A Monthly Newsletter of Indian Institute of Banking & Finance (Rs. 40/- per annum)
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Committed to professional excellence

IIBF VISION

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RBI Mid Quarter Policy Review - 16th Sept. 2011

Monetary Measures

- Short term lending rate (Repo) hiked by 25 basis points (bps) to 8.25%.
- Short-term borrowing rate (Reverse Repo) hiked by 25 bps to 7.25%.
- Cash Reserve Ratio (CRR) and bank rate left unchanged at 6% each.
- Banks on an average raised base rates to 10.75% in August from 10.25% in July.
- Banks' overnight borrowing window under Marginal Standing Facility at 9.25%.

Growth / Inflation-Projections

- Downside risk to 8% growth projection for the financial year 2011-12.
- GDP growth decelerates to 7.7% in Q1 of 2011-12 from 7.8% in the previous quarter.
- Inflation remains high at 9.78% in August.
- Petrol price hike to push WPI by 7 bps, besides having an indirect impact on inflation.

Top Stories

Inflation gains currency

For the first time, India will print as many new ₹1000 denominated notes as ₹500 ones in 2011-12. Eleven years after the ₹1000 note was introduced in October 2000, RBI has ordered 2000 million new amber-red ₹1000 notes. The order for olive-and-yellow ₹500 notes, which came into circulation in 1987, has been halved to 2,000 million from last year. In value terms, the new ₹1,000 notes will add up to ₹2 lakh crore and ₹1 lakh crore of ₹500 notes. Even banks want more ₹1000 notes to stock their ATMs, cutting down on the number of trunks full of cash they need to move between banks and cash dispenser.

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."

INSIDE

RBI makes financial inclusion mandatory for new banks

Industrial houses and companies seeking banking licenses will have their work cut out, as RBI has mandated new banks to open 1/4th of their branches in unbanked rural centres. Though generating business from branches in unbanked areas may be challenging for the new banks vis-a-vis working out cost effective ways to open branches, they might offer basic banking services in rural areas to keep their costs low.

Customer is king

RBI has initiated a series of measures to make banking a customer-friendly experience. After the Damodaran Committee's report on customer service in banks, now the Banking Ombudsman Conference has made a host of recommendations to protect the interests of small investors and bank customers. Suggestions include that banks initiate the process of providing one view of all bank accounts of a customer, including deposits and loans, with the help of technology such as core banking. The Damodaran Committee report has underlined that the widespread use of technology raises customers' expectations on speed and quality of service delivery. The recommendations state that customers should be adequately educated on all products sold by a bank. All basic transactions, such as deposits, withdrawals and updating passbooks, must be done at the same time without requiring the customer to wait in queue more than once.

Banking Policies

Authorisation norms for Primary Dealers (PDs) revised

RBI has released revised guidelines for authorisation of Primary Dealers (PDs). Under the guidelines, banks intending to apply for primary dealership should have minimum net-owned funds (NOF) of ₹1000 crore, minimum capital to risk weighted assets ratio (CRAR) of 9% and net NPA of less than 3%. The bank needs to have a profit-making track record for the last three years. The non-bank applicant, including a bank's subsidiary or Indian subsidiary of a foreign entity, will need minimum NOF of ₹150 crore, while a diversified PD shall need ₹250 crore.

RBI nod necessary for raising capital beyond ₹1000 crore

Banks will now require prior approval of RBI for raising paid-up capital beyond ₹1000 crore for every block of ₹500 crore. RBI shall check whether the bank has indulged in connected lending and self-dealing; whether the corporate governance standards are adequate; and whether information from promoter group has been forthcoming to facilitate consolidated supervision. The exposure of the bank to any entity in the promoter group, their business associates, major suppliers and customers shall not exceed 10% and aggregate exposure to such entities shall not exceed 20% of the paid up capital and reserves of the bank subject in compliance with the provisions of Section 20 of the Banking Regulation Act, 1949.

Rural customers must understand banking products

To attract rural masses and meet financial inclusion targets, banks are offering no-frills accounts with several in-built features. However, RBI is concerned about the risks that banks may be exposed to, in case customers do not understand the product. Currently, apart from the zero-balance norm, there are no standard products mandated by RBI for financial inclusion. Banks are free to innovate according to their business strategy. However, RBI strongly feels that banks need to ensure financial literacy while meeting their inclusion targets so that customers understand the products they are opting for.

