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# IIBF VISION

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## RBI Mid Quarter Policy Review

### RBI Mid Quarter Policy Review - September 2010

#### Global Scenario

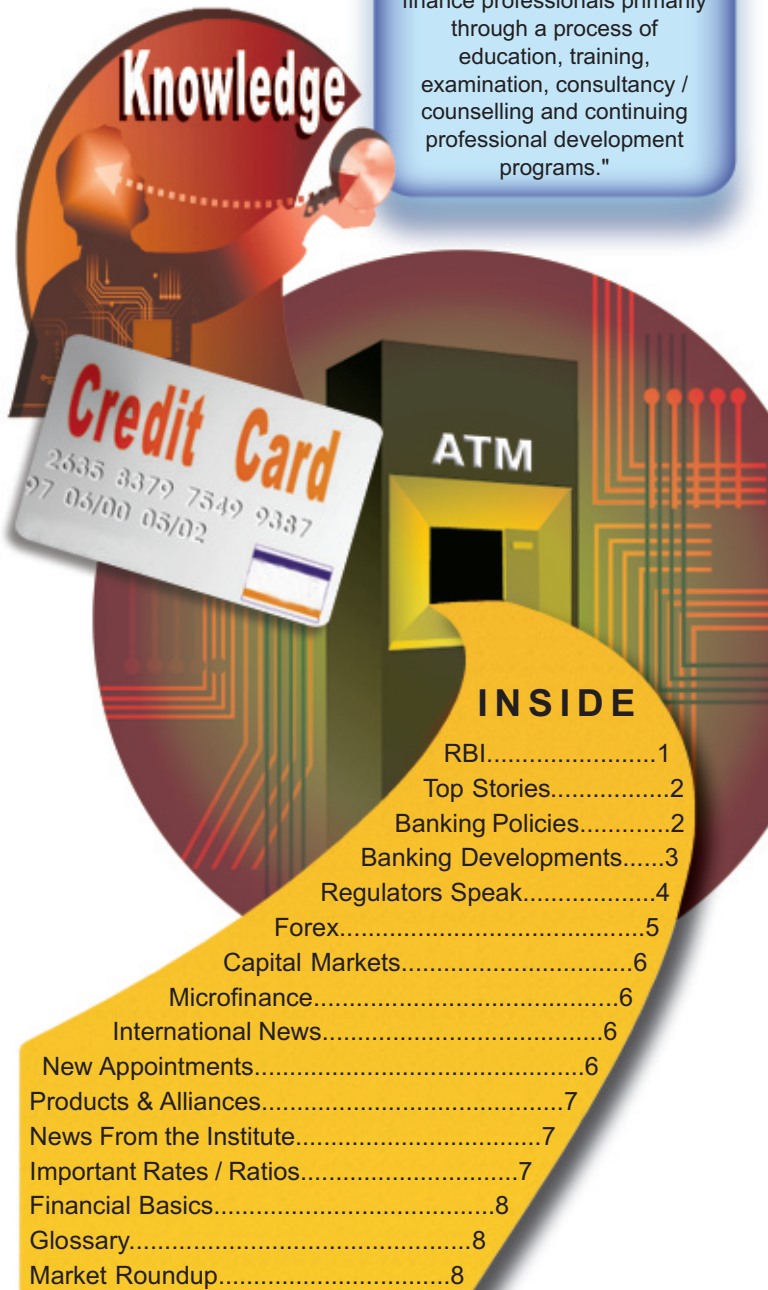
Reserve Bank of India's (RBI's) First Quarter Review of Monetary Policy on July 27, 2010 had expressed concerns over the global outlook. Indicators of economic activity in advanced economies continue to suggest that the recovery is slowing and the second half of 2010 will witness slower growth than the first, although expectations have generally not been revised downwards since end-July.

#### Domestic Scenario

Inflation remains the dominant concern in macroeconomic management. Inflation rates have reached a plateau, but are likely to remain at unacceptably high levels for some months. Need is thus felt for continued policy response to contain inflation and anchor inflationary expectation.

