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IIBF VISION

Volume No. : 3

Issue No. : 10

July 2008



Top Stories

Banks' implement loan waiver

PSBs went all out to implement the Government's mega farm loan waiver scheme by June 30, '08. They had roped in senior officers to make the endeavour successful. The finance ministry had urged banks to make the process flawless and had said that it would hold every lending institution responsible for the correctness and integrity of the lists of farmers eligible under the scheme. Farm loans disbursed before March 31, 2007, overdue on December 31, 2007 and remained unpaid till February 29, 2008 were eligible for loan waiver. The banks will be issuing certificates to farmers whose loans have been waived, so that they can avail of fresh bank loans.

RBI begins purchasing oil bonds under special market operations

The Reserve Bank of India (RBI) has started purchasing oil bonds from oil companies under the special market operations. The first transaction of about Rs.1,000 crore has been done and the yield on the bond was about 8.75 - 8.76.%. The Government had announced an issue of oil bonds worth Rs.94,600 crore in the fiscal 2008-09.

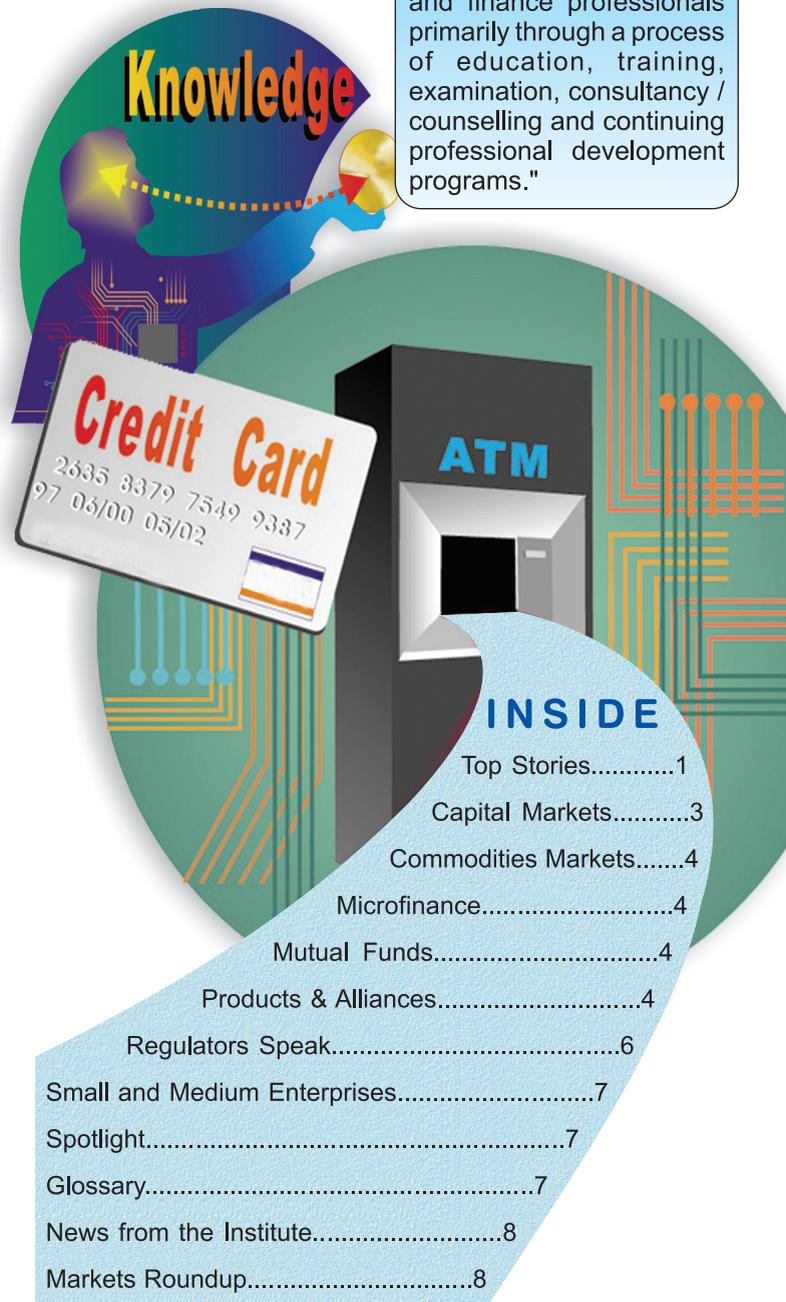
SBI sets up pension processing centres

With an aim to provide better service to pensioners, the SBI has set up fully computerized, centralized pension processing centres at each of its 14 local head offices, through which pension is credited to the pensioners' accounts on a common date across the country. Around 22 lakh pension accounts handled by over 6,800 branches across India have already been covered under this initiative. Pensioners are now able to withdraw money through SBI's 8,500-plus ATMs for free and even transact through Internet banking.

