Closed

Subject: Ban on export of edible oil in branded consumer packs.

09-Ntfn(RE) In exercise of the powers
01.08.2012 conferred by Section 5 of the
(DGFT) Foreign Trade (Development &
Regulation) Act, 1992 (No.22
of 1992) read with Para 2.1 of the Foreign Trade
Policy, 2009-2014 (as amended from time to
time), the Central Government hereby amends,
with immediate effect, Notification No. 77 dated
28.09.2011 read with Notification No. 85 dated
17.03.2008.

2. As per Para 4 of Notification No. 77 dated
28.09.2011, export of edible oils is permitted
only in branded consumer packs of upto 5 Kgs,
within a ceiling of 10,000 tons, for the period
01.11.2011 to 31.10.2012. Now, with immedi-

Non-Cooperation

22. In case any interested party refuses access to and otherwise does not provide necessary information within a reasonable period, or significantly impedes the investigation, the Authority may record its findings on the basis of the facts available to it and make such recommendations to the Central Government as deemed fit.

ate effect, even such export of edible oils is prohibited. Accordingly, Para 4 of Notification No. 77 dated 28.09.2011 stands withdrawn.

3. Transitional arrangements under para 1.5 of Foreign Trade Policy, 2009-14 will not be applicable. Export of the consignments handed over to the customs up to 24.00 hrs on 01.08.2012 will be permitted under para 9.12 of Handbook of Procedure.

4. Effect of this notification

(i) Export of edible oils in branded consumer packs has been prohibited.

(ii) Transitional arrangements under Para 1.5 of FTP shall not be applicable.

General Note for Fuel in Handbook of Procedures Amended to Harmonise with SION Entry C-593

Subject: Amendment in General Note for Fuel for the Product Group at Sl. No. 23.

13-PN(RE) In exercise of the powers
30.07.2012 conferred under Paragraph
(DGFT) 2.4 of the Foreign Trade
Policy, 2009- 2014 and

Paragraph 1.1 of Handbook of Procedures (Vol. 1), the Director General of Foreign Trade hereby makes the following amendment in the Handbook of Procedures, Vol. 2, 2009-2014.

2. The export product under SION C-593 was modified from "Carbon Steel Submerged Arc Welded Pipes as per API Grade/ASTM Grade or equivalent OR Hot Formed Steel Bends as per API, ASTM Grade or equivalent grade Degree: 0-180 Degree" to "Non Alloy/Alloy Steel Submerged Arc Welded Pipes as per API Grade/ASTM Grade or equivalent OR Hot Formed Steel Bends as per API, ASTM Grade or equivalent

grade Degree: 0-180 Degree" vide Public Notice No. 51/2010 dated 02.06.2011.

3. The General Note for fuel at Sl No. 23 in Handbook of Procedures, Vol. 2 (SION Book) continues to mention the export product as "Carbon Steel submerged Arc welded pipes coated/ uncoated" which was the description prior to amendment of SION C-593.

4. Accordingly, Sl No. 23 in the General Note for fuel is amended and will now read as under:-

"Non Alloy/Alloy Steel Submerged Arc Welded Pipes Coated/ Uncoated."

5. Effect of Public Notice

Description of Sl. No. 23 of General note for fuel in HBP Vol. II has been amended to harmonise it with SION C-593, as modified on 02.06.2011.

CBEC Asks Customs to give Wide Meaning to "Sports Goods" for Duty Free Import for National or International Matches

Subject: Clarification on the scope of exemption Notification No.146/94-Customs dated 13-07-1994.

21-CBEC I am directed to invite your
01.08.2012 attention to Notification No.
(DoR) 146/94-Customs dated
13.7.1994 wherein duty

concessions have been extended to certain specified sports goods, equipments and requisites.

2. The matter has been examined by the Board. From the wordings of the notification no. 146/64-Customs dated 13.07.1994, it is seen that the exemption covers two broad categories of goods. First category covering sports goods

required for training purposes by a sports person of outstanding eminence, which are listed in specified terms under each item or sport such as Archery, Athletics, Badminton etc. The second category being the goods that are described in general as 'sports goods, sports equipments and sports requisites' and their 'spares, accessories and consumables' for import by specified sports bodies for national or international completion/ championship.

