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IIBF VISION

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RBI 2nd Quarter Review of Monetary Policy-2010-11

Monetary Measures

- Bank rate has been retained at 6.00 per cent.
- Repo rate under LAF has been increased by 25 basis points from 6.00% to 6.25%.
- Reverse repo rate under LAF has been increased by 25 basis points from 5% to 5.25%.
- CRR has been retained at 6%.
- Housing loans capped at 80% of the value of a property.
- Risk weight for home loans above ₹75 lakh hiked by 25 basis points.
- Provisioning for teaser rates on housing loans raised to 2%.
- To allow RRBs to open branches in Tier-3 to Tier-6 centres as identified in 2001 census.
- Capital adequacy norms of Financial conglomerate's tightened.

Domestic Scenario

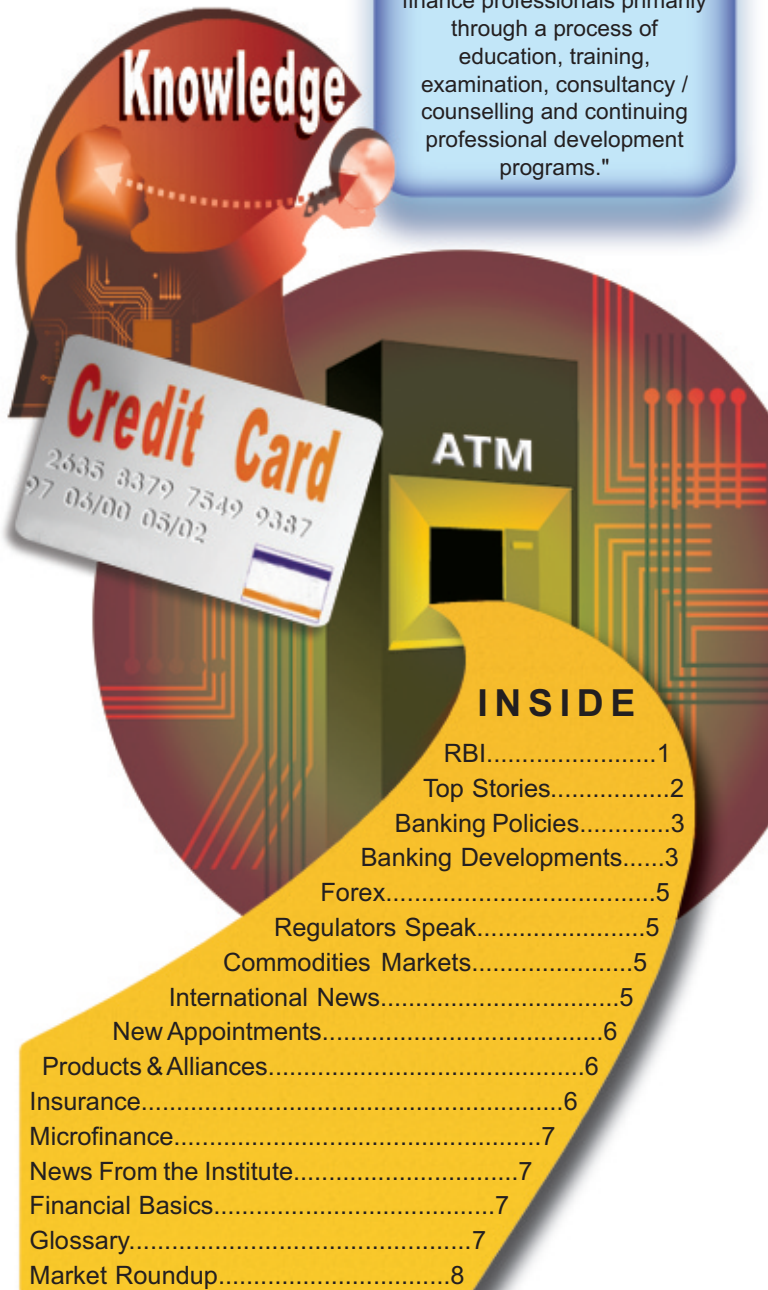
Growth in economic activity is firmly in place. The 8.8% GDP growth for Q1 of 2010-11 suggests that the economy is operating close to the trend growth rate, driven mostly by domestic factors. Agriculture, Industries and service sector indicators point towards sustained growth.