Indian Bank opens regional rural bank

Indian Bank inaugurated its regional rural bank (RRB) called Pudevai Bharathiar Grama Bank in the Union

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Territory of Pondicherry on the 1st June; 25 more are to follow in the next two years in the UT. Mr. M. S. Sundara Rajan, Chairman and Managing Director, Indian Bank said “we want to achieve a business of around Rs.200 crore through Puduvai RRBs by 2010”.

Cibil asked to keep tab on fraudulent deals

Credit Information Bureau of India Ltd. (Cibil), which collects data on defaulting bank customers, will now play a new role of maintaining data on fraudulent deals. The Indian Banks' Association (IBA) has asked Cibil to establish a pilot project called Credit Information Company (CIC) in association with Trans Union, for the purpose. The Credit Information Act, 2005, allows the country to have more than one agency in the credit bureau space.

Allen Pereira heads Bank of Maharashtra

Mr. Allen C. A. Pereira has taken over as Chairman & Managing Director of Bank of Maharashtra (BoM). Earlier, he was Executive Director of Oriental Bank of Commerce since March, 2006. Mr. Pereira's career in the banking industry spans a period of over 34 years. He had initiated the sports Olympiad for employees in banking industry, in 2002.

HSBC India to expand factoring services for SMEs

HSBC India plans to expand the scope of its factoring services in Tier-II cities across the country, with a focus on small and medium enterprises (SMEs). Factoring enables companies to sell their outstanding book debts for cash. HSBC India's factoring services include traditional factoring, financing and collection management, among others. “Though there is competition - sales-linked factoring services that are pro-SME and offer flexibility in managing working capital - business linkages across segments with which factoring can be linked up, are key value-additions for us in the industry that has many surrogate products” said Mr. Basab Majumdar, Head (Factoring Services) HSBC India.

Banks raise rates on NRI deposits

Many commercial banks have hiked the interest rates on hard currency term deposits of NRIs. SBI has hiked the interest rates on its foreign currency, non-resident and external term deposits. NRI deposit rates are revised almost every month; and one factor that influences the revision is the movement in the international benchmark London Interbank Offered Rate (Libor). SBI has hiked interest rates on FCNR deposits in six currencies US Dollar, Pound Sterling, Euro, Canadian Dollar, Australian Dollar and Japanese Yen. Other banks to revise NRI deposits rates are Bank of Rajasthan, Syndicate Bank and Punjab National Bank (PNB).

NABARD to open liquidity facility for Co-operatives

National Bank for Agricultural and Rural Development (NABARD) is set to open a special liquidity assistance window for cooperative credit institutions, including state co-operative banks (SCBs), to tide over any tight resource conditions arising due to implementation of the farm debt waiver and relief scheme - as reported by NABARD executive director S. K. Mitra after his meeting with the chief executives of SCBs. NABARD is the refinancing agency for rural cooperative organizations. The refiner could borrow from the market to provide assistance to cooperative entities. It has already raised over Rs.100 crore through one year paper that carries a 9.3% coupon rate.

Corporation Bank focuses on SMEs

Corporation Bank has started setting up dedicated SME development centres across the country, beginning with Pune. “The SME initiative is being launched as part of our business restructuring plan, which is presently being implemented through the verticalisation of key segments such as corporate and retail,” said the bank's Chairman and Managing Director, Mr. B. Sambamurthy. While the SME operations are centred in Pune, corporate banking and retail operations will be looked-over from Mumbai and Mangalore respectively. These centres will focus completely on client-making activities in the SME segment and thus improve credit flow to the segment. Two more SME development centres are in the pipeline this fiscal in Gurgaon and Chennai.

IRDA gets a new Chairman

The Government has appointed Mr. J. Harinarayan, a retired Indian Administrative Service officer of the Andhra Pradesh cadre, as the new Chairman of Insurance Regulatory & Development Authority (IRDA).