3. In the second category of goods earlier Board has examined the scope of exemption for

'sports requisite' in the above said notification and clarified vide Circular No. 70/2002-Cus as follows:

"the exemption provided under Notification No. 146/94-Cus. is wide enough to include all kind of sports requisites falling within any chapter of the Customs Tariff and therefore, exemption may not be denied to such goods merely on a technical ground or taking a narrow meaning of the term sports requisite."

In view of this and since the notification covers all goods of the description specified therein and falling under any of the chapter of the first schedule, the issue of classification of imported item would not be relevant for the purpose of extending the exemption.

4. In view of the above, it is to clarify that the description of the goods exempted under S.No. 1(a) is "Sports goods, sports equipments and sports requisites" and under 1(b) is "spares, accessories and consumables of (a)", Hence, all types of goods, whether it is an equipment or simple item required for sport are covered under the category 1(a). It is also clear that the sport equipment covered here includes its spares,

accessories and consumables. Hence it could be concluded that the scope of coverage of goods under the category 'sports goods, sports equipment, sports requisites' is comprehensive. The said exemption entry is subject to specific conditions such as production of certificate from specified sports bodies/federations for its usage in National or International championship or competition and an undertaking from the importer that the said goods are required for the intended purpose of use. There is no distinction between mandatory or optional accessory for inclusion or exclusion in the exemption notification. Further there is no distinction between general purpose equipment or specialized equipment to the extent it is a sport equipment for extending the notification benefit. Apparently it excludes only those types of equipments which are general purpose machines.

5. Difficulties, if any, faced in the implementation of these instructions, may be immediately brought to the notice of the Board.

F.No. 528/16/2010-CUS(TU)

to be taxed under the exclusion sub- (iv) of clause (a) of section 66D of the Finance Act, 1994 i.e. support services by Government to business. Such services are liable to be taxed on reverse charge basis.

D. Treatment of supplies made by the employer to employees

8. A number of activities are carried out by the employers for the employees for a consideration. Such activities fall within the definition of "service" and are liable to be taxed unless specified in the Negative List or otherwise exempted.

9. One of the ingredients for the taxation is that such activity should be provided for consideration. Where the employees pays for such services or where the amount is deducted from the salary, there does not seem to be any doubt. However, in certain situations, such services may be provided against a portion of the salary foregone by the employee. Such activities will also be considered as having been made for a consideration and thus liable to tax. Cenvat credit for inputs and input services used to provide such services will be eligible under extant rules. The said goods or services would now not be construed to be for personal use or consumption of an employee per se and rather shall be a constituent to the taxable service provided to an employee. The status of the employee would be as a service recipient rather than as a mere employee when consuming such output service. The valuation of the service so provided by the employer to the employee shall be determined as per the extant rules in this regard.

10. However, any activity available to all the employees free of charge without any reduction from the emoluments shall not be considered as an activity for consideration and will thus remain outside the purview of the service tax liability (facilities like crèche, gymnasium or a health club which all employees may use without any charge or reduction from the salary will be outside the tax net). However the Cenvat credit for such inputs and input services will be guided by the extant rules.

11. Moreover, it would need to be seen whether the services provided by the employer are otherwise covered by the Negative List or exempt. For example, the services of food and catering provided by the employer in a canteen would normally fall outside the tax net unless such canteen has both the facility of air-conditioning as well as license to serve liquor (S. No. 19 of the Mega exemption). Likewise, services provided by way of guest house will also not be liable to tax if the tariff for such unit of accommodation is below Rs.1000 per day or equivalent (S. No. 18 of the Mega exemption). Similarly, services of telephone and motorcar for personal use will be covered by the service tax.

E. Treatment of reimbursements made by the employer to the employee.

12. Provision of service by an employee to the employer in the course of or in relation to his employment is excluded from the definition of the "service". Thus reimbursements of expen-

Draft Service Tax Circular on Staff Benefits and Employment Transactions

[Service Tax Draft Circular dated 27th July 2012]

Subject: Draft Circular on leviability of service tax on staff benefits and employment related transactions.

Subsequent to the operationalisation of the Negative List, a number of issues have been raised in relation to the manpower supply or the services provided by the directors of a company or by the employer to the employees. These issues have been examined and are proposed to be clarified as follows:

A. Scope of manpower supply

2. After the operationalisation of the Negative List, the erstwhile definition of the manpower recruitment or supply agency is no more applicable. Thus, the words manpower supply would have to be given their natural meaning. The manpower supply is understood to mean when one person provides another person with the use of one or more individuals who are contractually employed or otherwise engaged by the first person. The essence of the employment should be that the individuals should be employed by the provider of the service and not by the recipient of the service.