Inflation remains significantly above its medium term trend. While non food manufactured products inflation has stabilized, food inflation has not shown the expected post-monsoon moderation. It is a cause for concern, because when the economy is growing close to trend, the risks of structured food inflation spilling over into prices of other commodities are significant and could potentially offset the recent moderation.

Global Markets

The review is set in the context of persistent sluggishness in advanced economies and positive signals from emerging market economies (EMEs). While recovery in advanced economies has slowed in the second half of 2010, EMEs continue to show strong growth. The fragile and uneven nature of the recovery and

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large unemployment in advanced economies raise concerns about the sustainability of the global recovery which has prompted the IMF to project a lower world GDP growth of 4.2% in 2011 as compared with 4.8% in 2010. The rising concerns about the slowing momentum of recovery have prompted the Central Banks of some advanced economies to initiate a second round of quantitative easing to further stimulate private demand. While the 'ultraloose' monetary policy of advanced economies may benefit the global economy in the medium term, in the short term - it will trigger further capital inflows into EMEs and put upward pressure on global commodity prices.



Top Stories

Overnight interest swaps at 2 year high

"The rate on one-year overnight interest rate swaps (OIS), or derivative contracts used to guard against fluctuations in borrowing costs, rose to a two-year high of 6.64%, the highest since October 2008 when it was trading at 6.58% a further hike in interest rates" so stated, Mr. Ananth Narayan, MD & Head of rates for South Asia, Standard Chartered Bank.

ANZ to open a branch in Mumbai

Australia's leading Bank ANZ has received RBI's approval to open a branch in Mumbai during the first half of 2011.

Accounting norms may be modified before IFRS roll out

With less than six months to go before the nation moves towards a globally recognised accounting system, the government plans to modify some key provisions relating to foreign exchange differences and overseas borrowings. In the case of accounting for foreign exchange differences that arise because of currency derivatives taken by firms, the government is looking at an option where companies need not provide for any loss in the profit and loss statement but rather just carry forward the value as at the end of March 2011.

Licence to bank : India Inc dresses up for the occasion

Some of India's biggest business houses such as the Tatas, the Aditya Birla group, the Mahindras, L&T and Religare are bringing veterans in banking on-board to fortify their chances of obtaining a banking licence, the norms for which the RBI is expected to unveil soon.

PSU banks to recruit 85,000 staff in 3 years

Public sector lenders plan to recruit around 85,000 people in the next three years to meet the manpower shortage. "The PSBs have a tentative plan of recruitment of around 34,000 officers and 51,000 clerks during 2010-2013. The system of recruitment through Institute of Banking Personnel Selection (IBPS) will be transparent, speedy and cost effective" says the government.

Visa gets RBI nod for fund remittance

Visa, a leading electronic payments technology firm, has received the RBI's approval to offer inbound cross-border remittance to eligible Visa Debit or prepaid cards issued in India. The RBI permission makes Visa the only electronic card payments technology company in India to support over 40 banks, including ICICI Bank, Canara Bank and HDFC Bank.

Union Bank to cash in on 'Cashless Campus'

Around 2,500 students in the Rajiv Gandhi Pradyogiki Vishwavidyalaya, Bhopal are making payments in the campus through a mobile POS device rather than going to the varsity office and standing in queues. They don't even need to carry the mobile; they can simply transact using their mobile PIN and the number on the POS device at the campus. This mobile banking service which has freed the Madhya Pradesh State Technical University from the hassles of time-consuming cash and cheque transactions - is part of the 'Cashless Campus Project,' launched by Union Bank of India in September.

Union Bank, which is the first to offer mobile service after the RBI permitted it two years ago, is trying to leverage the technology to reach the next level of growth. The bank has invested nearly Rs.100 crore in innovating and developing business models and systems.

