

RBI announces timelines for regulatory approvals



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On 23 June, the Reserve Bank of India (RBI) released timelines within which its approval could be expected for matters such as licences for private banks, the issuance of licences to non-banking financial companies and external commercial borrowings not covered under the automatic route. In parallel, the RBI also placed a “Citizens’ Charter” on its website, providing timelines within which various departments would be able to provide services for matters such as permission for waiver of forms for exports and overseas investment not covered under the automatic route.

The timelines provided vary from seven days for trade credits under the approval route, to 180 days for compounding of contraventions under India’s Foreign Exchange Management Act, 1999, i.e. reaching a settlement. The issuance of these timelines is due to the implementation of one of the non-legislative recommendations of the report of the Financial Sector Legislative Reforms Commission (FSLRC).

The FSLRC was constituted under the chairmanship of retired Supreme Court justice BN Shrikrishna, to comprehensively “review, rewrite and clean up” the laws governing India’s financial system “to bring them in tune with current requirements”. The FSLRC submitted its report to the central government in March 2013.

While there has been considerable debate about the recommendations of the FSLRC and their implementation, the Ministry of Finance has been keen to implement the non-legislative recommendations of the FSLRC, so as to address any gaps in the prevailing regulatory structure. One of the non-legislative recommendations was that all financial sector regulators should move to a time-bound approvals process for providing permissions to conduct

business as well as for the launch of new products and services.

In a press release dated 10 January 2014, the ministry stated that it had decided that financial sector regulators “may voluntarily adopt the governance enhancing recommendations within a reasonably proximate timeframe”. To facilitate this, the ministry also prepared and made available a guidance handbook, which includes “governance enhancing provisions/recommendations, their rationale, suitable examples of global good governance practices and guidance on implementation”, along with recommendations on issues such as a timeline for regulations on consumer protection, requirements for framing regulations, notices to regulated entities, transparency, reporting, approvals, investigation, adjudication, imposition of penalties and capacity building.

Unfortunate caveats?

The RBI’s press release on the timelines for regulatory approvals and the Citizens’ Charter, which is on the RBI’s website, mentions two crucial caveats: (a) the timelines provided are indicative, and (b) if the relevant department of the RBI is likely to exceed the prescribed timeline, then it will inform the applicant. These caveats could have a deflating effect on what is otherwise a laudable effort on the part of the RBI – the RBI’s adherence to the prescribed timelines will be closely watched.

The press release also states that if the applicant does not receive a response within the indicated timeline, it can approach the head of the relevant department of the RBI, who will respond with the status of the application, the reason for delay, and the likely time for disposal of the application. If additional information from the applicant is required, this can be requested by the concerned head

of the relevant department.

To improve India’s image as a favoured foreign investment destination, the government and various financial sector regulators are endeavouring to improve accountability and to put forward a more “consistent” image of the practice and implementation of Indian laws. In the World Bank’s *Doing Business 2014* publication, India is ranked an abysmal 134th out of 189 economies, a decline from 131th in 2013.

Until the release of the timelines by the RBI, answers to queries from foreign investors on when the RBI could be expected to provide its response on routine applications would be based on anecdotal evidence at best. The announcement of timelines for regulatory approvals will go a long distance in providing foreign investors “visibility” about when the RBI may be expected to provide its response to applications submitted to it. These steps are crucial in the overall effort to improve India’s image as an investment destination.

The release of the timelines for regulatory approvals and the Citizens’ Charter are commendable steps by the RBI in its efforts to improve governance and accountability at its end. Due to its status as the “pre-eminent” regulator amongst India’s financial sector regulators, other financial sector regulators would be expected to emulate the RBI’s effort and release timelines for various applications submitted to them.

Notably, the Insurance Regulatory and Development Authority, the regulator of India’s insurance sector, also constituted a committee in January 2014 to implement the non-legislative recommendations of the FSLRC.

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