3. There could be certain contracts in which such manpower is made available to execute another independent contract by the service provider. For example, a person may agree to carry out construction or a manufacture for another in which certain manpower may be engaged. As long as such manpower is not placed operationally under the superintendence or control of the recipient, it shall not be a case of manpower supply, though it will continue to be judged independently whether it comprises any other taxable service.

4. There are also cases of secondment whereby certain staff belonging to an organization is placed at the disposal of a subsidiary company or any other associate company.

Such cases will be covered by the definition of manpower supply as the contractual employment continues to be with the parent company.

B. Joint Employment

5. There can also be cases where staff is employed by one or more employers who normally share the cost of such employment. The services provided by such employee will be covered by the exclusion provided in the definition of service. However, if the staff has been engaged by one employer and only made available to other for a consideration, it shall not be a case of joint employment.

6. Another arrangement could be where one entity pays the salary and other expenses of the staff on behalf of other joint employers which are later recouped from the other employers on an agreed basis on actuals. Such recoveries will not be liable to service tax as it is merely a case of cost reimbursement.

C. Directors

7. Services of a director on the board of a company have now become taxable. A director may be appointed either in an individual capacity or to represent an entity (including government) who has either invested in the company or is otherwise authorized to nominate a director. When a director receives payment in his personal capacity, the same is liable to be taxed in the hands of the director. However, where the fee is charged by the entity appointing the director and is paid to such entity, the services shall be deemed to be supplied by such an entity and not by the individual director. Thus in the case of Govt. nominees, the services shall be deemed to be provided by the Govt. and liable

diture incurred on behalf of the employer in course of employment would not amount to a "service" per se and hence are non-taxable.

F. Treatment of supplies and reimbursements made by the employer to ex-employees/ pensioners.

13. The supplies made by the employer to the ex-employees or pensioners will be of same status as those to an employee and thus would accordingly attract taxability as per discussion in D above. The reimbursements to pensioners will also be treated at par with those of current

employees when such reimbursements arise out of the initial employment contract or are in relation to that employment.

14. Chambers, trade, industry and field formations are requested to go through the draft Circular and offer their comments, views and suggestions. It is requested that comments, views and suggestions on the same may be forwarded to the undersigned on or before 24th August 2012. The same may also be emailed to shobhit.jain@nic.in

F.No 354/127/2012-TRU

RBI Allows Exporters to Cancel and Rebook Forex Forward Contract to the Extent of 25 percent of Contracts for Hedging Contracted Export Exposures

Subject: Risk Management and Inter Bank Dealings

AP(DIR Srs) Attention of Authorised
Cir.13 Dealers Category-I (AD
31.07.2012 Category-I) banks is invited to
(RBI) the Foreign Exchange
Management (Foreign

Exchange Derivative Contracts) Regulations, 2000 dated May 3, 2000 (Notification No. FEMA/ 25/RB-2000 dated May 3, 2000) as amended from time to time and A.P. (DIR Series) Circular No. 58 dated December 15, 2011.

2. Under extant regulations, the facility of cancellation and rebooking is not permitted for forward contracts, involving Rupee as one of the currencies, booked by residents to hedge current and capital account transactions. In order to provide some operational flexibility to the exporters in their hedging operations, the extant regulations have been reviewed. Accordingly, it has been decided to allow exporters to cancel and rebook forward contracts to the extent of 25 percent of the contracts booked in a financial year for hedging their contracted export exposures.

3. Under extant regulations, Net Overnight Open Position Limit (NOOPL), for positions in-

volving Rupee as one of the currencies, of AD Category-I banks takes into account the open positions of the overseas branches of the banks in India. Further, AD Category-I banks also include the delta of the Options Position under NOOPL. On a review, so as to provide some flexibility to them in managing their NOOPL, it has been decided to permit AD Category I banks to exclude their Net Options Position and the positions taken by the overseas branches from their NOOPL, for positions involving Rupee as one of the currencies. Accordingly, limits for such positions, within the overall NOOPL, may be separately fixed by the respective bank's board and communicated to the Reserve Bank for approval.

4. AD Category-I banks may bring the contents of this circular to the notice of their constituents and customers.

5. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/ approvals, if any, required under any other law.