New bank licences this financial year

The Finance Ministry expects the first set of new bank licences to be cleared in the next few months, as reported by Financial Services Secretary, Shri. R. Gopalan. The Union Ministry of Finance and the RBI have agreed to retain the 74% cap on foreign holding in banks. In the RBI paper on setting up new banks in August this year, one of the proposals was to reduce the cap on aggregate foreign holding to 50% from 74% to avoid a likely concentration of foreign ownership. Further, the FDI policy prescribes that at all times, at least 26% of the paid up capital of a private sector bank will have to be held by residents, except for wholly owned subsidiaries of a foreign bank.

Banking Policies

RBI divests stake in NABARD to government

The RBI has divested its 71.5% stake, aggregating to ₹1,430 crore in the National Bank for Agriculture and Rural Development (NABARD), to the government. Following the divestment, the central bank's holding in NABARD has come down to 1%; whereas the Government of India holds 99%. With this, the government will have a greater say in NABARD and flexibility to issue directives to meet its credit objectives for the priority sector.

Local incorporation must for foreign banks

The RBI has sent to the finance ministry a draft of its discussion paper on conversion of foreign bank branches into wholly-owned subsidiaries. The draft recommends compulsory local incorporation, coupled with increased market access for foreign banks. Reportedly, the draft has been sent to the ministry because giving licenses to foreign banks is also a bilateral issue.

It is unlikely that there will be any major resistance if RBI insists that foreign banks incorporate locally. After the global financial crisis, regulators the world-over are insisting local incorporation to ensure that local businesses are not hurt if there is another international crisis. Incidentally, in case of banks present in India, such protection is already present. A banker states "Even branches of foreign banks are required to maintain capital locally and meet prudential guidelines on capital adequacy and exposure limit. For most banks in India, incorporating locally would mean changing the legal structure by transferring assets from the international entity to a local company".

RBI tightens salary account opening rule

The RBI has directed banks to ask for one more proof such as Passport, driving licence, PAN card, voter's identity card, or utility bills - in addition to the certificate issued by employers while opening salaried bank accounts. RBI feels that insistence on two documents will reduce the chances of misuse of account.

RBI refuses to give FDI status to optionally convertible papers

The RBI has rejected a proposal of the Department of Industrial Policy and Promotion (DIPP) to allow optionally convertible debentures or preference share as part of foreign direct investment (FDI). RBI avers that optionally-convertible instruments, where pricing is decided on a future date (based on certain milestones), protect investors from upward or downward risk and

should therefore be treated as debt rather than pure equity. In the consolidated FDI norms issued by DIPP, the nodal government agency (under the Ministry of Commerce and Industry) that frames the guidelines for foreign investment, had suggested that the compulsorily convertible debentures (CCDs) and compulsorily convertible preference shares (CCPS) with an option to fix the conversion price on future date based on certain mile-stone, should be treated as FDI.

Banking Developments

Turnaround in the economy

The amount of problem credit admitted in Corporate Debt Restructuring (CDR) mechanism declined sharply during April-September *vis-a-vis* the same period last year, reflecting a positive turnaround in the economy and improvement in business climate. According to CDR data, banks and financial institutions referred 12 cases with loan exposure of ₹2,469.08 crore in July-September period as against ₹7,919.53 crore in the second quarter of 2009-10. The value of loans admitted in April-June was ₹2,563.71 crore. In the first quarter of 2009-10, 14 cases involving loans worth ₹7,603.40 crore were admitted by the forum.

Short tenor papers see good demand

Shorter tenor government securities (G-secs) are witnessing a slightly increased demand in the secondary market; as banks prefer to invest in papers of 1 to 3 years. For banks, this is a measure to minimise losses in their investment portfolios in an upward interest rate scenario. Banks have to maintain a statutory liquidity ratio (SLR) of 25%, for which they have to necessarily invest in G-Secs. Yields of G-Secs are on an uptrend as participants are expecting the Reserve Bank of India (RBI) to continue with its monetary tightening stance in the half yearly review in November, as pointed out by Mr. R. V. S. Sridhar, Senior VP and Head, Markets, Axis Bank.

