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IIBF VISION

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Top Stories

RBI announces third quarter review of Annual Monetary Policy

The Reserve Bank of India (RBI), while keeping key policy rates unchanged, has put the onus of further reduction in interest rates on banks. Most lenders indicated that any such decision will be linked to a fall in the cost of funds. However, two banks did immediately announce a reduction in the rates *viz.*, UCO Bank, which announced plans to lower lending rates 50 basis points (bps) and Lakshmi Vilas Bank, which said it will lower its prime lending rate by 25 bps to 15.25% w.e.f February 7, 2009. Deposit rates will be lowered by 50-150 bps across maturities. RBI Governor Dr. D. Subbarao's statement on the third-quarter review of Monetary Policy has emphasized the scope for further rate cuts by banks and avers that the full impact of the measures announced by RBI in the last four months will be felt over the next few months.

Rs.20,000 crore boost for public sector banks

The government will be taking up the recapitalization of half-a-dozen public sector banks (PSBs) during the next financial year; followed by more banks across 2010-11. According to the finance ministry, the combined cost of recapitalization is expected to be around Rs.20,000 crore. The ministry has already asked all PSBs to assess their capital requirement for the next two years and explain how they intend to raise funds. "Recapitalization is hoped to ensure that the banking system does not suffer from capital adequacy constraints - in order to provide the credit growth to sustain the economic momentum in 2009-10".

HDFC Bank has more branches

HDFC Bank, which added 658 branches last year, has overtaken ICICI Bank in terms of branch network. HDFC Bank now has a nation-wide network of 1,412 branches spread across 528 towns and cities. ICICI Bank,

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Knowledge

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the largest player in terms of asset and capitalization, presently has a network of 1,400 branches and has already got permission to open another 587 branches. HDFC bank has almost doubled its branch network last year through organic as well as inorganic growth route. Last year, it acquired Centurion Bank of Punjab leading to the integration of 404 branches, while opening 254 new branches of its own.

ICICI Bank cuts lending, home loan rates by 50 bps

ICICI Bank has made a 50 bps cut - from 14.25% to 13.75% - in its floating reference rate for home loans with immediate effect. This cut will apply to all existing and new home and auto loan borrowers. Following the cut, the floating rates for home loans above Rs.20 lakh is 12.5% and for loans up to Rs.20 lakh is 11%. The floating rate for auto loans is 14.5%.

HDFC Bank net climbs 45% to Rs.622 crore

Bolstered by fee as well as interest income, the net profit of HDFC Bank, in Q2 2008-09 has increased by 44.80% (*vis-à-vis* its net profit for the corresponding period in the year 2007) to Rs.621.74 crore, after providing Rs.304.60 crore for taxation. However, HDFC Bank's network in the last financial year did not include the branches of Centurion Bank of Punjab (CBoP). The gross profit and total income of the bank grew by 36.73% and 58.80% to Rs.1458.08 crore and Rs.5,407.90 crore respectively on quarter-on-quarter basis.

Dollar Swap line facility utilization is low at \$1.04 billion

Indian banks with overseas branches and subsidiaries have utilized dollar swap lines aggregating to only \$1.04 billion as on January 7, 2009 as against the limit of \$10 billion announced by RBI in November, 2008. Market players attribute the not-so-encouraging response from banks to the 'buy-sell' swap transaction in the forex market being cheaper as compared to RBI's swap line. In order to provide flexibility to Indian banks in managing their short-term funding requirements at their overseas offices, the RBI, in November 2008, decided to provide forex liquidity to Indian public and private sector banks having foreign branches or subsidiaries, through forex swaps of tenors up to three months.

Indian Bank starts counselling centre

Indian Bank has established its first financial literacy and credit counselling centre (FLCC) at Dharmapuri in Tamil Nadu to educate people on various financial products and services. The bank had recently instituted a trust for rural development called Indian Bank Trust for Rural Development (IBTRD). FLCC is a unit of IBTRD.

HDFC cuts home loan rates in limited offer

Housing Development and Finance Corporation (HDFC), the country's largest housing sector banks, has slashed its home loan rates by 50 bps following a deposit rate cut by 50-75 bps. HDFC will now disburse floating rate home loans up to Rs.30 lakh at 9.75% and loans above Rs.30 lakh at 10.75% to new borrowers. "Our cost of fund has come down to comfortable levels to disburse loans at these rates. Most of our home loan borrowers' fall below the Rs.30 lakh slab and, therefore, this cut in interest rates will help new customers. Also, with a slump in the property market, developers are offering homes at attractive prices. The realtors' price coupled with our revised rates should help customers buy homes now," said HDFC Vice Chairman and Managing Director Mr. Keki Mistry.

