

# On India-US table: Locking in duty-free e-transmissions

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New Delhi has committed to negotiating bilateral digital trade rules under the India-United States interim trade agreement, including provisions to prevent the imposition of Customs duties on ecommerce electronic transmissions, according to a White House fact sheet.

The fact sheet, released on Tuesday (India time), also said that India would scrap its digital services tax.

“India will remove its digital services taxes and (has) committed to negotiate a robust set of bilateral digital trade rules that address discriminatory or burden-

some practices and other barriers to digital trade, including rules that prohibit the imposition of customs duties on electronic transmissions,” it said.

Under a World Trade Organisation (WTO) moratorium, countries do not levy

Customs duties on cross-border e-commerce transactions such as the download of software, e-books and similar products. For close to two decades, WTO member nations have extended this temporary measure every two years at

ministerial conferences. Developing countries, including India, have argued for policy space to impose Customs duties on electronic transmissions, maintaining that the moratorium has adversely affected revenue collections.

Turn to Page 14 ▶



## PAGE 8

### US relaxes tariffs on imports from B'desh to 19%

Bangladesh has secured a reduced 19 per cent tariff under a trade agreement with the United States that would exempt some textiles and garments manufactured with US materials, interim government chief Muhammad Yunus said.

## PAGE 4

- US-Bangladesh pact to put India's textile exports in a spot
- 'One-sided': Opposition MPs flag concerns over trade deal

## DATANOMICS

- \$500 bn import target looks ambitious

# Sebi may tighten rules to monitor IPO proceeds

To address these gaps, Sebi's expert group has proposed allowing monitoring agencies to submit their reports directly to stock exchanges within the stipulated 45-day window, bypassing the issuer. The proposal is aimed at ensuring timely disclosures and reducing the scope for interference by listed entities.

Separately, the regulator is considering tougher action against companies that do not cooperate with monitoring agencies. Under the existing framework, a listed company can be fined ₹50,000 for non-cooperation. If such behaviour continues, Sebi may initiate further regulatory action, the sources said. Monitoring agency reports typically track the deployment of funds against the stated objects of the issue. A company's board and senior management are required to provide formal comments on the findings, and the disclosures must be made public on the company's website and through stock exchange filings. For SME IPOs, Sebi has lowered the threshold for appointing a

monitoring agency to ₹50 crore, with effect from March 2025.

Recent data suggest the impact on large issuers may be limited. Only three mainboard IPOs last year had a fresh issue size of less than ₹100 crore. However, investment bankers said that of the more than 200 IPO filings made during the calendar year 2025, a sizeable number of companies could be looking to raise less than ₹100 crore through fresh issues.

In an IPO, the total issue size can comprise a fresh issue, an offer for sale, or a combination of both. While proceeds from an offer for sale accrue to selling shareholders, funds raised through a fresh issue go to the company and are intended to be deployed for stated purposes such as expansion, debt repayment or working capital.

In 2025, 103 companies raised ₹1.75 trillion through mainboard IPOs, of which ₹64,419 crore, about 37 per cent, came from fresh issues. The reliance on fresh capital was even more pronounced among smaller firms.

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More recently, however, Indonesia agreed under a bilateral trade deal with the US "to support a permanent moratorium on Customs duties on electronic transmissions at the WTO immediately and without conditions".

A trade expert said if New Delhi is prepared to prohibit the imposition of Customs duties on electronic transmissions, other trading partners, includ-

ing the European Union (EU) under the recently finalised trade deal, will seek similar commitments. India's negotiating leverage at the WTO on the issue would also weaken, the expert added. The commerce and industry ministry did not respond to queries emailed by *Business Standard* until the time of going to press.

While India has scrapped the 6 per cent digital services

tax, or equalisation levy, on online advertising services provided by foreign companies from April 1, 2025, to address Washington's concerns, trade economist Biswajit Dhar said the US statement could imply a commitment from India that it will not reintroduce such a levy in the future. The White House fact sheet was released against the backdrop of India and the US issuing a joint statement on Saturday announcing the finalisation of a framework for an interim trade agreement.

The US removed a 25 per cent punitive tariff imposed on India "in recognition of India's commitment to stop purchasing Russian Federation oil". A reciprocal tariff on India will be further lowered to 18 per cent and is expected to come into effect soon. The joint statement shared limited details on digital trade. According to the statement, both countries

committed to addressing "discriminatory or burdensome practices and other barriers to digital trade" and to setting "a clear pathway to achieve robust, ambitious, and mutually beneficial digital trade rules as part of the BTA".

Further, in line with the roadmap outlined in the terms of reference for the bilateral trade agreement (BTA) finalised in March last year, both countries have agreed to continue negotiations to address the remaining tariff barriers, additional non-tariff barriers, technical barriers to trade, customs and trade facilitation, good regulatory practices, trade remedies, services and investment, intellectual property, labour, environment, government procurement, and trade-distorting or unfair practices of state-owned enterprises, the fact sheet said.

## Banks reap windfall from surplus liquidity arbitrage

The weighted average Trep rate, which was above 5 per cent in the final week of January, declined to 4.4 per cent on Tuesday, after closing at 4.27 per cent on Monday.

Liquidity surplus in the banking system, measured by funds parked by banks under the liquidity adjustment facility (LAF), has exceeded ₹3 trillion. The SDF rate, fixed at 25 basis points below the policy repo rate, stands at 5 per cent.

Banks placed a record ₹5.3 trillion in the SDF on Friday, followed by ₹4.5 trillion on Monday, according to RBI data. The banking system is flush with liquidity due to government spending, bond purchases by the central bank, and dollar-rupee buy-sell swap operations. "The large amount parked in the SDF is due to surplus liquidity in the system. Additionally, some banks may be borrowing at lower rates in the Trep market and parking those funds in the SDF to cap-

ture the spread," said a dealer at a primary dealership.

The RBI's decision to allow overnight rates to soften is also exerting downward pressure on certificate of deposit (CD) rates. The one-month CD rate has declined by 51 basis points in February so far, while the three-month CD rate has fallen by 26 basis points over the same period. Six-month and 12-month CD rates have softened by 13 basis points and 15 basis points, respectively.

"The crash in money market rates has trickled to CD rates, which appears to be a deliberate effort," said a market participant. "Banks need deposits, given that credit off-take is typically high in the final quarter."

With the SDF rate at 5 per cent and the Trep rate trading closer to 4.40 per cent, the RBI is allowing overnight rates to ease, a move that is helping compress term premia at the short end of the yield curve, particularly in