Another aspect of the concern with inflation is its implications for real interest rates. The policy actions taken over the past three quarters have been partly motivated by the need to end the prevalence of negative real interest rates. Negative real rates decelerate deposit-growth in banks, 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 has been a significant factor in monetary policy considerations in recent months. On the external front, the sluggish global economy constrains export growth while the strong domestic recovery has increased demand for imports. Resultantly, the trade deficit as also the current account deficit, are widening. The apparent stabilisation in advanced economies seems to have improved global investor sentiment, resulting in a steady increase in capital inflows into EMEs. If this trend continues, the risks on the external front will abate despite exports remaining sluggish.

The mission of the Institute is "to develop professionally qualified and competent bankers and finance professionals primarily through a process of education, training, examination, consultancy / counselling and continuing professional development programs."



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## Highlights

### Monetary Measures

- Increase in the repo rate under the Liquidity Adjustment Facility (LAF) by 25 basis points (bps) from 5.75% to 6.0% with immediate effect.
- Increase in the reverse repo rate under the LAF by 50 bps from 4.5% to 5.0% with immediate effect.
- CRR unchanged at 6%
- Banks expected to increase benchmark rates, base rates



## Top Stories

### Airtel to offer financial services over cell-phone

In a hugely progressive move, India's largest telecom operator - Bharti Airtel - is set to start financial services on mobile phones after having been granted the first licence by RBI to use the '**semi-closed wallet**', that allows mobile-users to buy products / services without using liquid cash.

### NHB to set up e-registry for property information

National Housing Bank (NHB), the regulatory body for housing finance companies, is gearing up to strengthen India's housing loan market. NHB, along with other top 10 banks, is working to set up a uniform electronic registry system through a special purpose vehicle (SPV) for mortgage property information. It has also prepared a report on the standards of valuations to bring in uniformity in property prices.

### Department of Posts gets RBI nod for launch of debit cards

RBI has permitted the Department of Posts (DoP) to launch its prepaid debit card, which will allow customers to purchase products from all major retail outlets across the country. DoP's prepaid debit card will have a minimum value of 1,000 and a maximum value of 50,000. Subsequently, the cards will be topped up with the required value. Customers will also be able to withdraw money from ATMs using this card.

### Exam for hiring officers, clerks in PSBs soon

The government has decided to conduct a common recruitment exam for hiring officers and clerks in the public sector banks (PSBs). The exam will be conducted by the Institute of Banking Personnel Selection (IBPS). The suggestion of a common exam came from a committee headed by Dr. A. K. Khandelwal, former Chairman, Bank of Baroda (BoB).

## Banking Policies

### RBI for foreign bank entry via arms

Foreign banks wanting to enter India may soon have to compulsorily adopt the wholly owned subsidiary (WOS) route. The RBI is mulling a policy change to this effect to exercise better control over the operations of foreign banks in India. Currently, foreign banks can either use the branches only route or opt for the WOS mode, but in practice, the latter never gets employed. Most foreign banks might not prefer the WOS route, wherein they will shell out more capital for the entry, with no commensurate benefit. Unless they are given national treatment, branch expansion in India would remain circumscribed, regardless of whether the branches only or the WOS route is employed. An eventual listing on Indian stock exchanges that could be needed in case of domestic incorporation, is also a point of worry for them.

### Deregulation of savings a/c rates on RBI radar : Ms. Thorat

RBI is actively looking at deregulation of interest rates on savings accounts and might soon try to implement the same, says Ms. Usha Thorat, Deputy Governor, RBI. Ms. Thorat further adds "Transparency in cost recovery could facilitate deregulation. This would also need to be non-discriminatory across locations".

### RBI tightens rules for bank finance against shares

The RBI has tightened norms for banks extending loans to promoters against shares. It has now extended the existing restriction against banks granting advances for financing promoters' contribution towards equity capital to bank financing activities related to acquisitions like payment of non-compete fee, etc. Such a restriction would also be applicable to bank finance for activities by overseas branches / subsidiaries of Indian banks.

### For-Profit firms get role in financial inclusion

RBI has now allowed for-profit companies with large and wide spread retail outlets to act as business correspondents (BCs). The move will both deepen and broaden financial inclusion. RBI feels that such companies bring in the larger resources, organizational strength and financial backing needed for a network of BCs; apart from providing financial security. According to RBI, a corporate is likely to continue as BC for a longer period than individuals, thus ensuring continuity of services. They have also developed efficient cash-management and retail-outlet monitoring systems.