Major Satyam banks confirm they hold no fixed deposits

In what could be early vindication that Satyam Computer Services had been doctoring accounts for some time, three of the company's six principal bankers in India confirmed that they did not hold any long-term fixed deposits of the IT major. Satyam had claimed in its annual report that it had long-term FDs worth Rs.3,308.41 crore with Indian banks and subsidiaries of foreign banks.

Six cities account for 46% of bank deposits

Banking operations are getting more and more concentrated within fewer and fewer branches. Currently, out of the 77,069 offices of scheduled commercial banks (SCBs) across the country, there are only 5,017 (6.5% of the total) having deposits of Rs.100 crore or more each. But these 5,000-odd reporting branches accounted for 57% of the aggregate deposits and 59% of the gross credit disbursed by banks as on September, 2008. Five years back, the top 7 bank offices accounted for less than 49% of the total deposits and 55% of the outstanding sum lent out. Now the RBI data, shows that the four metros, together with Bangalore and Hyderabad, account for over 46% of deposits of all SCBs. Five years ago - as on September 2003 - this share amounted to 38.5%.

Allahabad Bank third quarter net flat on higher provisioning

Allahabad Bank has posted an almost flat growth in net profit at Rs.369 crore for the third quarter ended December 31, 2008, against Rs.365 crore during the corresponding quarter last year, owing to higher provisioning for tax, revealed Mr. K. R. Kamath, Chairman and Managing Director of the bank. The bank has made a provision of Rs.193 crore towards income tax and Rs.79 crore for other provisions during the quarter. "Our **Capital Adequacy**



Ratio is very comfortable at the moment; we need not raise capital for our business needs. However, we might consider raising some capital around February - March as the market conditions are favourable at present,” said Mr. Kamath. The bank has headroom to raise Rs.750 crore through innovative debt instruments in Tier-I; Rs.400 crore through subordinate bonds and about Rs.2,000 crore through Upper Tier-II bonds.

Banks not in a position to reduce deposit rates : RBI

Highlighting some critical defects in the interest rate transmission mechanism, the RBI has said that Indian banks could not reduce deposit rates 'sharply' due to the presence of high administered rates on small savings, higher fixed deposits rates, elevated government borrowings and linkage of concessional lending rates to the banks' prime lending rates, among other factors. Inflexibility in lowering deposit rates meant banks could not pare their lending rates fast enough. Despite a 350 bps cut in RBI's short-term lending rate in the last one quarter, PSBs cut their BPLR by a maximum of 150 bps; private banks by a maximum of 50 bps, whereas, the foreign banks left their BPLRs unchanged. This indicates that lending rates did not decline as much as they were expected to, although analysts note that this is bound to happen in the current uncertain times.

Economy

Current account deficit widens further in second quarter

India's current account deficit widened to \$12.54 billion during the second quarter of the current financial year, as against \$4.29 billion in July-September 2007. The higher current account deficit during the second quarter of the year was mainly due to higher trade deficit caused by a steep rise in the import bill, while export growth slowed down. The deficit at the end of the first quarter of the current financial year was estimated at \$9.79 billion. The higher current account deficit during the second quarter of the current financial year was estimated at \$9.79 billion.

Capital Markets

Deutsche is BSE's clearing and settlement bank

The Bombay Stock Exchange (BSE) has entered into an agreement with Deutsche Bank, empanelling it as the bourse's clearing and settlement bank. Mr. M. L. Soneji, Chief Operating Officer, BSE, said, “This alliance is a significant milestone for BSE as we extend our footprints across the globe and seek Deutsche Bank's expertise in the

global financial market to provide innovative products and services for all our stakeholders.”

It's a first : SBI to sell Tier-II bonds to retail investors

State Bank of India (SBI) has decided to sell upper Tier-II bonds to retail investors. SBI Chairman Mr. O. P. Bhatt has revealed that this is the first time in the history of Indian banking that a bank has decided to sell such Tier-II bonds to individuals. Usually, banks sell Tier-II bonds to institutional investors to raise capital to shore up their capital adequacy ratio. Mr. Bhatt further said that SBI planned to raise around Rs.5,000 crore by selling these longer-term bonds. Over the next three months, Rs.500 crore - Rs.1,000 crore will be raised by retailing Tier-II bonds. SBI will soon seek permission from the Securities and Exchange Board of India (SEBI) for the bond float. SBI plans to use its own network to market the bonds.