Current account gap widens to \$13.7 billion in Q1

Higher trade deficit and lower net invisibles have resulted in the widening of current account deficit for April-June 2010. According to the Balance of Payments data released by the RBI, current account deficit widened to \$13.7 billion in the first quarter of 2010-11, from \$4.5 billion in the same period last year. Invisible payments grew by 35.5% to \$22.3 billion (\$16.4 billion). As against this, invisible receipts grew by only 13.6% to \$42.7 billion (\$37.6 billion). As a result, net invisibles (invisible receipts minus invisible payments) recorded a moderate decline of 3.4% to \$20.5 billion (\$21.2 billion). Growth in invisible payments was higher in the first quarter

because of increased payments under investment income and larger payments due to travel, transportation, business and financial services.

Inclusion drive to give more state funds to RRBs

The government has asked RBI to ensure that there is equitable placement of deposits - atleast under the central government schemes - with RRBs. Finance ministry is looking to strengthen the RRBs and has set up a ₹100 crore fund for providing financial and technological support to them. Finance Minister, Mr. Pranab Mukherjee has directed RRBs to reduce the level of non-performing assets (NPAs) or bad loans, to below 5% of their assets by the year-end and also finalise a roadmap for financial inclusion. "RRBs are expected to play a major role in financial inclusions. Giving them a part in the government scheme will ensure that the benefits are passed all the way to the last person in the chain".

Credit demand, deposit growth slackens in Q2

In the Q2 (up to September 24), banks disbursed credit aggregating ₹19,902 crore, much less than the first quarter credit growth figure of ₹1.62 lakh crore. Last quarter, the credit numbers were boosted primarily due to demand for funds from telecom companies bidding for 3G and broadband wireless access spectrum.

The tepid credit demand scenario prompted bankers to indicate to the RBI that this fiscal, loan growth may fall short of its 20% target. In Q2, bank's deposits have grown by ₹74,590 crore, as compared to ₹1, 46,130 crore in the previous quarter. The RBI, in its mid-quarter monetary policy review, cautioned that one important consequence of negative real rates is that banks have seen a deceleration of deposit growth as savers look for higher returns elsewhere. If bank credit is not to become a constraint to growth, real rates need to move in the direction of encouraging bank deposits.

Liquidity begins to dry up as RBI plans forex intervention

Liquidity has once again turned scarce in the inter-bank money market, forcing RBI to play the role of lender. Banks have borrowed as much as ₹77,935 crore to meet their cash reserve ratio (CRR) requirement. Some bankers believe that the RBI is keeping liquidity tight, ahead of possible intervention in the foreign exchange market, once it starts buying Dollars, RBI will release a flood of Rupees in the inter-bank market.

Surplus cash has been slowly draining out of the money markets over the past couple of weeks. In the last week of September, the borrowings touched a record high of ₹89,925 crore on back of advance tax outflows. According to Mr. Sanjay Arya, Treasurer, Bank of Maharashtra,

"If RBI does intervene in the foreign exchange market, then that could ease the liquidity a bit. We also expect government spending to come in the system".

ATM facility soon for rural, co-op bank customers

In a matter of a few months, customers of RRBs, urban co-operative banks (UCBs) and other co-operative banks will be able to withdraw cash and make balance enquiries at any of the 63,000-odd ATMs across the country. The National Payments Corporation of India (NPCI), will allow standalone RRBs and co-operative banks with core banking solution (CBS) platform and an ATM switch, to be connected to the National Financial Switch through a sponsor bank which is already linked to the NFS. Mainstream banks can enrol RRBs and co-operative banks as their sub-members for offering the customers of the latter, all-India ATM connectivity, after profiling them for potential risks.

Non-food credit offtake rises 20.13%

Non-food credit or the amount of money that banks lend to corporate and individuals grew at 20.13% year-on-year to ₹34,19,244.54 crore during the fortnight ended October 8, 2010. This growth is nearly 140 bps higher than the growth in previous fortnight ending September 24, 2010.