RBI raises vigil on lenders with high exposure to core sectors

With high exposure to sectors like power, housing and textiles negatively impacting the asset quality of banking and lending institutions, RBI has increased its vigil on the lenders focused on these areas. This comes on the backdrop of structural issues specific to these sectors, compounded by the changing interest rate environment and signs of impending downturn. Apart from the risk of asset quality deterioration in infrastructure sectors, lenders have had to watch out for an increase in the sticky loan portfolio of SME (Small and Medium Enterprises). Since a large amount of bank finance is locked in the power sector, RBI wants to sort out the fuel issues expeditiously. According to RBI data, while overall trends in NPAs do not indicate any systemic vulnerability as yet, the gross NPA ratio of SCBs has increased marginally to 2.52% by end June-2011 from 2.35% at end-March 2011.

Banking Developments

More usage of cards to ensure security

To minimize fraud and ensure security of transactions, RBI has asked banks to implement various safety measures related to credit card and debit card usage over a period of next two years. Banks need to strengthen the existing payment infrastructure and future proofing system along with adopting fraud risk management practices. The increased usage of credit /

debit cards at various delivery channels has also witnessed frauds increasingly taking place due to the cards being lost / stolen, data being compromised and cards being counterfeited. RBI has emphasized the need to migrate to Euro pay Master Card Visa (EMV) chip and PIN-based cards from the present magnetic strip as the latter is vulnerable to skimming and cloning.

RBI to banks - "follow Senior Citizen Savings Scheme strictly"

Reserve Bank of India has directed all banks to strictly follow instructions under the Senior Citizens Savings Scheme (SCSS) to ensure that all due benefits reach retired personnel. In response to the complaints received regarding the non-implementation of SCSS by banks, Government has written to RBI to issue the necessary instructions to all banks operating SCSS.

RBI opens door to India Inc. with strong fences

RBI has now paved the way for corporate India to enter banking, but with stiff conditions that straightaway shut the door on real estate companies and brokerage firms. Groups or entities with diversified ownership, sound credentials and a successful record of 10 years will be allowed to apply for new banking licenses but cannot have more than 10% or more assets or income from real estate and capital markets activities. The minimum paid up capital required to set up is ₹500 crore. New banks can be set up only through wholly owned, non-operative holding company (NOHC) which will be registered as a non-banking finance company (NBFC) with RBI who will control the bank and other financial service companies in the group.

Banks to exercise more caution while clearing loans

The Central Vigilance Commission (CVC) has asked banks to ensure that officers exercise due caution while evaluating loan proposals. The CVC has noticed that many times an officer who is in charge puts his signature on a loan proposal in his capacity as recommending officers while holding temporary charge for a short period. The Commission expects all officers to see if the project is viable while deciding to put their signatures on the loan application.

RBI raises risk weights for NBFCs lending to realty and capital market sectors

An RBI group has been set up to review all regulations relating to the NBFC sector, following concerns about NBFCs exploiting gaps in regulation to execute their business that is similar to banking business. NBFC sector grew fast using public funds (deposits). RBI group has recommended higher capital norms for NBFCs and increased risk weights for those lending to commercial real estate and capital market sectors. The accounting norms for banks will be applicable to NBFCs as well. The minimum net owned fund requirement for all new NBFCs wanting to register with RBI shall be retained at ₹2 crore; minimum assets size will be of ₹50 crore; while existing NBFCs below this limit can deregister or may be asked to seek a fresh registration at the end of two years. A financial conglomerate approach may be adopted for supervision of NBFCs having stock brokers and merchant bankers as specified by Securities and Exchange Board of India (SEBI) while offering financial margin. Any transfer of shareholding (direct or indirect) of 25 % and above, change in control, and merger or acquisition of any registered NBFC should be with RBI's approval. NBFC not accessing public funds may be exempted from registration if their assets are below ₹1000 crore. NBFCs may be given the benefit under SARFAESI Act, 2002.