Commodities Markets

RBI buys oil bonds from Indian Oil

The RBI has purchased oil bonds worth Rs.30 crore from Indian Oil Corporation under its special market operations to help state-owned oil marketing companies meet their foreign exchange needs. It has bought 6.35% 2024 oil bonds from Indian Oil at Rs.100.98 or 6.2519% yield.

Futures trade helps commodity exchanges' surpass \$1 trillion turnover

Within five years of the launch of futures trading in commodities, the commodity exchanges' annual turnover surpassed \$1 trillion benchmark as predicted by experts a year ago. The three national commodity bourses including the Multi Commodity Exchange (MCX), the National Commodity & Derivatives Exchange (NCDEX) and the National Multi Commodity Exchange (NMCE) have recorded a sharp 40% jump in their turnover in 2008. During the calendar year, the three exchanges, representing over 98% of the commodities' futures trade in India, witnessed a total turnover of Rs.49.58 lakh crore (\$1.02 trillion) *vis-à-vis* Rs.35.45 lakh crore in the previous year.

Co-operative Banks

RBI cancels state co-op bank's licence

The RBI has cancelled the licence of the 22-year old Shri P. K. Anna Patil Janata Sahakari Bank following insolvency - consequent to which the bank is, prohibited from carrying on banking business. Following liquidation, every depositor will receive repayment of his deposit up to a ceiling of Rs.1, 00,000 from the Deposit Insurance and Credit Guarantee Corporation, RBI has assured.

Pay interest for delay in \$-denominated cheques : RBI

Acknowledging customer complaints on delay in collection of dollar-denominated cheques, the RBI has asked all urban co-operative banks (UCBs) to revamp their cheque collection system and pay interest in case of delay. RBI has further asked them to review their collection policies on a regular basis and explore using faster methods of realization to save time. UCBs will now have to pay interest on the amount of cheques from the date of sighting credit in their nostro account till the amount is credited in a customer's account, which will be paid at saving bank rate.

UCBs need to share information back-up on consortium banking

The RBI has said that UCBs need to be encouraged to strengthen their information back-up about the borrowers enjoying credit facilities from multiple banks. Central Vigilance Commission and Government of India have expressed concerns over recent frauds involving consortium / multiple banking arrangements. They have expressed concerns on the working of consortium lending and multiple banking arrangements in the banking system.



Insurance

ICICI Pru's new product

ICICI Prudential Life Insurance has launched Health-Saver - a unit linked insurance product (ULIP) designed to cover health care expenses and generate a pool to take care of future health care expenses of insurers through investments in various bonds, securities, etc. "The scheme also allows insurers to select an annual hospitalisation cover and suitable premium amount that is covered for tax benefit under 80D of the Indian Income Tax Act 1961. Insurers are also offered an option to increase or decrease their premium amounts. Under this plan, the hospitalisation benefit ceases at 75 years of age," said Mr. Binay Agarwala, Senior VP and head - health insurance, ICICI Prudential Life Insurance.

LIC in pact with policybazaar.com

Policybazaar.com, the online non-life and life insurance aggregator, has tied up with Life Insurance Corporation of India (LIC), the country's largest insurer to sell its policy 'Jeevan Astha' on the Internet.

LIC raises stake in 11 firms

In spite of the cap on single company exposure, LIC has increased its stake in at least 11 companies beyond the permissible 10% limit for equities. In August, the Insurance Regulatory and Development Authority (IRDA) had capped a life insurer's exposure to a single company at 10% and LIC had subsequently sought a review. Though the regulator is yet to relax the norms, the public-sector insurer has not diluted its holdings in many blue-chip stocks and has instead used the lower valuations to raise its stake during the third quarter. The shareholding pattern for a large number of companies is yet to be submitted for the December quarter.

Insurers seek nod for add-on terror cover

Corporate houses may now be able to add terror cover to their existing policies in the middle of the year without having to wait for the annual renewal of their covers. The general insurers have approached the IRDA to allow mid-term inclusion of the terrorism add-on cover to the existing policy, said Mr. G. Srinivasan, Chairman and Managing Director, United India Insurance Co. At present, any establishment needs to take a standalone cover if it wants itself to be covered by terror insurance in the middle of the policy term. The general insurance industry also anticipates a hardening in the premium rates, with the increase in the reinsurance rates.