RBI data shows that banks incrementally lent ₹47,185.4 crore during the fortnight. Total outstanding credit, which has grown by 20.07% y-o-y stands at ₹34,68,998.94 crore.

Banks borrow ₹89,900 crore; CP & CD rates go up

Though credit off-take is not happening in the system, banks have borrowed ₹89,900 crore from the RBI's repo window, to cope with short term liquidity shortage. In the recent past, rates of one-year certificate of deposits (CD) have climbed up by nearly 30-35 basis points (bps) to trade at 7.50%, while three-month commercial papers' (CPs) rates have gone up by almost 50 bps to trade at 7.62%. While the overnight call rate was seen in a range of 6.10%-6.45%, it remained more or less unchanged.

NBFCs too raise interest rates to attract depositors

With most banks increasing deposit rates, non-banking finance companies (NBFCs), including housing finance companies, and non-banking non finance companies, are being forced to fork out higher interest rates on deposits to woo savers. All major housing finance companies like HDFC, LIC Housing Finance, DHFL and Hudco are now offering over 7% for a one year deposit *vis-a-vis* 6-6.5% about six months back. Corporates looking for deposits too are being forced to increase interest rates.

Forex

Benchmark Rates for FCNR (B) / NRE Deposits for the month of November 2010

LIBOR / SWAP For NRE Deposits					
Currency	LIBOR		SWAPS		
	1 Year	2 Years	3 Years		
USD	0.76219	0.5310	0.7820		
LIBOR / SWAP For FCNR(B) Deposits					
Currency	LIBOR		SWAPS		
	1 Year	2 Years	3 Years	4 Years	5 Years
USD	0.76219	0.531	0.782	1.117	1.474
GBP	1.48038	1.3220	1.5800	1.8830	2.1630
EUR	1.50688	1.603	1.811	2.003	2.200
JPY	0.63813	0.392	0.400	0.431	0.486
CAD	1.84500	1.539	1.702	1.891	2.092
AUD	5.58875	5.190	5.270	5.470	5.570

Source : Fedai

Foreign Exchange Reserves

Item	As on Oct. 29, 2010	As on Oct. 29, 2010
	₹Crore	US \$ Mn.
1	2	3
Total Reserves	13,27,098	297,956
a) Foreign Currency Assets	11,98,542	269,093
b) Gold	96,510	21,668
c) SDRs	23,080	5,182
d) Reserve Position in the IMF	8,966	2,013

Source : RBI

Forex reserves up \$1.63 billion

Foreign exchange reserves were up \$1.634 billion to \$295.792 billion for the week ending October 8, on account of revaluation of reserves. This was the fourth consecutive week in which the reserves escalated. For the week ended October 1, foreign exchange reserves were up by \$2,563 billion to \$294.158 billion.

Regulators Speak...

RBI will step in to ensure stability

RBI Governor, Dr. D. Subbarao has said that “RBI will intervene in the forex market to maintain financial stability, if need be felt”. So far, the apex bank has not intervened despite record FII inflows this year pushing the Indian currency substantially higher. The Governor avers that “We will intervene if the inflows are lumpy and volatile or if they disrupt the macroeconomic situation”.

The Governor further points out that, in recent months, when inflows have swamped most emerging markets, several central banks have intervened in the forex markets. “However, we haven't followed suit despite receiving more

portfolio inflows in September than in any other single month on record. The reason for our non-intervention is because our absorption, driven by a widening current account deficit as imports have surged on the back of a positive outlook on growth and investment, has also increased. Economies that have current account surpluses or only small deficits have intervened. But, that also does not mean that we won't intervene at all. Our intervention will be to keep liquidity conditions consistent with activity in the real economy and to maintain financial stability, and not to stand against developments driven by changing economic fundamentals”.

SEBI wants monthly info for securitized paper listing

Lenders selling their loans through **securitization** route will now have to make monthly disclosures to stock exchanges if they wish to list their securitized paper. Securities and Exchange Board of India (SEBI) has announced a standard listing agreement with continuous disclosure requirements for securitized instruments.