Yes Bank appointed advisor to Ministry of Tourism

New generation private sector lender Yes Bank has become the first bank to be em-panelled as advisor by the Ministry of Tourism. “The advisor will do a feasibility study of the project and tourism destinations, infrastructure, planning, among other things”, said Mr. Tushar Pandey, Country Head, Strategic Initiatives & Advisory Government (SIG). “The advisory business of the bank has been growing and adding to the bottom-line; this also helps pull business to the bank” he said. The bank earned about 27% of income from the financial services advisory last year. Yes Bank is already advising some of the states where tourism shows potential for economic growth *viz.*, Madhya Pradesh, Punjab and Rajasthan.

Inflation for the common man is only 7.1%

The wholesale price index (WPI) - based inflation rate scaling a 13-year high of 11.05% has put the Centre on the defensive and sent stock and bond prices into a tail spin. But translated for the common man, there's an ambiguity about how reflective is the 11.05% rate on the prices of goods that make up for a lay person's consumption basket. The WPI is a hotchpotch capturing price movements in 435 odd commodities that range from onions and ghee to titanium dioxide and carding machines. The 11.05% inflation figure for the week ended June 7 is the weighted average year-on-year increase in the wholesale prices for all these 435 items. In reality, the inflation rate, as it affects the 'common man' is just 7.1%, based on essential products directly consumed by the 'common man'.

SBI gets 24 lakh applications for 20,000 clerical positions

Even as public sector entities claim to be losing talent to the private sector, due to disparity in pay structure, the response to SBI's latest advertorial for clerical staff, gives a contradictory picture. SBI's advertisement for 20,000 clerical staff, has received a whopping 24 lakh applications. Translated, it means that for every one post, the bank has received 120 applications.

BoI opens branch in Glasgow

Bank of India (BoI) recently opened a branch in Glasgow; thus becoming the first Indian bank to establish itself in Scotland. BoI has 10 branches in Europe and 27 branches and offices globally. The bank now wants to open branches in Beijing, New Zealand, Johannesburg, Canada, Tanzania and Madagascar; along with representative offices in Dubai and Cairo. International business contributes around 20% of BoI's business and 17% of its profit.

IndusInd, Central Bank increase lending rates

Even as PSBs are holding on to their prime lending rates (PLR), another private player, IndusInd Bank has announced a 50 basis point (bps) increase in the same. So far, HDFC Bank, Jammu & Kashmir Bank & Yes Bank had increased their PLRs. Now, IndusInd Bank has increased it to 16.25% from the 15.75% earlier. IndusInd has also increased deposit rates by up to 50 bps. Though PSBs had refrained from raising lending rates so far, many of them are now thinking otherwise, in case the RBI initiates fresh monetary policy measures.

Yes Bank, Axis Bank securitize loans worth Rs.1,000 crore of oil companies

At a time when public sector oil marketing companies are facing a liquidity crunch, two private banks - Axis Bank and Yes Bank are securitizing loans worth over Rs.1,000 crore that were extended to Hindustan Petroleum

Corporation (HPCL) and Bharat Petroleum Corporation (BPCL). Axis Bank is securitizing loans worth Rs.655 crore extended to HPCL, while Yes Bank has securitized loans amounting to Rs.421 crore given to BPCL. Securitization involves pooling and repackaging of cash flow producing financial assets into securities that are subsequently sold to the investors.

Union Bank executes farm loan waiver programme

Union Bank of India successfully executed a farm loan waiver programme that was set to be completed by June end in the country. The bank covered 5.50 lakh farmers to implement the measures announced by the Centre during this fiscal's Union Budget. The bank's beneficiaries include 4.50 lakh small and marginal farmers, cultivating land up to five acres, whose loans to the tune of Rs.1,250 crore were waived. The remaining one lakh farmers, with land holdings of more than five acres, will be receiving relief worth Rs.230 crore, *i.e* a 25% rebate on the outstanding, provided they agree to pay the balance 75% by June 2009, in three instalments.

BoM starts rural debt waiver plan

BoM has decided to implement a debt-waiver and relief scheme for farmers. The bank has displayed a list of all eligible accounts at its branches and fresh financing will be made available for all eligible farmers under the scheme. Guidelines issued by the Government have been circulated and the branches have been asked to correctly identify the borrowers for waiver or debt relief and make them eligible for fresh finance. The bank has also asked all its branches to display the scheme in local languages.

United Bank of India's debt waiver scheme

United Bank of India has launched its agriculture debt waiver and debt relief scheme in the North-Eastern states. The UBI Executive Director, Dr. T. M. Bhasin, has stipulated that errors of inclusion and exclusion in the eligible borrowers list should be avoided to make the exercise a total success. The bank has 249 branches in the North East region with 174 alone in Assam and collectively handles a business of Rs.7,420 crore, comprising Rs.5,528 crore deposits and Rs.1,892 loans and advances. The bank has witnessed a significant growth of 102% in total business from Rs.37,187 crore on March, 2005 to Rs.75,123 crore this year.