International News

UBS sells Bank of China stake

Swiss bank, UBS AG has sold its stake in Bank of China at a discount to institutional investors and is set to book a gain of a "few hundred million dollars" in the fourth quarter. UBS is struggling to repair its balance sheet, after massive investments into risky US assets forced it to make nearly \$49 billion of write-downs - more than any other European Bank. Bank of China spokesman Mr. Wang Zhaowen said that the sale would have no impact on the bank's financial status and operations.

Austrian government takes over Madoff-hit private bank

Austrian private bank, Bank Medici was placed under state supervision amid bigger exposure to the Bernard Madoff scandal than previously disclosed. The bank reportedly holds over \$3 billion in funds exposed to what could be Wall Street's biggest fraud. It is still not clear how much cash has been lost. Austria appointed a supervisor to the bank, in the first known case where a government has stepped in to run a bank caught in the alleged \$50 billion Madoff fraud.

British Government to hike stake in RBS

The British Government will increase its stake in Royal Bank of Scotland to about 71% as the treasury is likely to guarantee at least £100 billion of new lending. The Treasury is expected to drastically revise the terms of last October's bank bailout and will guarantee at least £100 billion of new lending.

Bank of America receives \$138 billion rescue package to offset Merrill buy

Bank of America Corp, the largest US bank by assets, was rescued by the US government through a \$20 billion bailout and a guarantee for \$118 billion of potential losses on toxic assets to cushion the blow from a deteriorating balance sheet at Merrill Lynch & Co, its recently acquired brokerage. The bailout makes Bank of America the biggest recipient of taxpayer money next to Citigroup, as the government pours cash into the nation's banks to plug holes left by bad loans. The worst housing crisis since the Great Depression and the worst recession in many years have hammered US banks.

Two US banks fail, the first casualties in 2009

Bank regulators closed two small banks, the first US banks to fail this year but the latest in an upsurge that began last year as the struggling economy and falling home prices took their toll on financial institutions. The Federal Deposit Insurance Corp said that National Bank of Commerce of Berkeley, Illinois and Bank of Clark County of Vancouver, Washington were closing with other banks taking over their insured deposits. In 2008, 25 banks were seized by officials, up from just 3 in 2007.

Microfinance

Birla Sun to partner in micro insurance

Birla Sun Life Insurance (BSLI), an Aditya Birla Group company, has been selected to partner a £4.6 million development project to promote a sustainable livelihood programme in three Indian states. The three-year project has been initiated by the UK-based Research Into Use (RIU) and funded by Department for International Development (DFID).

Rustic Wisdom : Unilever to take Project Shakti global

Anglo-Dutch consumer goods major - Unilever has begun replicating HUL's rural micro-enterprise - Project Shakti led by women-entrepreneurs in several international markets. The project has emerged as a successful low-cost business model and enhanced HUL's direct rural reach in the so-called media-dark regions. Armed with micro-credit, rural women become direct-to-home distributors

of Unilever brands in rural markets. The Fortune 500 transnational which sells foods, home and personal care brands in about 100 countries has stepped up focus on the project given that emerging markets now contribute around 44% to global revenues.



Products & Alliances

Andhra Bank ties up with Citibank for funds transfer

Andhra Bank has tied up with Citibank to offer online money transfer facility for remittance of money from abroad. The product, yet unnamed, is undergoing a prior-to-launch technology check, said Mr. R. S. Reddy, Chairman and Managing Director, Andhra Bank. "This is a white-labelled product which will carry only the name of Andhra Bank on the portal while Citibank will provide vital support including technology," he said. The main objective of the remittance product is to attract the large number of NRIs in the US.

Federal Bank, Geojit team up

Federal Bank launched its online trading product, Fed-e-trade -in association with Geojit Financial Services as part of the bank's efforts to provide various products and services to customers. The bank's retail clients will now have access to online trading in equities, derivatives, IPOs and mutual funds through Geojit's online trading platform. The Federal Bank-Geojit interface is developed jointly by the bank and Geojit Technologies.

SIB launches new product

At a time when deposit rates moving southwards, the Kerala-head quartered South Indian Bank (SIB) has introduced 'SIB : Eighty plus' at 11% to the general public and 11.25% to senior citizens. The scheme is open only up to March 31, 2009. While there is no upper ceiling, the minimum deposit has been fixed at Rs.50,000/-.