## Banking Developments

### **IDBI sets new benchmark; no balance needed for a/cs**

In order to increase its share of current and savings account (CASA) deposits, IDBI (Industrial Development Bank of India) has done away with the concept of minimum balance on these accounts and has waived off most service charges except those pertaining to bounced cheques. Shri. R. M. Malla, CMD, IDBI says that the move is aimed at improving low-cost deposits (savings and current account) which stand at 14% - because a large part of IDBI's balance sheet originated from the erstwhile IDBI which relied largely on wholesale funds.

### **NPC starts e-transfer of inter-bank funds**

Following the RBI'S approval, state-owned National Payments Corporation of India (NPC) has kick-started the pilot-programme on inter-bank transfer of funds, to facilitate instantaneous transfer of funds from one bank to another through the use of mobile instruments.

### **Loan demand sees sharp rise in the month of September**

Loans picked up sharply in the first 10 days of September after witnessing sluggish growth for almost two months. Loans to businesses and individuals rose by ₹27,699 crore to ₹3,331,809.78 crore. This was the highest fortnightly growth since July 2, 2010, during which banks lent a record ₹90,492 crore to enable telecom companies to pay their 3G licence fees.

### **Banks need a capital of 6-lakh crore to meet Basel-III norms : ICRA**

Credit-rating agency ICRA avers that Indian banks in the public and private sector will need to raise 6 lakh crore in external capital over the next nine years, to comply with the proposed Basel-III guidelines on capital adequacy levels. The agency cautioned that the higher level of core capital could dilute the return on equity for banks, besides lowering their leveraging capacity. Nevertheless, Indian banks may still find it easier to make the transition than some of their international counterparts, since the regulatory norms on capital adequacy in India are already more stringent. Also most Indian banks have historically maintained their core and overall capital well in excess of the regulatory minimum.

### **Higher rates work; bank deposits up 14.4%**

High deposit rates have finally succeeded in wooing customers. During the fortnight ended August 27, bank deposits went up by 38,658 crore as against a

decline of around ₹8,000 in the previous fortnight. According to RBI data, deposits went up by 14.44% on a year-on-year basis. Banks started raising rates after RBI asked them to enhance their deposit mobilisation in its first quarter monetary policy review.

### **Banks rush to raise FII cap to meet Basel-III norms**

Private sector lenders in the country are rushing to raise the foreign investment (FII) limit in their shareholding, in the light of Basel-III norms. Analysts say raising FII limit would insure against future equity or quasi equity requirements. Basel-III requires banks to hold top-quality capital totalling 7% of their risk bearing assets, which may prompt banks to rush for raising capital in the future.

### **Banks shore up numbers via CDs**

A timid growth in deposits in the current financial year has forced banks to tap the certificate of deposit (CDs) market in a big way. In recent times, CD issuances have been around ₹9,000 crore - more than double the level as on 21<sup>st</sup> September 2010. While a bulk of funds were raised via other short-term instruments, over ₹5,000 crore was raised by banks issuing three month CDs. State Bank of India (SBI) raised ₹1,325 crore at 7.04%. UCO Bank, Central Bank of India, PNB, BoI, Allahabad Bank and Bank of Maharashtra (BoM) also raised short-term funds. Short term money market instruments worth around ₹3,165 crore were placed a little less than the ₹3,500 crore placed earlier.

### **Higher foreign bond play to add to treasury income**

Treasury earnings by banks are expected to get a boost, following the government's move to reduce borrowing and allowing higher foreign investment in government bonds to push down yields. "I expect yields on the 10-year benchmark to fall to 7.85%", says Mr. Ashish Vaidya, Head of fixed income securities and commodities trading. Government bonds have rallied especially after the Centre's decision to slash its borrowing by ₹10,000 crore in the second half of the year. The Government has also doubled the cap on foreign investment in government bonds to \$10 billion and increased the foreign investment ceiling in long-term corporate bonds to \$20 billion from \$15 billion. In terms of the new borrowing plan, the Centre will raise only ₹4.47 lakh crore between October and March this fiscal.