Commodities Markets

Commodity exchange turnover rises 41% in September

Turnover of 23 commodity bourses rose 41.13% to ₹8,95,613 crore in September this year, buoyed by energy and bullion, followed by metal trade and agricultural commodities as stated by the Forward Markets Commission (FMC).

International News

External debt up 4.1%

External debt increased by 4.1% in the first quarter of this year over the level recorded as at the end of March 2010. The debt went up by \$10.8 billion during the quarter ending June and stood at \$273.1 billion on account of significant rise in short-term trade credits, commercial borrowings and multi-lateral government borrowings. The increase in debt worked out to \$12.1 billion by excluding the valuation effects due to the appreciation of the US Dollar against other major international currencies and the Indian Rupee over the quarter.

UK GDP rises 0.8% in Q3; beats forecasts

Britain's economy grew 0.8% in the third quarter twice as much as economists forecast- as services and construction helped sustain the recovery's momentum, easing pressure on officials to add stimulus. GDP had seen a rise of 1.2% in the previous quarter. Economists forecast a 0.4% gain, according to the median of 35 predictions in a Bloomberg news survey.

Revenues Shrink at leading US banks

Shrinking revenue at US banks, led by Goldman Sachs and Citigroup may continue to shrivel as the industry heads into what could be its lowest period of growth since the Great Depression. After the six largest US banks posted record revenue in 2009, combined net revenue fell by an average of 8% in the third quarter from a year earlier and 16.3% over the last two quarters.

New laws restricting account and credit card fees, as well as derivatives and capital rules, are also squeezing lenders.

New Appointments

Mr. Sanjeev Bajaj has been appointed as the Chief Executive of Credit Suisse Bank in India.

Mr. A. K. Jagannathan has been appointed as MD and CEO of Tamilnad Mercantile Bank Ltd.



Products & Alliances

Prepaid-cum-debit card to tap under-banked areas

Union Bank of India, Commonwealth Inclusive Growth Services Ltd. and Electra Card Services, are jointly launching a hybrid card, for the unbanked and under-banked segments. Called the Commonwealth Card, it has the combined features of a prepaid and debit card. Just like the debit card, the Commonwealth Card is backed by a savings bank account and the cardholder earns regular interest on the balance in the amount.

PNB gets RBI nod for setting up financial services JV

Punjab National Bank (PNB) has got RBI approval for setting up a financial services firm. 'India Factoring and Finance Solutions, will be a joint venture company that will provide factoring and trade finance solutions, primarily to SMEs and SSIs by offering a bouquet of different domestic factoring products.

Vijaya Bank UAE Exchange tie-Up

Mr. M. B. Gurumurthy, General Manager, Vijaya Bank and Mr. V. George Antony, Country Head, UAE Exchange India, exchanged the Inward Money Transfer Agreement in the presence of Mr. S. Panse, ED, Vijaya Bank to offer easy money transfer facility to Indians across the world.

IDBI Bank in pact with WRI for energysaving initiatives

IDBI Bank has tied up with US-based environmental research organization, World Resources Institute (WRI), for providing consultancy services to its borrowers on energy cost reduction. The cost of implementing the energy-saving initiatives will be funded by IDBI Bank and WRI will guarantee the savings.

Under the agreement, if a company's energy bills don't decline during the stipulated period and if the company does not repay the loan, IDBI can invoke the WRI guarantee. "Energy cost is as much as 25% of the cost of production. Besides cost reduction, the move is aimed at the ecosystem protection. The tie-up is for micro, small and medium enterprises (MSME) segment and we expect forging-units, textile, steel sector and the hotel industry to benefit from this tie-up," said Mr. T. R. Bajalia, Executive Director and Head of MSME, IDBI Bank.

Vijaya Bank ties up with MoneyGram

Vijaya Bank and global money transfer company MoneyGram International have announced their tie up wherein the bank will offer MoneyGram's real time money transfer services in its 1,173 branches. The bank has a robust foreign exchange department and forex business with a little less than one lakh NRI accounts, said Mr. Albert Tauro, CMD, Vijaya Bank. Of these, large remittances come from the UAE, and the western countries, he pointed out, adding that this tie-up would give a further boost to their NRI remittance services.