PNB inks MoU with NBHC

PNB and National Bulk Handling Corporation (NBHC) have entered into a MoU under which NBHC will provide Collateral Management and Referral Services to PNB. Mr. Anil Choudhary, Managing Director & CEO NBHC, and Mr. Gobinda Banerjee, General Manager, PNB have signed and exchanged copies of the MoU.

Union Bank in pact with GLIM

Union Bank of India has signed an MoU with Great Lakes Institute of Management (GLIM), Chennai to facilitate

the setting up of a 'Union Bank Great Lakes Centre For Banking Excellence' (UBGLCBE)' and a faculty chair a for conducting research and learning program initiatives in banking, financial services sector and insurance.

Regulators Speak...

SEBI to review FIIs' KYC norms

SEBI has decided to review its know your customer (KYC) norms for foreign institutional investors (FIIs) after Goldman Sachs got a clean chit in the May 17, 2004 stock market crash case. The other accused in the case, UBS Securities, was let off earlier. On May 17, 2004 - widely known as Black Monday there was a steep fall of 824 points in the BSE benchmark index, Sensex, due to which trading had to be suspended twice during the day as markets hit the lower circuit. Under the then-Chairman Mr. M. Damodaran, SEBI initiated investigations against UBS Securities and Goldman Sachs for suspicious selling in a few stocks on behalf of participatory note (PN) clients. However, last week's clean chit to Goldman Sachs has put the spotlight back on the flaws in SEBI's FII regulations, which were pointed out by the Securities and Appellate Tribunal (SAT) sometime ago.

RBI seeks data from banks with exposure to Satyam

RBI has sought data from banks, which have direct or indirect loan and equity exposure to Satyam Computer Services and its related companies or subsidiaries. The data will include exposure, if any, of international branches of Indian banks to the embattled company and related parties as also, exposure, if any, of international branches of Indian banks to the company and related parties. Sources said the loan exposure in the form of margin money may have a direct impact, as these have to be marked to market immediately. The entire exercise will be a drag on the balance sheet of the banks, which is due for closing in two months. This also comes at a time when the accounts are already falling into sub-standard or the non-performing category following the economic slowdown.

Speech Corner

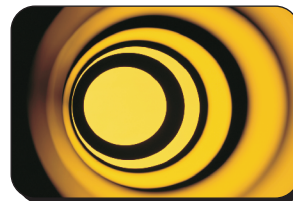
The RBI Governor Dr. D. Subbarao delivered a speech at the Bankers' Club, Kolkata on December 10, 2008. The topic of his speech was 'The Global Financial Turmoil and Challenges for the Indian Economy'. Following are some of the highlights of his speech:

- As the impact on India unfolds, there are two frequently asked questions : First, how is that India is affected when it came out of the Asian crisis relatively

unscathed? Second, why is India affected even when its exports account for only 15 per cent of its GDP?

- The answer to both the questions lies in globalisation. We are certainly more integrated into the world economy today than ten years ago at the time of the Asian crisis. Integration into the world implies more than just exports.
- Going by the common measure of globalisation, India's two- way trade (merchandise exports plus imports), as a proportion of GDP, grew from 21.2 per cent in 1997-98, the year of the Asian crisis, to 34.7 per cent in 2007-08. If we take an expanded measure of globalisation, that is, the ratio of total external transactions (gross current account flows plus gross capital flows) to GDP, this ratio has increased from 46.8 per cent in 1997-98 to 117.4 per cent in 2007-08. These numbers are clear evidence of India's increasing integration into the world economy over the last 10 years.
- The outlook for India, going forward, is mixed. There is evidence of a slowdown in the economic activity. For the first time in seven years, exports have declined in absolute terms in October 2008. Recent data indicates that the demand for bank credit is slackening despite comfortable liquidity in the system. Higher input costs and dampened demand have dented corporate margins while the uncertainty surrounding the crisis has affected business confidence.
- Let me now turn to the major challenges facing the banking system in the country, particularly in the wake of the global financial crisis.
 - The First Challenge : Maintaining the Credit Flow
 - The Second Challenge : How Do We Reform Financial Sector Regulation?
 - The Third Challenge : Regulatory Forbearance and Relaxing Regulatory Norms
 - The Fourth Challenge : Effective Implementation of Basel-II Framework
 - The Fifth Challenge : The Challenge of Banking Development and Financial Inclusion in Eastern India