### **Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks - March 2010**

The number of banked centres served by scheduled commercial banks stood at 34,801. Of these centres,



27,946 were single office centres and 65 centres had 100 or more bank offices. The top hundred centres, arranged according to the size of deposits, accounted for 69.4 per cent of the total deposits and the top hundred centres, arranged according to the size of bank credit, accounted for 78.0 per cent of total bank credit. Aggregate deposits of top hundred centres increased by 17.2 per cent in March 2010 over March 2009 compared to a growth of 21.0 per cent recorded a year ago. Growth rate of gross bank credit of top hundred centres at 16.3 per cent in March 2010 was substantially lower than 20.5 per cent growth recorded in March 2009. The top 200 centres in terms of aggregate deposits covered 32.1 per cent of reporting offices and 74.4 per cent of aggregate deposits. The top 200 centres in terms of gross bank credit, accounted for 81.5 per cent of gross bank credit and 31.7 per cent of reporting offices.

#### **Liquidity in easy supply but tightness around corner**

The recent improvement in liquidity with banks is unlikely to persuade the RBI to strike the issue off its list of concerns, economists and bankers said. "Liquidity is coming in the form of the government's spending of its revenues," says Ms. Shubhada Rao, Chief Economist, Yes Bank. She noted that the government's cash balance with RBI was small (₹1 billion on August 20 compared with 265 billion around nine weeks earlier). Tightness emerged in late May after the government received ₹1.1 trillion as fees for third generation mobile and broadband wireless access spectrum, thrice the amount that was expected. Economists had warned that until the additional revenue from the sale of the spectrum was spent by government, liquidity would remain tight. In August, the finance minister got parliament's approval to spend additional ₹683 billion. This was the first batch of Supplementary Demand for Grants for this financial year.

#### **Banks return on assets fell in 2009-10**

Commercial banks saw a fall in their returns on assets (RoA) in the financial year ended March 31, 2010 as a decrease in funding costs was unable to offset a fall in the interest rates charged to customers. RoA, which refers to net income as a percentage of total assets, fell to 1.05% in 2009-10 from 1.13% in 2008-09. Cost of funds for all banks fell to 5.09% in 2009-10 from 5.96% in the previous financial year, while return on advances adjusted for funding costs decreased to 4.19% from 4.53 % over the same period.

## Regulators Speak...

### **41 Unit-linked plans under new regime get IRDA nod**

About 41 new Unit-Linked Insurance plans (ULIPs) have been launched by insurers from 1st September 2010, after the new norms for ULIPs came into force. The Insurance Regulatory and Development Authority (IRDA) has cleared 41 products filed by different insurers, as stated by Mr. J. Hari Narayan, Chairman, IRDA. "We have received 68 products filings which are supposed to be in line with our recent guidelines on ULIPs. In the 41 filings, which were cleared till date, two were pension products," he said.

### **New banks must be strong for financial inclusion : RBI**

New entrants in the banking sector should be strong and well-capitalised to promote financial inclusion in a cost-effective way. RBI initiated its process of increasing banking participants with a discussion paper on issues including capital requirements for aspiring banks, for which it has sought public feedback.

### **Banks asked to adopt new technology to cut transaction costs**

According to Dr. K. C. Chakrabarty, Deputy Governor, RBI, penetration of technology has to increase and the cost per transaction has to decrease drastically in India. "The intermediation costs of banks in India still tend to be higher than those in developed banking markets. The cost of small transactions has yet not gone down. Unless low-value transactions don't become cost-effective, it is not going to impact efficiency drastically," says Dr. Chakrabarty, who has urged banks to adopt a system of Business Process Re-engineering (BPR) to change their business processes, delivery models, as also information processing systems. Banks will have to have a unified and integrated approach to take full benefits of technology up-gradation. They will have to fully re-engineer their business processes as per the CBS software. Re-engineering would include developing new process manuals and training of personnel to effectively use the new systems, which would free staff for performing front-office functions. Dr. Chakrabarty has also noted that banks need to leverage on their IT so as to develop comprehensive customer relationship management (CRM) techniques to increase the volume, quality and profitability of business.

### **India should follow map to capital a/c convertibility : RBI**

Dr. D. Subbarao, Governor, RBI feels that India should move towards capital account convertibility on a calibrated basis according to domestic and global factors. The Indian

rupee is fully convertible on the current account, but only partially convertible on the capital account. Dr. Subbarao says “We must move towards capital account convertibility, along a road map, the road map itself being recalibrated on a dynamic basis depending on both global and domestic developments. Capital flows must always be managed and India will soon have a widening current account deficit as its economy grows more quickly than others in the world.”