No Going Back on Compounding Procedure in Forex Violation, says RBI

Subject: Foreign Exchange Management Act, 1999 (FEMA)- Compounding of Contraventions under FEMA, 1999

AP(DIR Srs) Attention of all the Authorised
Cir.11 Dealer Category - I (AD
31.07.2012 Category - I) banks and their
(RBI) constituents is invited to A.P.
(DIR Series) Circular no. 56

dated June 28, 2010, and the subsequent Press Release dated August 13, 2010, clarifying the position on 'technical' contravention and subsequent compounding thereof.

2. In this connection, it is clarified that whenever a contravention is identified by the Reserve Bank or brought to its notice by the entity involved in contravention by way of a reference other than through the prescribed application for compounding, the Bank will continue to decide (i) whether a contravention is technical and/or minor in nature and, as such, can be dealt with by way of an administrative/ cautionary advice; (ii) whether it is material and, hence, is required to be compounded for which the nec-

essary compounding procedure has to be followed or (iii) whether the issues involved are sensitive / serious in nature and, therefore, need to be referred to the Directorate of Enforcement (DOE). However, once a compounding application is filed by the concerned entity suo moto, admitting the contravention, the same will not be considered as 'technical' or 'minor' in nature and the compounding process shall be initiated in terms of section 15 (1) of Foreign Exchange Management Act, 1999 read with Rule 9 of Foreign Exchange (Compounding Proceedings) Rules, 2000.

3. Authorised Dealers may bring the contents of this circular to the notice of their constituents and customers concerned.

4. The directions contained in this circular have been issued under sections 10 (4) and 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

RBI Gives Respite to EEFC Accounts, Full Credit Allowed subject to Rupee Conversion in One Month

Subject: Exchange Earner's Foreign Currency (EEFC) Account, Diamond Dollar Account (DDA) & Resident Foreign Currency (RFC) Account - Review of Guidelines

AP(DIR Srs) Attention of the Authorised
Cir.12 Dealer (AD) Category - I
31.07.2012 banks is invited to A.P. (DIR
(RBI) Series) Circular No.15
dated November 30, 2006

in terms of which all foreign exchange earners were permitted to retain 100% of their foreign exchange earnings in EEFC account with any AD in India. Subsequently, in terms of A.P. (DIR Series) Circular No. 124 dated May 10, 2012, it was stipulated, inter alia, that in respect of all future foreign exchange earnings, an exchange earner will be eligible to retain only 50% of her/his export earnings in EEFC accounts and the balance 50% shall be surrendered for conversion to rupee balances. This provision was, made applicable, mutatis mutandis, to Diamond Dollar Account and Resident Foreign Currency (RFC) Account as well. Further, in terms of A.P. (DIR Series) Circular No. 8 dated July 18, 2012, the RFC accounts were subsequently taken out of the purview of the provisions of the aforesaid Circular dated May 10, 2012.

2. For operational convenience, the regulations have been reviewed. It has now been decided to restore the erstwhile stipulation of allowing credit of 100% foreign exchange earnings to the EEFC account subject to the condition that the sum total of the accruals in the account during a calendar month should be converted into Rupees on or before the last day of the succeeding calendar month after adjusting for utilization of the balances for approved purposes or forward commitments. Accordingly, balances outstanding in an EEFC account as on July 31, 2012 and those balances that would accrue in the account with effect from August 1, 2012 shall get converted to Rupee balances on or before close of business on September 30, 2012. Similar procedure may be followed for accruals during the subsequent months.

3. The above stipulations would also apply to RFC (Domestic) and Diamond Dollar accounts.

4. All other terms and conditions stipulated in the Circulars referred to above remain unchanged.

5. AD Category - I banks may bring the contents of this circular to the notice of their constituent and customers concerned.

6. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

RBD Palmolein Tariff Value Up by US\$569/MT Tariff Value on Gold and Silver Hiked

66-Cus(NT) In exercise of the powers conferred by sub-section 31.07.2012 (2) of section 14 of the Customs Act, 1962 (52 of (DoR) 1962), the Central Board of Excise & Customs, being satisfied that it is necessary and expedient so to do, hereby makes the following amendment in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 36/2001-Customs (N.T.), dated the 3rd August, 2001, published in the Gazette of India, Extraordinary, Part-II, Section-3, Sub-section (ii), vide number S. O. 748 (E), dated the 3rd August, 2001, namely:-

In the said notification, for TABLE-1 and TABLE-2, the following Tables shall be substituted namely:-