NCMSL in pact with Indusind Bank

National Collateral Management Services Limited has tied up with Indusind Bank to provide collateral management and warehousing services.

Bajaj Finance, Central Bank tie up for SME lending

NBFC Bajaj Finance Ltd (BFL) and PSB Central Bank of India are forging an alliance to co-finance retail and SME loans. As part of the arrangement, BFL will prospect, under-write and service the loans while assigning a fixed share every month to the Central Bank of India for a fee.



Insurance

'Canara, HSBC, OBC Life' enters group insurance

Tripartite life insurance joint venture 'Canara HSBC Oriental Bank of Commerce (OBC) Life Insurance' has announced its entry into the group insurance business. The

venture has a presence in retail or individual life insurance business. The insurer now hopes to get a larger segment of customers by targeting the corporate segment through the three partner banks. With a focus on employee benefits for corporates, the venture has launched a Group Traditional Plan that offers employee retirement benefits, viz. gratuity, superannuation / pension, leave encashment.

Microfinance

SHARE Microfin in talks with Asmitha for merger

Hyderabad based MFIs SHARE Microfin Ltd. and Asmitha Microfin Ltd. are in talks for a possible merger prior to the former's public issue. The merger is aimed at boosting valuations and will make the combined entity the third largest player in the MFI space.

MFIs experiencing difficulty in flow of funds from banks

In a fresh blow to micro-finance institutions (MFIs), banks are refusing to lend them even a sanctioned line of credit, following recent controversies over opaque corporate governance and usurious interest rates. The ensuing liquidity crisis has prompted many MFIs to seek a moratorium on loan repayment to banks.

MFIN, or Microfinance Institutions Network, will discuss the moratorium at a meeting soon and take up the matter with a newly revived forum of MFI lenders, led by SIDBI, which in turn is expected to take up the matter with the Indian Banks Association (IBA).

SIDBI lines up ₹350 crore for Bandhan

Small Industries Development Bank of India (SIDBI) has extended a ₹350 crore line of credit to Bandhan Financial Services to on-lend to poor women. Bandhan will be using the fund to lend to 3.5 lakh new borrowers this fiscal. SIDBI has also committed to further offer ₹50 crore to Bandhan as a subscription to the latter's proposed non-convertible debentures (NCD).

Malegam to head RBI panel on MFIs

The RBI's committee on MFIs will be examining issues of high interest rates, coercive recovery process and multiple lending practices by some MFIs.

The panel will examine the ordinance in Andhra Pradesh, making it compulsory for MFIs to register with State governments. The committee, headed by Shri. Y. H. Malegam, a senior member on RBI's board of directors, will give its report in three months. The RBI regulates only those MFIs registered with it as NBFCs. While they form a small number of MFIs, these account for 80% of the microfinance business. RBI said that the committee would study the implications for its policies and the role played by

MFIs in providing access to financial services to the poor and excluded. It will study the issues and concerns in this sector, including ways and means of making interest rates charged by them reasonable. Finance Minister Mr. Pranab Mukherjee has said that micro lenders must develop a code of conduct on interest rates and prohibit coercive recovery methods.

News From the Institute

Customer Service & Banking Codes and Standards

Institute will be launching a course on "Customer Service & Banking Codes and Standards". The course is being launched in association with the Banking Codes and Standards Board of India (BCSBI). Dr. K. C. Chakrabarty, Deputy Governor, RBI has kindly consented to launch the course and to release the courseware titled 'Customer Service & Banking Codes and Standards' on November 12, 2010 at 4.00p.m. at "Vista", 30th floor, World Trade Centre, Centre 1, Cuffe Parade, Mumbai-400005. Mrs. K. J. Udeshi, Chairperson, Banking Codes and Standards Board of India will be the guest of honour on the occasion.

Workshop on Compliance

Institute had organized two back to back workshops of two days each on Compliance at New Delhi and Bengaluru between 20th and 23rd October 2010 in collaboration with International Compliance Association, London, where in about 48 senior executives of the public sector / private sector & foreign banks attended the workshop.