### RBI confident of banks meeting Basel-III rules

RBI Governor Dr. D. Subbarao says that Indian banks are not likely to be significantly impacted by the proposed Basel-III rules. As on June 30, 2010, the aggregate capital to risk weighted assets ratio of the Indian banking system stood at 13.4% of which Tier-I capital constituted 9.3%. The Governor pointed out that although the Basel-III norms are yet to be calibrated, it is unlikely that they will be higher than these figures. However, while underscoring the fact that Indian banks were already making most of the deductions (from capital) that are now being proposed under Basel-III, the Governor cautioned that there could be some negative impact arising from shifting some deductions from Tier-I and Tier-II capital to common equity.

### Narrowing repo rate gap will reduce volatility : Dr. Gokarn

According to Dr. Subir Gokarn, Deputy Governor, RBI, narrowing the gap between the repo and reverse repo rates would reduce volatility in the overnight lending rates system. Reiterating that inflation continues to be a worry for the central bank, Dr. Gokarn says that “A strange trend in the macroeconomic situation is being witnessed at present, whereby, the global prices are going down while the prices in the Indian economy are firming up.”

### Banks face higher capital norms for PE, VC funds

The RBI will set strict terms that may include additional capital requirements for banks managing large private pools of capital. Ms. Usha Thorat, Deputy Governor, RBI said that, “where a bank lends its name directly or indirectly or floats / manages large private pools of capital, there is need for additional capital requirements to take care of reputation, concentration and other risks not captured in the traditional framework. This is why we are looking at bringing out guidance on banks managing large private pools of capital”. There is, however, no proposal to prescribe special conditions when bank investments are below a threshold and less than 20 % of the fund or does not lend its name. Such investments have to be within the overall capital market exposure limit and capital norms.

### Mobile banking to cover every village by 2015 : RBI

Dr. K. C. Chakrabarty, Deputy Governor, RBI has said that plans are afoot to cover all villages through mobile banks by 2015. A mobile bank is a facility under which an authorized vehicle, with officials of a particular bank, reaches a particular village at a specified time. It provides limited services like deposit or withdrawal to villagers. RBI had prepared a roadmap to open a bank branch in villages with appropriate space. All the areas having a population of 2,000 will get access to banking facility.

## Forex

Benchmark Rates for FCNR(B) / NRE Deposits applicable for the month of October 2010					
LIBOR / SWAP For NRE Deposits					
Currency	LIBOR	SWAPS			
	1 Year	2 Years	3 Years		
USD	0.77775	0.5950	0.8625		
LIBOR / SWAP For FCNR(B) Deposits					
Currency	LIBOR	SWAPS			
	1 Year	2 Years	3 Years	4 Years	5 Years
USD	0.77775	0.595	0.863	1.151	1.484
GBP	1.47078	1.2670	1.5220	1.7950	2.0500
GBP	1.47078	1.2670	1.5220	1.7950	2.0500
EUR	1.42000	1.472	1.634	1.799	1.960
JPY	0.66000	0.401	0.411	0.441	0.496
CAD	1.92083	1.531	1.673	1.855	2.029
AUD	5.61375	5.220	5.270	5.440	5.490

Source : Fedai

Foreign Exchange Reserves		
Item	As on Sept. 24, 2010	As on Sept. 24, 2010
	₹Crore	US \$ Mn.
1	2	3
Total Reserves	13,31,003	291,595
a) Foreign Currency Assets	12,04,664	264,529
b) Gold	94,199	20,008
c) SDRs	23,148	5,083
d) Reserve Position in the IMF	8,992	1,975

Source : RBI

### Forex dealers will get access to OTC deal reporting platform

Forex dealers will soon have access to India's first centralized reporting platform for over-the-counter (OTC) deals in currency options. Such a platform will provide real time data on volumes as well as rates of options traded. The Clearing Corporation of India (CCIL) after getting an in-principle approval from the RBI, is working closely to develop such a platform for the over-the-counter (OTC)



deals. Confirming the development, Ms. Indirani Rao, Chief Forex Officer, CCIL says, "This platform, whereby banks can report on currency option transactions, will help create much needed transparency in the OTC market. It will also provide information to regulators on the exposure of various entities to this market. The platform will be ready during 2010-2011." According to forex dealers, a reporting platform for OTC deals will help them take position in currency spot-market.