"Table-1

S.No.	Chapter/ heading/ sub-heading/ tariff item	Description of goods	Tariff Value US \$ (Per Metric Tonne)
(1)	(2)	(3)	(4)
1	1511 10 00	Crude Palm Oil	447 (i.e. no change)
2	1511 90 10	RBD Palm Oil	476 (i.e. no change)
3	1511 90 90	Others – Palm Oil	462 (i.e. no change)
4	1511 10 00	Crude Palmolein	481 (i.e. no change)
5	1511 90 20	RBD Palmolein	1053
6	1511 90 90	Others – Palmolein	483 (i.e. no change)
7	1507 10 00	Crude Soyabean Oil	580 (i.e. no change)
8	7404 00 22	Brass Scrap (all grades)	4044
9	1207 91 00	Poppy seeds	5611 (i.e. no change)

Table-2

S.No.	Chapter/ heading/ sub-heading/tariff item	Description of goods	Tariff value (US\$)
(1)	(2)	(3)	(4)
1	71 or 98	Gold, in any form, in respect of which the benefit of entries at serial number 321 and 323 of the Notification No. 12/2012-Customs dated 17.03.2012 is availed	526 per 10 grams
2	71 or 98	Silver, in any form, in respect of which the benefit of entries at serial number 322 and 324 of the Notification No. 12/2012-Customs dated 17.03.2012 is availed	898 per kilogram"

[F. No. 467/01/2012-Cus.V Pt.I]

Cont'd..162

While Iran's threats to disrupt the flow of oil through the Persian Gulf sent crude to a three-year high in March, increased production from Saudi Arabia, a U.S. output boom and the slowing global economy have left prices 1.3 percent lower in 2012. That's helping Obama avoid steeper domestic fuel costs before the November presidential election. Iran has to contend with a weakening currency and rising unemployment.

Brent oil has dropped 4.2 percent to \$105.97 a barrel since Jan. 23, when European Union ministers approved a ban on the purchase and insurance of Iranian oil. The U.S. is paying 4.6 percent less than a year ago for imported crude as domestic fields produce the most in 13 years, driving stockpiles to all-time highs, Energy Department data show.

Crude futures in London rose as high as \$128.40 on March 1, an advance of 20 percent for the year, after Iranian officials threatened to order the closing of the Strait of Hormuz. The Gulf waterway, 21 miles wide (34 kilometers) at its narrowest, is a conduit for 20 percent of the world's traded oil, according to the Washington-based Energy Information Administration.

Saudi Production

Prices retreated as Saudi Arabia boosted output. The Organization of Petroleum Exporting Countries' biggest producer is pumping more than 10

BIG's Weekly Index of Changes No 20/08-14 August 2012

Exchange Rates for Customs Valuation

Rupee Rate for Customs Valuation Falls to Rs. 55.85 on Imports w.e.f. 2 August

67-Cus(NT) In exercise of the powers conferred by section 14 of 01.08.2012 the Customs Act, 1962 (52 of 1962), and in super (DoR) session of the notification of the Government of India in the Ministry of Finance (Department of Revenue) No. 61/2012-CUSTOMS (N.T.), dated the 19th July, 2012 vide number S.O.1609 (E), dated the 19th July, 2012, except as respects things done or omitted to be done before such super session, the Central Board of Excise and Customs hereby determines that the rate of exchange of conversion of each of the foreign currency specified in column (2) of each of Schedule I and Schedule II annexed hereto into Indian currency or vice versa shall, **with effect from 2nd August, 2012** be the rate mentioned against it in the corresponding entry in column (3) thereof, for the purpose of the said section, relating to imported and export goods.

SNo.	Currency	Imprted Goods		Exported Goods	
		Current	Previous	Current	Previous
Schedule I – Rate of exchange of one unit of foreign currency equivalent to Indian rupees					
1.	Australian Dollar	59.05	57.40	57.60	56.05
2.	Bahrain Dinar	151.10	150.15	143.05	142.15
3.	Canadian Dollar	55.95	55.05	54.75	53.70
4.	Danish Kroner	9.30	9.20	9.05	8.95
5.	EURO	68.80	68.40	67.25	66.80
6.	Hong Kong Dollar	7.20	7.15	7.10	7.05
7.	Kenya Shilling	67.65	67.30	63.80	63.35
8.	Kuwait Dinar	202.30	201.30	191.05	189.85
9.	Newzeland Dollar	45.50	44.40	44.40	43.30
10.	Norwegian Kroner	9.30	9.20	9.05	8.90
11.	Pound Sterling	88.05	87.10	86.25	85.25
12.	Singapore Dollar	44.95	44.20	44.00	43.20
13.	South African Rand	7.00	6.95	6.60	6.55
14.	Saudi Arabian Riyal	15.20	15.10	14.40	14.30
15.	Swedish Kroner	8.30	8.05	8.05	7.80
16.	Swiss Franc	57.40	57.05	56.00	55.65
17.	UAE Dirham	15.50	15.40	14.70	14.60
18.	US Dollar	55.85	55.50	55.00	54.65