Capital Markets

IndusInd taps overseas market to raise Rs.222 crore

IndusInd Bank has raised Rs.222 crore from the overseas market through a fresh issue of shares. The bank has hit

the equity market at a time when other players looking at raising money were put off their plans because of falling markets. In recent times, this is the first player to hit the overseas market. Early last year, IndusInd had raised Rs.147.45 crore through global depository receipts (GDRs). Earlier this year, the bank's finance committee had approved the issuance of 3.51 crore of shares. Post issuance, the bank's paid-up equity share capital was Rs.355 crore. The net interest margin of the bank improved to 1.6% from 1.4%. While for the fourth quarter, it rose to 1.6% from 1.4%.

Karnataka Bank board okays 1:5 rights issue

The board of directors of Karnataka Bank will be issuing one share for every five shares held on rights basis at a price of Rs.100 per share. With this, the board has decided to increase the authorized share capital of the bank from Rs.150 crore to Rs.200 crore, subject to necessary approvals. The Chairman and Chief Executive Officer, Mr. Ananthakrishna has said that the funds may be raised by the end of September.

Commodities Markets

NCDEX signs pact with Bikaner oil

In a bid to create awareness on futures trading among edible oil producers, National Commodity & Derivatives Exchange Ltd. (NCDEX) has signed a memorandum of understanding (MoU) with Bikaner Oil Mills Association, Bikaner and Shri Bikaner Kachchi Aadat Vyapar Sangh, Bikaner. NCDEX and the associations will jointly develop contract specifications to meet the business requirements of the association members. The associations, in turn, will promote trading futures among its members and customers.

Rising crude prices fuel futures trade

The record rise in the international crude oil price has generated increased interest in futures contracts being traded on Multi Commodity Exchange (MCX) and the NCDEX. Open interest in crude oil rose from about 1.2 million barrels on April 1 to over 3 million barrels on May, 12 on MCX. On NCDEX, the volume jumped by nearly 260 % to 19.95 lakh barrels in May. Ms. Kavita Chacko, economist, NCDEX, said, "The increased fund flow in the international market into commodities as an alternative investment - given the crisis in the financial markets - has fuelled the oil price rally." The projected overall OECD oil demand is 48.8 million bpd and non-OECD demand is forecasted to be 38.1 million bpd in 2008. OPEC too has lowered its world oil demand for 2008 by 0.2 million bpd to 86.95 million bpd.

Microfinance

LIC targets 40 lakh rural micro-insurance policies

LIC has set a target of selling 40 lakh micro-insurance policies this year, said Mr. T. Vijayan, Chairman, LIC. With the establishment of a technology platform and tie-ups with NGOs, micro-finance organizations, co-operative societies and rural banks, the corporation expects to sell 40 lakh micro insurance policies this year, against 8 lakh in the previous year. LIC's micro-insurance policy, "Jeevan Madhur" was launched in 2006 and offers the option of a minimum weekly premium payment of Rs.25. The corporation had devised new products, in terms of payment schedule and delivery for the rural areas, keeping affordability of the rural people in mind.



Mutual Funds

UTI Mutual Fund to get Rs.5,000 crore from Government funds

UTI Mutual Fund, the third largest asset management company in India by assets under management, will receive close to Rs.5,000 crore from various Government funds such as National Investment Fund, PSUs' 'extra corpus' and money from the Postal Life Insurance (PLI). Reportedly, the Department of Posts has already communicated to the fund house that the PLI corpus would start flowing in the next 3-4 months. Various estimates confirm that half of PLI's annual accretion of Rs.2 crore, will come to UTI. The fund house expects to receive more than Rs.4,000 crore as investments from PSUs this year. Apart from that, it is also managing Rs.450 crore worth of pension assets under a separate subsidiary known as UTI Retirement Solutions.



Products & Alliances

Canara Bank opens biometric ATM in Dharavi

Canara Bank inaugurated its first biometric ATM in Maharashtra at Dharavi, Mumbai. This is its ninth biometric ATM in India. Biometric ATMs are fingerprint reading machines expected to primarily serve the lower

middle-income segment comprising the working class to enable them to withdraw funds directly from the ATM machine.

United Bank of India signs MoU with three Myanmar banks

United Bank of India has entered into an agreement with Myanmar Foreign Trade Bank, Myanmar Investment & Commercial Bank and Myanmar Economic Bank for routing border-trade transactions.