The "T" factor in banking Sector

As India moves towards financial inclusion in the banking sector, technology will play a key role in achieving this goal by ensuring better customer service, reach and profitability. Mr. M. V. Nair, CMD, Union Bank of India avers "It will bring in efficiency; improve the MIS and help to make decisions based on analytics. It would be imperative to deploy the right type of technology and appoint the right type of people for the same." Ms. Shikha Sharma, MD & CEO, Axis Bank says "As far as retail banking is concerned, technology would help in building confidence at a low cost. Overall, technology would help to solve complex trade-offs in the future."

Indian Banks will need more equity for Basel-III

The average Tier-I capital ratio of Indian banks was a little above 9%. However, going forward, there would be need for more equity which has not been finalized yet. The huge need for equity capital by banks has to be managed and in the case of PSBs, the government will have to find resources to capitalize them. RBI has been working towards tweaking liquidity norms to suit Basel-III requirements. Currently, banks in India are mandated to maintain 24% Statutory Liquidity Ratio (SLR). The apex bank's view is to ask banks to maintain more liquid assets besides SLR might put them in a competitively disadvantageous position. The banking industry is already reeling from rising NPAs, owing to exposure to sectors like infrastructure and real estate. Past rate rises have started impacting consumer demand. The investment has become subdued but the consumer demand is high or strong.

Regulators Speak...

Timely credit for farmers

Dr. K. C. Chakrabarty, Deputy Governor, RBI has emphasized that there should be a shift from subsidized credit to timely and adequate credit for the agricultural sector at reasonable cost, especially where credit delivery system is very weak and complex. Further, the pricing of credit needs to be market-based to ensure effective flow of credit to all sections of the agricultural community. There is a need for credit to be explicitly linked to other supportive inputs and related services such as technology, soil conservation, irrigation, storage and marketing.

Statutory Liquidity Ratio cut

Dr. D. Subbarao, Governor, RBI opines that Statutory Liquidity Ratio (SLR) - must be brought down for an efficient market despite the buffering role it played in the economy. "It is necessary to scale down SLR so that there is credit available and the private sector does not get crowded out." Although high SLR helped the Indian banking system overcome the 2008 credit crisis, economists term it as 'financial repression' as it helps the government borrow at lower rates than what market forces would have forced it to pay in its absence. Reducing SLR may make government borrowing more expensive and corporate borrowing cheaper as more funds will be available with banks to lend them.

Banks need more fund infusion for adequate capitalization

Mr. Anand Sinha, Deputy Governor, RBI has asserted that while asset quality of banks may have deteriorated somewhat, there is no question of it becoming a systemic risk, though there are concerns about some rise in NPAs. Speaking on the impact of the Basel-III on PSBs, Mr. Sinha says, "The government will have to infuse funds into the banks to ensure that they are adequately capitalized. The government has to maintain 51% stake and it will ensure that banks get capital requirement for expansion. Basel-III requires a high level of liquidity to be maintained through a pool of liquid assets. We fear that asking banks to maintain more liquid assets over and above the SLR would put them in a competitively disadvantageous position. Therefore, we are thinking to what extent the SLR can be reckoned towards Basel-III requirements for holding big assets." Banks have been witnessing rising risks from SME and unsecured portfolios.

Poor are better at loan repayment

Dr. K. C. Chakraborty, Deputy Governor, RBI states that "The poor is more creditworthy than the rich. Banks should offer services to the poor with a profit objective rather than a social objective. This is possible by adopting an appropriate business model. We need an integrated approach by involving a combination of brick & mortar model and information & communication technology (ICT) model. Financial inclusion has failed to take off till now because of the absence of technology, reach and coverage, a proper business model and a viable delivery mechanism among others. Brick & mortar and ICT model, both fail independently. A combination of both is feasible. All villages up to a population of 2,000 per village must be provided with banking services either through branch or a business correspondent." However, Dr. Chakraborty also highlighted that technology makes it possible to produce goods and services at a very low cost. He suggests that some payments to the poor *viz.* food and fuel subsidies or NREGA payments could be made through bank accounts.