Schedule II – Rate of exchange of 100 units of foreign currency equivalent to Indian rupees

1.	Japanese Yen	71.80	70.55	70.00	68.80
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[F.No.468/14/2012-Cus.V]

million barrels a day, the most in three decades and 22 percent more than at the end of 2010, according to the International Energy Agency. The Paris-based adviser to the world's biggest industrialized economies cut its forecast for global oil use four times this year, to 89.9 million barrels a day.

Iran is exporting 1.1 million barrels a day of oil, down from an average of 2.3 million in 2011. The lost sales are valued at \$133 million a day, based on the 2012 average price of \$110.60 a barrel for Iran Heavy crude in Asia.

Daily output fell 9.5 percent in July to 2.86 million barrels, the lowest level since February 1990, a survey showed last month. Iran dropped to third among OPEC's biggest producers, after holding the No. 2 spot since May 2000.

Struggling Economy

Prices of meat, rice and bread have spiraled in Iran as the rial lost a third of its value against the dollar on the open market since November. Inflation accelerated to 22.4 percent in the 12 months through June 20, according to the central bank. Unemployment reached 13.5 percent in March, the Shargh newspaper reported, citing figures from the national statistics bureau. The jobless rate was 11.9 percent in 2010, according to the International Monetary Fund.

Economic growth will slow this year to 0.4 percent, from 2 percent in 2011, the IMF said July 16. Gross domestic product is expected to

accelerate to 1.3 percent in 2013, with unemployment set to rise over the two next years, according to IMF forecasts.

The international sanctions are “the harshest ever imposed on a country,” Ahmadinejad said on July 3. Oil accounts for half of Iran’s government revenue, according to the EIA.

Cutting Access

U.S. and EU sanctions have a global reach, thwarting financial transactions with Iran’s state entities and blocking insurance for oil shipments to Asia, the biggest market for Iranian crude. A U.S. law that took effect June 28 threatens to cut access to dollars for any foreign bank settling oil trades with Iran. China, Japan, India and 17 other countries received renewable 180-day waivers for reducing imports.

Obama announced an executive order on July 31 extending sanctions to buying Iranian petrochemical products, providing material support

to the National Iranian Oil Co. or Central Bank of Iran, and acquiring U.S. bank notes or precious metals by Iran’s government. The Treasury Department also said the Bank of Kunlun in China and Iraq’s Elaf Islamic Bank (BELF) helped Iranian firms conduct transactions worth millions of dollars and blocked the offenders from the U.S. financial system.

Congress is set to give final approval to legislation aimed at preventing Iran from repatriating oil revenue, with measures against everything from conducting oil-for-gold swaps with the country to helping it mine uranium.

Hinging on China

China, Iran’s biggest customer and an opponent of sanctions, imported more crude from the Islamic republic in June than it did on average in 2011. The world’s second-largest oil consumer hasn’t sent any tankers since July 1, and the government in Beijing hasn’t said if it will insure

cargoes.

India, the third-biggest buyer of Iranian oil before the sanctions took effect, will start offering state-backed insurance to tankers carrying the crude. Insurers have agreed to give as much as \$100 million of cover per voyage, Shipping Corp. of India’s chairman, Sabyasachi Hajara, said without giving a timeframe. Japan, the second largest customer, is already providing sovereign guarantees and was scheduled to load a second cargo backed by the state last week.

Nuclear Enrichment

The U.S. and Europe are pressuring Iran to stop a nuclear program they say is aimed at developing arms. The International Atomic Energy Agency says it has evidence the country studied making nuclear weapons, for which Iran would need uranium enriched to 90 percent. The nation defends what it calls its right to process uranium, after achieving 20 percent enrichment for the first time in 2010. The government says it needs atomic capabilities for energy and medical purposes.