### **Rupee (₹) is most traded among BRIC club**

This year, the Indian Rupee (₹) has emerged as the most-traded currency among the BRIC economies and the third-largest Asian currency after Hong Kong Dollar and Korean Won. A survey of Central Bank, (which is conducted once in three years by the Bank for International Settlements aka BIS in Basel, Switzerland) has found that the Rupee has accounted for 0.9% of the total global gross foreign exchange turnover along with Russia, followed by Brazil with a share of 0.7% and the Chinese Renmimbi, with a share of 0.3%.

## **Capital Markets**

### **BSE launches mobile trading as Sensex hits 20,000**

On the day Sensex crossed the 20,000 mark, the Bombay Stock Exchange went live with its mobile trading platform. The Securities and Exchange Board of India (SEBI) had cleared the way for trading in securities using wireless technology less than a month ago.

## **Microfinance**

### **Microfin Cos likely to lose access to cheap funds from banks**

A RBI committee headed by Mr. V. K. Sharma, Executive Director, has recommended that the priority sector status, which is accorded now to banks' exposure to Non-Banking Finance Companies (NBFCs) should be withdrawn. However, to ensure a non-disruptive and orderly phase-out or exit, the group has recommended a sunset period up to March 31, 2012. Though state-run banks in the country also have a direct exposure to micro-finance through their rural branches, most private and foreign banks use this facility to fulfil their priority sector lending targets. However, sensing an opportunity to boost profits in this form of lending, many foreign banks have been very aggressive in their lending to MFIs. The competition that followed among bankers to lend to select few profitable and professional MFIs has helped some of these institutions to raise funds at competitive

rates besides bargaining power. However, if the priority sector tag were to be with-drawn, banks may not remain as enthusiastic in chasing MFIs for business.

## **International News**

### **Global forex trade jumps to \$4 trillion a day : BIS**

Trade on global currency markets has jumped by a fifth over the past three years to \$4 trillion a day. The three yearly survey by the BIS showed growth being driven by the rising power of hedge funds, insurance firms, central banks and other NBFCs; while ease of trading over electronic platforms has enhanced the appeal of retail trading. The increase in volumes was driven by a 48% jump in turnover of conventional spot transactions, which is watched closely by banks and institutions as a comprehensive snapshot of currency market trading. Growth in the spot market partly reflects the continued rise of algorithmic trading, where so-called black boxes can process thousands of trades a minute. The BIS survey, in which 53 central banks and monetary authorities participated, showed that transactions by once-dominant interbank dealers were surpassed for the first time by NBFCs like hedge funds and central banks.

## **New Appointments**

Mr. Arun Kaul has taken over as the new CMD of UCO Bank. Before joining UCO Bank he was ED, Central Bank of India.

Mr. S Raman has assumed charge as the CMD of Canara Bank. Earlier, he was ED of Union Bank of India.

Mr. Ramnath Pradeep has been appointed as CMD of Corporation Bank. Earlier, he was ED of Central Bank of India.

Ms. Vijayalakshmi R Iyer has taken charge as ED of Central Bank of India. Prior to this, she was GM, Union Bank of India.

Mr. Rajiv Kishore Dubey has taken charge as ED of Central Bank of India. Earlier, he was GM of Punjab National Bank (PNB).

Mr. S. S. Mundra has taken charge as ED of Union Bank of India. Earlier he was GM of Bank of Baroda (BoB).

Mr. N. R. Badrinarayanan has joined as ED of UCO Bank. Before joining UCO Bank he was GM, BoB.

Mr. A. K. Bansal has been appointed as the new ED, Indian Overseas Bank (IOB). Before that he was GM, Union Bank of India.

Mr. P. Pradeep Kumar has taken charge as MD of State Bank of Travancore. Prior to this, he was Country Head of SBI US Operations at USA.





Mr. A. K. Jagannathan has assumed charge as MD & CEO of Tamilnad Mercantile Bank Ltd.

Mr. Shyam Srinivasan has taken charge as the MD & CEO of The Federal Bank Ltd.



## Products & Alliances

**CIBIL launches database of mortgaged properties**

Credit Information Bureau (India) Limited (CIBIL) and TransUnion have launched CIBIL Mortgage Check - a repository of mortgage information, in consultation with NHB. The database will contain information on properties against which owners have availed loans, summaries of those loans and comprehensive information on those properties. It will help lenders share and access mortgage information, exercise stronger due diligence and reduce fraudulent transactions.