Forex

India's forex reserves down by $4.3billion

In September 2011, India's foreign exchange reserves have fallen by a whopping $4.3billion to $316 billion, mostly on account of revaluation of foreign currency assets (FCAs). According to RBI, FCAs, the biggest component of the reserves, stood at $280.7 billion, down by $4 billion during the said period. FCAs, expressed in US dollar terms, include the effect of appreciation or depreciation of the non-US currencies such as euro, pound and yen, held in the reserves. While the gold reserves remain unchanged at $28 billion, the special drawing rights (SDRs) and the reserve position with the IMF have fallen by $98 million and $63million respectively to stand at $4.5 billion and $3 billion respectively.

Benchmark Rates for FCNR(B) / NRE Deposits applicable for month of October 2011

LIBOR / SWAP For NRE Deposits					
Currency	LIBOR	SWAPS			
	1 Year	2 Years	3 Years		
USD	0.86489	0.5600	0.7230		

LIBOR / SWAP For FCNR(B) Deposits					
Currency	LIBOR	SWAPS			
	1 Year	2 Years	3 Years	4 Years	5 Years
USD	0.86489	0.560	0.723	0.976	1.244
GBP	1.71625	1.2912	1.4101	1.6059	1.7970
EUR	2.04188	1.519	1.6140	1.800	1.992
JPY	0.55250	0.357	0.3830	0.426	0.491
CAD	1.66583	0.990	1.1700	1.353	1.536
AUD	5.04000	4.028	4.138	4.370	4.495

Source : FEDAI

Foreign Exchange Reserves		
Item	As on Sept. 23, 2011	As on Sept. 23, 2011
	₹Crore	US $ Mn.
Total Reserves	15,42,878	312,707
a) Foreign Currency Assets	13,75,531	276,934
b) Gold	1,30,323	28,319
c) SDRs	22,335	4,497
d) Reserve Position in the IMF	14,689	2,957

Source : RBI

Economy

India's credit outlook unaltered despite slowdown

According to rating firm Moody's, a slowdown in economy is unlikely to alter India's credit outlook although rising domestic interest rates and an uncertain global economic environment could dampen India's near-term economic output, or GDP growth. India's medium-to-long term economic potential continues to be buoyed by its demographic profile, robust savings and investment rates and rising international competitiveness of its corporations. As per a Morgan Stanley report, persistently high inflation, higher cost of capital, cut in ratio of fiscal spending to GDP, a weak global capital markets environment and slow pace of investment will cause a further slowdown in growth. Considering these developments, India had recently cut its growth estimates for FY-12 to 7.2% from 7.7% earlier. The report notes that the Indian economy has demonstrated resilience to political, economic and financial shocks over the years. The country's foreign currency assets are almost four times its annual foreign debt repayment obligations. Moody's expects that this ample stock of reserves will facilitate meeting foreign exchange inflows for a significant period.

Capex of firms falling

RBI asserts that the rising costs of inputs and capital will have an adverse effect on the capital expenditure of companies in the current financial year, which is likely to be lower than in the previous year. The capital expenditure of companies was ₹382,461 crore in 2010-11, while they have capex of ₹2, 74,919 crore for 2011-12. The IIP (Index of Industrial Production), with base 2004-05 showed signs of deceleration in the first three months of 2011-12, more strongly in the capital goods sector. This raises some concerns regarding investment demand in 2011-12. While assessing the corporate investment scenario in 2010-11, the study pointed to deceleration in the corporate investment intention. While sales growth of the non-financial corporate sector remained strong, they faced pressure due to high input prices and rising interest rates in 2010-11. Thus, profits grew at a lower rate and margins contracted.

Insurance

IRDA assures 10 times premium

To get optimum tax benefits, IRDA has recommended the sum assured of 10 times the premium (as opposed to the current 5 times) for traditional policies. Those wanting to claim a tax benefit on insurance under Section 80CC will have to take a higher cover. The recommendation is based on the fact that traditional plans have a lower life cover compared to unit-linked insurance plans (ULIPs). Also, they are opaque and follow the IRDA's investment guidelines compared to ULIPs wherein policy holders have the discretion to choose the fund and invest accordingly. The Direct Tax segment suggests that the annual premium paid for life insurance policy will be taxable if it exceeds 5% of the capital sum assured. For this, the sum assured has to be atleast 20 times the premium to be eligible for deduction and means that only term policies will be eligible for deduction.