(Source : RBI Bulletin, January 2009)



Spotlight

SBI launches New Parivartan

Moving swiftly to capitalize on recent gains in terms of enhanced market share, SBI, with a balance sheet of over Rs.7 lakh crore, is launching a performance overhauling

scheme for the bank's employees with plans to rope in a consultant for the grand exercise. Termed as 'New Parivartan', the scheme is an improvised version of an exercise, which was launched on experimental basis when Mr. O. P. Bhatt had taken over as the Chairman of SBI, two years back. The bank is also expanding its branch network and is setting up ATMs aggressively to beef up its customer service. The bank is also undertaking a consolidation of its six associate banks soon. It has already merged State Bank of Saurashtra with itself and will soon be announcing more such mergers with the rest of the associates.

Bank lending surges 76% during April-November

Lending by banks rose more than 76% during April-November in the current financial year compared to the same period in the last financial year. Banks lent about Rs.2,80,000 crore during the period. There was an increase in bank deposits during this period. The incremental credit deposit ratio (CDR) rose to an all-time high of 93.7% in November. This means that banks are lending Rs.93.7 against a deposit of Rs.100. The growth in bank loans goes against the belief that there is a liquidity crunch in the banking system. "There was a liquidity crunch for a very short period. The problem got solved by a series of measures by the RBI and the finance ministry. This is getting reflected in the consolidated eight-month data" said an official with the finance ministry.

ICICI Bank cuts Saturday business hours

ICICI Bank that pioneered 12-hour banking (8 a.m to 8 p.m) in the country is gradually cutting down its business hours in branches. After chopping down 3 business hours at many of its branches from December 2008, the bank is now cutting down business hours at all its branches on Saturdays to 5 hours, from 9 a.m to 2 p.m w.e.f February 7, 2009.

Savings bank deposit rates under review

Savings bank deposit rates are under review as the RBI has begun looking for means to further reduce policy rates. Reportedly, any reduction in the savings bank rates would likely come only after the general elections this year are completed. Already, the reverse repurchase rates at 4%, is at 2003-04 levels. The RBI mops liquidity through sale of Government securities (G-secs) in reverse repo auctions. There is little flexibility to reduce the rates below this threshold.

Banks lap up debt-swap scheme

Banks are increasingly lapping up the scheme for taking over loans availed by farmers from money-lenders. Besides helping banks in meeting priority sector lending norms, which is 40% of the total advances, the scheme also involves

minimal risk. Banks are mostly extending the scheme to existing crop borrowers. The interest rate on such loans is linked to the prime lending rate (PLR). The small loan size, strict vigil of bankers and the already high interest rates paid by the borrowers to money lenders, makes the scheme attractive for banks. Banks are also devising new models for recovering such loans, mostly by deploying agents or vendors on a daily or weekly basis in rural areas.

Dena Bank to restructure SME loans

State-run Dena Bank has decided to restructure loans given to small and medium enterprises (SMEs) which will involve deferring the instalment payment period and providing more liquidity. However, the rejig will be done on a case-to-case basis only.

Financial Basics

Lien

A legal claim or attachment filed on record against property, as security for the payment of an obligation. A lien is the guaranteed right of a lender or an investor to specific property in case of default.

Glossary

Tier-II Bonds

Bonds that are issued based on the Tier-II capital of the banks. The capital of a bank includes Tier-I capital or core capital, Tier-II capital and Tier-III capital. Tier-II or supplementary capital comprises subordinated debt of more than 5 years' maturity, loan loss reserves, investment fluctuation reserves and limited life preference shares. Tier-II capital is restricted to 100% of Tier-I capital and long term subordinated debt may not exceed 50% of the Tier-I capital.

Capital Adequacy Ratio

Capital adequacy is a measure of the bank's strength. Minimum capital ratios are set forth by the bank regulators. Capital has to be maintained as a certain proportion of the total assets. Currently, a risk-based capital (RBC) framework agreed to by the Basel Committee (an international group of central banks and supervisory agencies) applies to banks around the world. Each country establishes its own guidelines within the RBC framework. These are known as the capital adequacy standards and the ratio so prescribed is known as the capital adequacy ratio. Capital is required based on relative risk-weightings of assets. The standards define on a risk basis capital funds as a percentage of total assets of banks;

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essentially higher the risk for an asset, the higher the capital requirement. Under Basel-II norms 8% is the prescribed capital adequacy ratio; in India. The prescribed capital adequacy ratio is 9%.