**ICICI & Kingfisher launch credit card**

ICICI Bank along with Kingfisher Airlines has launched a new credit card that allows its holders lifestyle benefits. ICICI Bank-Kingfisher Airlines Master Card Credit Card enables the holder to earn accelerated miles for all card spends, bonus miles on joining and renewal, complimentary upgrade, vouchers and membership of King Club.

**SBI ties up with Oxigen for kiosk banking in Mumbai**

SBI has tied up with technology company Oxigen Services to offer kiosk banking in Maharashtra. To begin with, the bank is launching 50 outlets in Mumbai, with the first one in Dharavi.

**United India signs MoU with Corporation Bank**

United India Insurance has signed an MoU with Corporation Bank for distributing micro insurance and other rural insurance products through the bank's BCs.

**Hyundai ties up with Vijaya Bank for car finance**

Hyundai Motor India has tied up with Vijaya Bank to offer retail financing facilities to its buyers. Mr. Arvind Saxena, Director (Marketing & Sales), Hyundai Motor India avers that "With this association, we will be able to reach out to a wider consumer base with better and easier finance options. Also, the competitive rates and easily accessible locations of the bank will surely benefit our customers". Under the MoU, both the partners will utilize and leverage each other's strengths to cross-sell Hyundai vehicles, along with the bank's car loans and schemes.

**Punjab & Sind Bank signs MoU with UIDAI**

Punjab & Sind Bank has signed a MoU with the Unique Identification Authority of India (UIDAI) to act as a registrar for its unique identification project 'Aadhaar'. Under the agreement, the bank having a customer base of about 65 lakhs, will collect biometric and demographic details (as per UID norms) of its account holders as well as future customers. Mr. P. K. Anand, ED, Punjab & Sind Bank has said that the bank will ensure speedy and smooth enrolling, which will be essential for accurate completion of the project. Punjab & Sind Bank has 924 branches across the country, out of which 325 branches are in rural areas.

**Syndicate Bank & Vijaya Bank sign MoU**

Syndicate Bank and Vijaya Bank have executed a MoU to form Jnana Jyothi Financial Literacy and Credit Counselling Trust (JJFLCCT) for establishing and running financial literacy and credit counselling centres across various lead districts in Karnataka, later to be extended to other states in the country.

## News From the Institute

**Contact classes**

Contact classes will be conducted by the Zonal Offices for the forthcoming JAIIB & CAIIB exams. For details please visit [www.iibf.org.in](http://www.iibf.org.in).

**Workshop on Compliance**

Institute is organising two workshops of two days each on Compliance during 20<sup>th</sup> to 23<sup>rd</sup> October 2010 at New Delhi and Bengaluru in association with International Compliance Association, London.

**Dispatch of Result Advices JAIIB & CAIIB**

Institute will be issuing consolidated marksheet cum Completion Memorandum to candidates who have passed all the subjects of the JAIIB / CAIIB examination. As regards candidates who have not passed all the subjects, printed result advices (original as well as duplicate) will not be issued but the same will be available on Institute's website in printable form. Candidates are requested to download the same from our website '[www.iibf.org.in](http://www.iibf.org.in)'.

## Important Rates / Ratios

Bank Rate	6.00%
Repo Rate (effective from 16 <sup>th</sup> September 2010)	6.00%
Reverse Repo Rate (effective from 16 <sup>th</sup> September 2010)	5.00%
CRR	6.00%
SLR	25.00%

Source : Reserve Bank of India

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## Financial Basics

### Growing Equity Mortgage

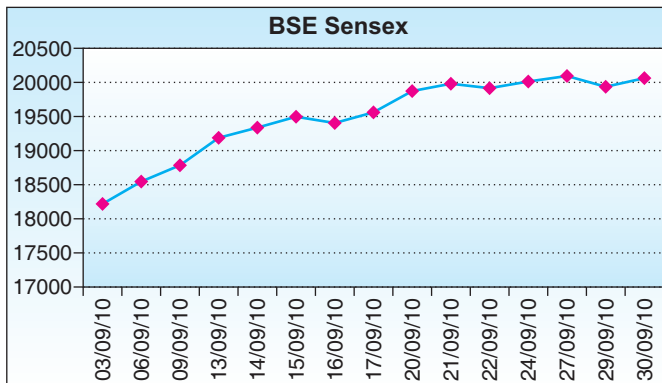
A fixed rate mortgage on which the monthly payments increase over time according to a set schedule. The interest rate on the loan does not change, and there is never any negative amortization. In other words, the first payment is a fully amortizing payment. As the payments increase, the additional amount above and beyond what would be a fully amortizing payment is applied directly to the remaining balance of the mortgage, shortening the life of the mortgage and increasing interest savings.