IRDA changes eligibility criteria for actuaries

In a bid to enhance scrutiny of financial impact of risk and uncertainty in insurance business, the IRDA is tightening the criterion for appointment of actuaries (experts who assess price risks). Private sector non-life insurance companies have an actuarial team of 6-10 members; life insurance companies have 10-35 actuaries; while most state-owned insurers appoint individual consultants. IRDA maintains that from 2013 onwards an actuary will have to be below 65 years of age and an employee of the company. Also, he / she will need to have 10 years of industry experience and a minimum two years service in a life or general insurance company. Further, he / she must have 5 years of experience after getting actuary fellowship. Although there are 129 qualified actuaries in the country, perhaps only 5-8 will fulfil these exhaustive criteria.

New Appointments

- Mr. Suresh Kumar Jain has been apponited as Executive Director of Union Bank of India.
- Mr. M. Anjaneya Prasad has been appointed as Executive Director of Syndicate Bank.
- Mr. Asit Oberoi has been appointed as Senior President and Chief Operating Officer at Yes Bank.

- Mr. G. Srinivasan has been appointed as Chairman and Managing Director of New India Assurance.

Microfinance

Microfinance sector may decline 20-40% this financial year

The microfinance sector in the country is likely to post a decline of 20-40% this financial year by March 31, 2012. For the first time in the history of Indian microfinance, the industry is likely to witness negative trend as per the data available with Microfinance Institutes Network (MFIN). The network is a registered body of 46 major MFIs. The reasons for shrinkage are limited funding support from banks and the uncertainty by the AP MFI (Regulation Act). Bank credit is still an issue and many MFIs are still facing considerable cash flow problems.

Banks scrap Personal Surety Clause in MFI Debt re-cast

ICICI Bank, HDFC Bank and Axis Bank are among lenders that have scrapped personal guarantee clause to bail out four microfinance companies, but they would be on the hook in the ₹7000- crore debt restructuring if business prospects do not improve dramatically. Banks have admitted Spandana Spoorthy, Asmitha Microfin, Share Microfin, Trident Microfin and Future Financial to debt restructuring. They have waived the personal guarantee to ensure that these accounts don't get classified as non-performing loans.

Desperate MFIs offer to cut past loan rates in AP

In Andhra Pradesh, MFIs have offered to slice the interest rates on past loans to 15% in desperation to recover a portion of more than ₹10000 crore unrecoverable loans. Scores of microfinance companies stare at bankruptcy after the state, which accounts for a quarter of the industry, limited the mode of loan recovery and capped interest rates due to complaints of harassments by recovery officers.

Products & Alliances

Organisation	Organisation tied up with	Purpose
UTI Mutual Fund	Canara Bank Securities	Canara BankSecurities would offer various schemes of UTI Mutual fund through its online platform. UTI MF will get an opportunity to reach out to a wider segment in society.
ICICI Bank	US - based Oppenheimer Investments Asia	The alliance would include equity and debt capital markets, advisory, private equity transactions and wealth management. It would also help Indian companies to enter US Securities market in the distribution of Indian offerings and placements in the US.
HDFC Bank	TVS Motors	HDFC will provide funding to dealers of TVS Motor Co. featuring online fund transfers, online re-payment and real time viewing of account status.
Bank of India	Indian Army	MoU for opening salary accounts with special features of package to the Army personnel in the form of 'Jai Jawan Salary Plus Account' providing many concessions, facilitating easy overdraft, concession on home and auto loans and waiver of processing charges.
Syndicate Bank	Tata AIG Life Insurance	Syndicate Bank would offer Tata AIG's Total Suraksha Plan to its housing loan borrowers across all its branches in the country on payment of a one-time premium. The product is designed to cover the balance of the loan over the loan's remaining term.

Bank for International Settlement (BIS)

BIS has been instrumental in conceptualizing and providing guidelines on Risk Management in Banks which have come to be known as Basel-II guidelines. Indian Banks are presently implementing Basel-II guidelines with Advanced Measurement Approach (AMA) due for implementation. As a consequence of recent global financial crisis, BIS has come out with recent, more stringent guidelines which are popularly referred to as Basel-III guidelines. We are trying to provide some basic information on Basel-III commencing with this issue.

"Basel-III" is a comprehensive set of reform measures, developed by the Basel Committee on Banking Supervision, to strengthen the regulation, supervision and risk management of the banking sector. These measures aim to :

- improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source
- improve risk management and governance
- strengthen banks' transparency and disclosures.