Iranian Supreme Leader Ayatollah Ali Khamenei said July 24 that the country won’t bow to foreign pressure or sanctions, according to Fars.

Gol Offers Sovereign Guarantee to Iran Oil Insurers

India, the third-biggest buyer of Iranian oil, will offer state-backed insurance to tankers, helping the nation’s biggest sea carrier to resume cargoes from the Persian Gulf nation hit by international trade sanctions.

Shipping Corp. of India will soon start services to Iran as Indian insurers have agreed to give as much as \$100 million of cover per voyage, Chairman Sabyasachi Hajara said without specifying a timeframe. Prior to the sanctions, European companies provided unlimited protection against risks including oil spills and collisions, he said.

The resumption of services will help Mangalore Refinery & Petrochemicals Ltd. (MRPL), India’s biggest buyer of Iranian crude, and other state processors secure supplies after European Union measures disrupted trade. The sanctions, prompted by Iran’s nuclear plans, also affect shipments to China, Japan and South Korea as 95 percent of oil tankers are insured by the 13 members of London-based International Group of P&I Clubs.

Mangalore Refinery halted purchases from Iran after the sanctions made it impossible to get ships to carry the crude, Managing Director P.P. Upadhyaya said last week. That prompted the company to buy more of its requirements from the spot market where prices are typically higher.

Iran was the fourth-biggest supplier of crude to the South Asian nation in the year ended in March, according to the Associated Chambers of Commerce and Industry of India. The country purchased about 18 million tons of Iranian oil, the New Delhi-based lobby group said on May 8.

WORLDTRADE SCANNER		
StanChart Faces Suspension over Iran Sanctions		161
Rice Hoard Offers Low Price as Drought Fears Shake World		162
Iran Loses \$133mn a Day on Embargo as Oil Buys Obama		162
FDI from Pakistan Allowed under Government Route		162
Gol Offers Sovereign Guarantee to Iran Oil Insurers		168
BIG's WEEKLY INDEX OF CHANGES		
Foreign Trade Policy		
09-Ntfn(RE)/01.08.12	Consumer Packs of Branded Oil Export Prohibited, 10,000 tons Window Closed	164
13-PN(RE)/30.07.2012	General Note for Fuel in Handbook of Procedures Amended to Harmonise with SION Entry C-593	164
Customs		
14/1/2012-DGAD/26.07.2012	DGAD Initiates Investigation on 4, 4 Diamini Stilbene 2, 2 Disulphonic Acid (DASDA) from China on Complaint of Major Producer Deepak Nitrite	163
66-Cus(NT)/31.07.12	RBD Palmolein Tariff Value Up by US\$569/MT	167
67-Cus(NT)/01.08.12	Exchange Rates for Customs Valuation - Imports and Exports	167
CBEC Circulars		
21-CBEC/01.08.2012	CBEC Asks Customs to give Wide Meaning to “Sports Goods” for Duty Free Import for National or International Matches	164
Service Tax		
Draft Cir./27.07.2012	Draft Service Tax Circular on Staff Benefits and Employment Transactions	165
RBI Circulars [AP (DIR Series)]		
Cir.11/31.07.2012	RBI Gives Respite to EEFC Accounts, Full Credit Allowed subject to Rupee Conversion in One Month	166
Cir.12/31.07.2012	No Going Back on Compounding Procedure in Forex Violation, says RBI	166
Cir.13/31.07.2012	RBI Allows Exporters to Cancel and Rebook Forex Forward Contract to the Extent of 25 percent of Contracts for Hedging Contracted Export Exposures	166

Dollar-Rupee Rate at NSE Futures

Trade Date	Open Price	High Price	Low Price	Close Price	Daily Settlement Price	Open Interest	No. of Contracts	Value (Rs. lakhs)	RBI Reference rate
07-Aug-12	55.5400	55.6850	55.2525	55.2750	55.2750	1469469	2169647	1203199	55.4995
06-Aug-12	55.6925	55.8500	55.5075	55.7175	55.7175	1423277	1826647	1016994	55.4730
03-Aug-12	56.4025	56.4725	55.9850	56.0825	56.0825	1466622	1758797	989577	56.0845
02-Aug-12	55.9500	56.1675	55.8625	56.1350	56.1350	1498721	1491181	835261	55.7765

[Source: NSE and RBI Website]

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