## Glossary

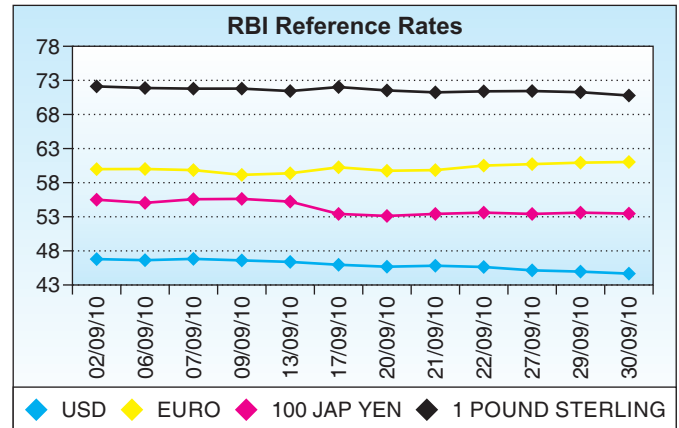
### Semi-Closed Wallet

The semi-closed wallet licence allows customers to exchange physical cash for virtual money, which can be stored on the mobile phone. This can be used by consumers to pay for goods and services up to ₹5,000/-.

## Market Roundup

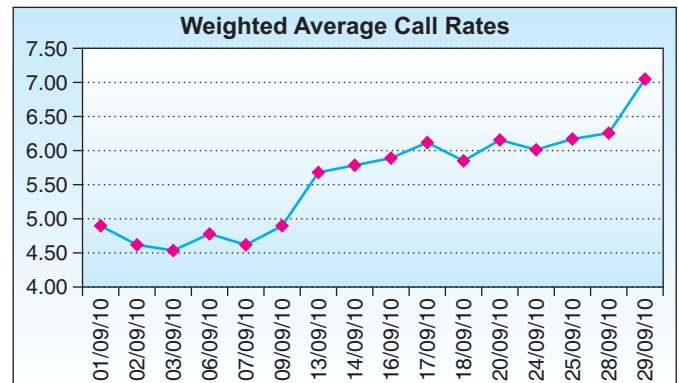


Source : Reserve Bank of India (RBI)



Source : Reserve Bank of India (RBI)

- Up 0.6% at ₹46.81 per dollar gaining the most in more than two months as strength in Asian economic data allayed concerns that the global recovery is faltering and boosted demand for riskier emerging market assets
- The Rupee appreciated 0.2% to ₹46.72 on 2<sup>nd</sup>, September.
- Rupee appreciated 0.5% from a week ago to ₹46.64 on 3<sup>rd</sup>, September.
- The Rupee appreciated 0.2% to ₹46.40 per dollar on 13<sup>th</sup>, September.
- Again Rupee appreciates 0.2% to ₹46.30 on 15<sup>th</sup>, September. The Rupee has clear bias to appreciate from here because of sustained and strengthening capital inflows, say market analysts.
- Rupee hits three-month high at ₹45.84 on 17<sup>th</sup>, September.
- On 27<sup>th</sup>, September Rupee climbed to its strongest level in more than four months after overseas investors stepped up purchases of local equities, seeking to profit from growth in Asia's third largest economy. The Rupee appreciated 0.5% to ₹45.01 per dollar.



Source : CCIL Newsletters, September 2010

### Call rate hits 6%; banks tap RBI for ₹46,000 crore

A shortage of money in the system has pushed up call rates past the 6% mark, even as banks picked up around ₹46,000 crore from the RBI. The call rate, which has been around 6% since mid-September, closed at 6.18%. The money market is tight on account of advance tax out-flows, which has sucked out nearly ₹40,000 crore from the banking system.

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