The reforms target :

- bank-level, or microprudential, regulation, which will help raise the resilience of individual banking institutions to periods of stress.
- macroprudential, system wide risks that can build up across the banking sector as well as the procyclical amplification of these risks over time.

These two approaches to supervision are complementary as greater resilience at the individual bank level reduces the risk of system wide shocks.

The Basel-III framework is summarized below which provides an overview of the various measures taken by the Committee.

Pillar-I : Capital

Quality and level of capital

Greater focus on common equity. The minimum will be raised to 4.5% of risk-weighted assets, after deductions.

"Gone concern" contingent capital

"Gone concern" capital proposal would require contractual terms of capital instruments to include a clause allowing - at the discretion of the relevant authority - write-off or conversion to common shares if the bank is judged to be nonviable. "Gone concern" contingent capital increases the contribution of the private sector to resolving future banking crises and thereby reduces moral hazard.

Capital conservation buffer

Comprising common equity of 2.5% of risk-weighted assets, bringing the total common equity standard to 7%. Constraint on a bank's discretionary distributions will be imposed when banks fall into the buffer range.

Countercyclical buffer

Imposed within a range of 0-2.5% comprising common equity, when authorities judge credit growth is resulting in an unacceptable build up of systematic risk.

Risk Coverage

Securitizations

Strengthens the capital treatment for certain complex securitizations. Requires banks to conduct more rigorous credit analyses of externally rated securitisation exposures.

Trading book

Significantly higher capital for trading and derivatives activities, as well as complex securitizations' held in the trading book. Introduction of a stressed value-at-risk framework to help mitigate pro-cyclicality.

Counterparty credit risk

Substantial strengthening of the counterparty credit risk framework. Includes: more stringent requirements for measuring exposure; capital incentives for banks to use central counterparties for derivatives; and higher capital for inter-financial sector exposures.

Containing Leverage

Leverage ratio

A non-risk-based leverage ratio that includes off-balance sheet exposures will serve as a backstop to the risk-based capital requirement. Also helps contain system wide build up of leverage.

Financial Basics

Option

A financial derivative that represents a contract sold by one party (option writer) to another party (option holder). The contract offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security or other financial asset at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date). Call options give the option to buy at certain price, so the buyer would want the stock to go up. Put options give the option to sell at a certain price, so the buyer would want the stock to go down.

Glossary

Primary Dealer

A pre-approved bank, broker / dealer or other financial institution that is able to make business deals with the U.S. Federal Reserve, such as underwriting new government debt. These dealers must meet certain liquidity and quality requirements as well as provide a valuable flow of information to the Fed about the state of the worldwide markets. These primary dealers, which all bid for government contacts competitively, purchase the majority of Treasuries at auction and then redistribute them to their clients, creating the initial market in the process.

Institute's Activities

TOPSIM- Universal Banking

- Institute has announced a two day program on TOPSIM - Universal Banking on 20th and 21st October 2011 in collaboration with Tata Interactive Systems. For details visit www.iibf.org.in.

News From the Institute

Additional Reading Material for IIBF examinations

The Institute has put on its portal additional reading material for candidates taking various examinations culled out from the Master Circulars of RBI (For details visit www.iibf.org.in).

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Webex classes : Institute is organising web classes for JAIIB / DB&F and CAIIB candidates. The access to the sessions will be provided to all candidates who register for November / December 2011 examinations. For details visit www.iibf.org.in.

Mock Test

Mock Test facility will be available to DB&F / JAIIB / CAIIB candidates with effect from 1st October 2011. For details visit www.iibf.org.in.

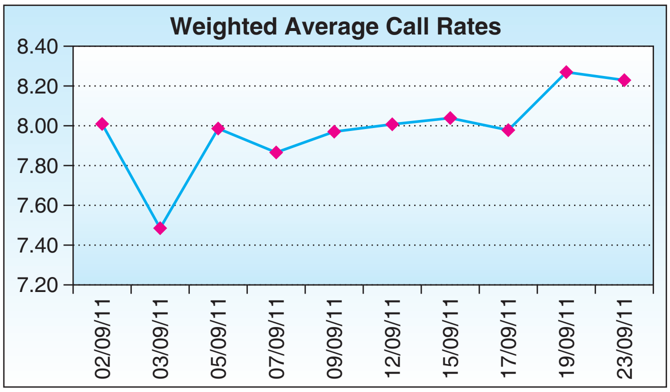
Project Finance

Institute is organising the 16th Certificate Course in Project Finance in collaboration with IFMR, Chennai. The campus training for the batch is scheduled from 21st November to 26th November 2011. For details visit www.iibf.org.in.