News From the Institute

Institute signs MOU with DOEACC

The Institute signed an MOU with the Department of Electronics and Computer Corporation (DOEACC) on 20th January, 2009. The MOU was signed by Shri R. Bhaskaran, Chief Executive Officer, Indian Institute of Banking and Finance, Mumbai and Dr. S. Birendra Singh, Executive Director, DOEACC Society, New Delhi in the presence of Shri Jainder Singh, Secretary, Department of Information Technology. The Institute will now be offering an examination and certification of ITES BPO (Banking). With this tie-up it would be possible to create a new avenue of employment to candidates stationed in urban and semi urban areas who have completed 12th examination.

Seminar on Financial Inclusion in Ahmedabad and Manipal

The Institute recently held seminar on 'Financial Inclusion' at Ahmedabad and Manipal on 22nd January and 9th February, 2009 respectively. The seminar at Ahmedabad was held at the Bank of Baroda Staff College Auditorium. The inaugural address was given by Smt. Elaben Bhatt, Founder SEWA Bank. Valedictory address for the seminar was given by Mr. A. K. Bera, Regional Director, RBI, Ahmedabad. The seminar in Manipal was inaugurated by Shri. George Joseph, CMD, Syndicate Bank and the valedictory address was given by Shri. B. Srinivas, Regional Director of RBI. At both the places the seminar was attended by more than 100 people including bankers, academicians and professionals from NGOs.

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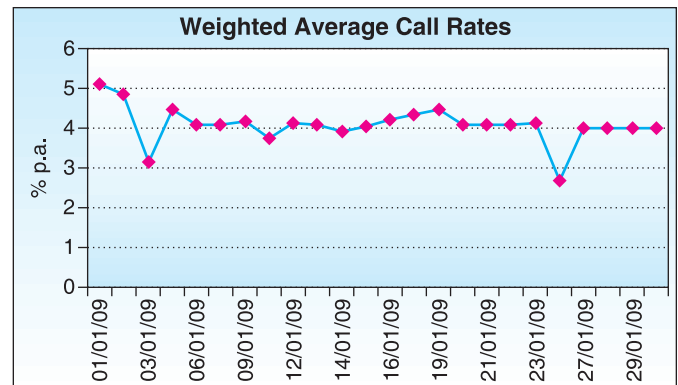
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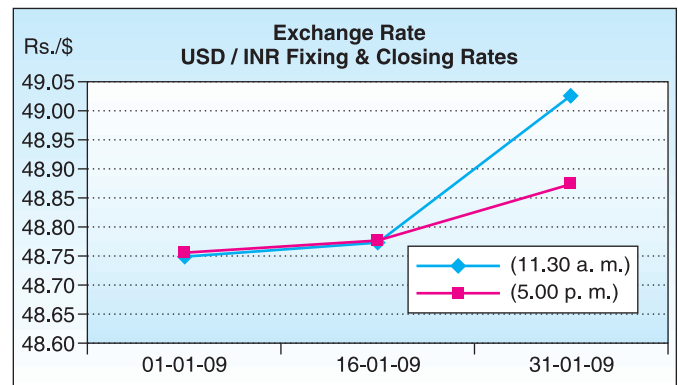
Markets Roundup

Market Snapshot		(Amount in Rs. Mn.)				
Indicators	Jan.02, 2009	Jan.09, 2009	Jan.16, 2009	Jan.23, 2009	Jan.30, 2009	
Inflation (%)	6.38 (Dec.20, 2008)	5.91 (Dec.27, 2008)	5.24 (Jan.03, 2009)	5.60 (Jan.10, 2009)	5.64 (Jan.17, 2009)	
Avg. LAF. Rev. Repo. Vol	561,660	469,050	284,880	505,460	582,575	
Avg. LAF. Repo. Vol	8,220	0	13,970	0	0	
Avg. Repo Rates (%)	4.46	4.31	4.18	4.23	3.98	
10-yr G-Sec Yield (%)	5.4657	6.3562	5.8718	6.1114	6.1671	
1-10 yr spread (bps)	91	154	135	146	157	
6 Month Forward Premia (%)	1.98	2.36	2.27	2.25	2.36	
6 Month USD LIBOR (%)	1.75	1.69	1.50	1.62	1.63	

Source : CCIL Newsletters, January 2009



Source : CCIL Newsletters, January 2009



Source : Fedai