Financial Basics

High Ratio Loan

A loan of any type for which a relatively small down payment must be made. For mortgages, a high value loan usually covers more than 80% of the property's value. Most high ratio home loans require some form of insurance coverage in order to protect the lender. High ratio home loans allow lower income and asset buyers to purchase homes with relatively little cash on hand. The wisdom of this business practice has been called into question during the mortgage crisis of 2008. High ratio loans generally charge higher rates than lower ratio loans.

Glossary

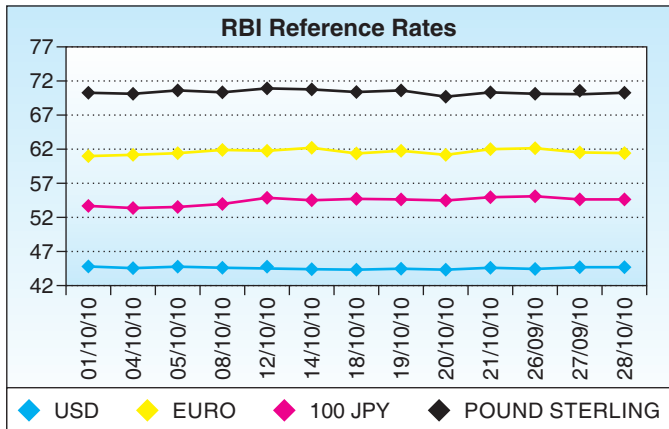
Securitisation refers to the process where an entity gets money upfront by converting future cash flows into marketable securities. The process enables lenders to transfer their loan assets to a special purpose vehicle



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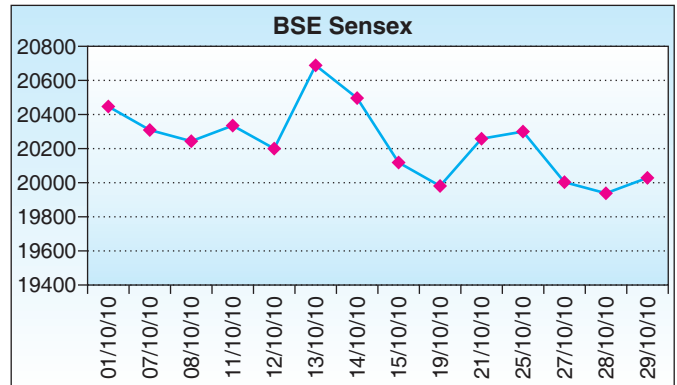
which will make regular payments to investors who put up money upfront. Besides loan repayments, any form of receivable can be securitized. Instances of securitization in the past include toll collection and royalty payments due to artists. In India, bulk of the securitization deals relate to either mortgage backed securities or asset backed securities.

Market Roundup

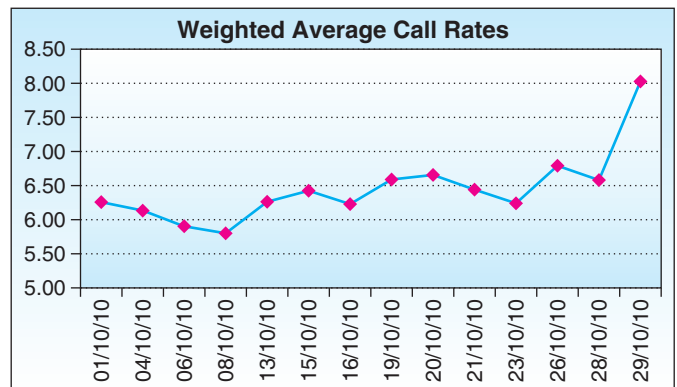


Source : Reserve Bank of India (RBI)

- The currency appreciated almost through Sept' 10.
- During the third week of October 2010, the currency declined 0.6%.
- Rupee reversed gains as corporates stepped up dollar purchases.



Source : Reserve Bank of India (RBI)



Source : CCIL Newsletters, October 2010

- Call rates mostly hovered between 6 & 7%.
- Tight liquidity conditions pushed call rates to 8% towards month end.

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