Contact classes

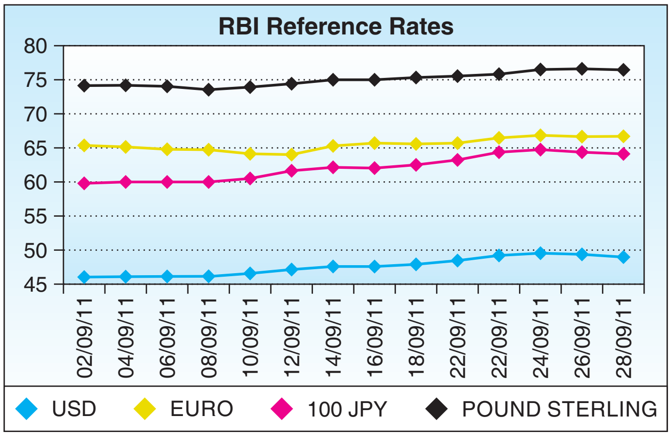
Contact classes will be conducted by the Zonal Offices for the forthcoming JAIIB and CAIIB examinations. For details visit www.iibf.org.in.

Market Roundup



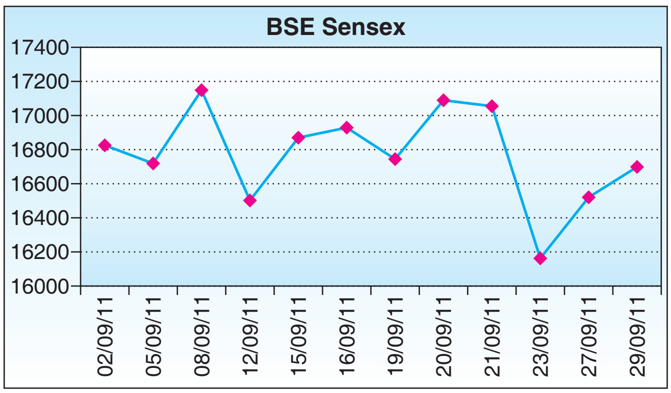
Source : CCIL Newsletters, September 2011

- Call rates generally remained range bound.
- On 3rd, call rates touched 7.48, lowest in the month.
- Towards last week, there is some liquidity dry up.
- Call rates are tracking the Repo rate.



Source : Reserve Bank of India (RBI)

- The Rupee strengthened on 2nd on cautious trade ahead of US non-farm pay roll data, aided by local share gains, but dollar demand from oil importers limited the rise.
- The Rupee has touched a 14-month low of 47.05 per dollar on 12th as the Euro zone problems escalated with Germany and France unwilling to bail out troubled partners.
- The Rupee continued to slip against the dollar touching a 16-month low of 47.47 per dollar on 13th. Euro zone debt continued to impact trader sentiments.
- RBI's monetary policy says, in recent weeks, as a result of global risk aversion, the rupee has depreciated, which may have adverse implications for inflation.
- Despite a rise in local stocks, the rupee slipped to 48.05 against the dollar from 47.82 on 19th, amid a global shortage of the US currency.
- Rupee ended at 49.58 per dollar on 22nd down from 49.28 on 21st, falling 10% in two months. RBI intervened in the market when rupee went past 49.15 per dollar. The Euro fell to seven-month low against the dollar to 1.3465 per dollar.
- The rupee fell to 49.13 a dollar on 28th registering a 9% decline this year.
- During the whole month, rupee depreciated against dollar by 6.6%.
- While against Euro, Rupee appreciated 2.66% upto 12th, registered 1.90% depreciation during the month.
- Rupee continued its slide against JPY and Stg. Pds registering depreciation of 6.93% and 2.96% respectively.



Source : Reserve Bank of India (RBI)

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