NKGSB Co-operative Bank acquires Shri Shahu Co-operative Bank

NKGSB Co-operative Bank, Mumbai, has acquired the Kolhapur-based Shri Shahu Co-operative Bank, having a business mix of Rs.55 crore and a network of 7 branches. The bank proposes to open 3 more branches in Pune, Panvel and Parel (Mumbai). The merger process is slated to be completed shortly.

HDFC Bank, QNB join hands

Qatar National Bank (QNB) has joined hands with HDFC Bank to offer a range of products and services, including fast online remittance of money, to Indian expatriates. Called QNB-HDFC Bank NRI Services, the product has been designed to offer NRIs in Qatar and their families back home an array of products and services covering various aspects of their financial needs. The dual account can be used to remit money (in rupees) online from a QNB account to an HDFC Bank account.

ICICI Prudential Life Insurance ties up with American Express Banking Corporation

ICICI Prudential Life Insurance has tied up with American Express Banking Corp, in a service initiative that will enable ICICI Prudential Life policyholders across the world to pay their insurance premiums online.

Tie-up for e-commerce service

Karnataka Bank Ltd. has signed an agreement with IndiaIdeas.com (Billdesk) for payment gateway services. A payment gateway is an e-commerce service through a service provider (Billdesk) will provide a platform for payments of e-businesses, online reservations, bill payments, etc. The Chief General Manager of Karnataka Bank, Mr. P. Jayarama Bhat, and the Director of IndiaIdeas, Mr. M. N. Srinivasu, signed the agreement in Mumbai recently.

IDBI launches value added service

IDBI Bank has announced a value added service for its real time gross settlement (RTGS) clients. The bank will now give the name of the remitter along with the UTR (unique transaction reference) number in the account statement of the customers for all inward RTGS

transactions. This will enable the customers to know the remitter details of the inward RTGS entries and facilitate better daily funds management.

YES Bank launches community initiatives

YES Bank has launched "YES Community", an initiative to build awareness on key environment and social issues through micro-events at the bank's branches. The bank has started off with the theme of "Planet Earth" for the financial year 2008-09, and may look at other themes like health and safety. "YES Community" will organize events for children and adults at its branches on sub themes to prevent pollution, recycle and minimize waste, conserve energy, conserve water and improve sanitation and cleanliness. The bank also hopes to work with its corporate clients to build awareness.

Andhra Bank in an MoU with Crisil

Andhra Bank has entered into an MoU with Credit Rating Information Services of India Ltd (Crisil) for rating their corporate borrowers. The MoU was signed by Dr. K. Ramakrishnan, Chairman & Managing Director of Andhra Bank and Mr. Ramaraj Pai, Director Crisil. On the occasion, Dr. Ramakrishnan said, "Credit rating assumed importance due to migration of banks to Basel-II norms by March, 2009. Initially, only the corporate borrowers availing credit limit of Rs.50 crore and above would be rated by the rating agency".

Standard Chartered ties up with Tata AIG

Standard Chartered Bank has launched the 'Plus Extended Protection Plan' in association with Tata AIG General Insurance to provide credit and debit card customers with a "lost card" insurance for the period prior to reporting the loss. The insurance cover will reimburse (up to Rs.50,000 per occurrence) any fraudulent transaction occurred on the "lost card" up to 12 hours prior to the customer reporting the loss to the bank. Any payment card, debit or credit can be registered for this cover.

MCX inks MoU with IDEA carbon

MCX has signed a MoU with Singapore based IDEA carbon, an independent rating agency for carbon market participation and global advisory on carbon finance.

GIC signs pact with Hannover Re

GIC has signed an agreement of co-operation with Hannover Re for jointly developing the life reinsurance business in India. GIC and Hannover Re will jointly market and service the life reinsurance business in India. The agreement is for a minimum period of five years and will involve sharing of new business underwritten by both the parties in India.

United Bank, Kotak Mahindra tie-up

United Bank of India has signed a MoU with Kotak Mahindra Asset Management Company for the distribution of the latter's various mutual fund schemes from its branches. The tie-up will enable the bank to offer financial solutions to suit the needs of its customers. The distribution of mutual fund products will also boost the bank's fee based income.

SBOP launches smart card

The State Bank of Patiala has launched 'SBP Smart Card' for those who have not availed of banking services so far. Customers will not be required to go to the branches; all banking services will be provided at their door step through this card. Smart Card is a plastic card that contains all the information about a customer such as name, account number, finger prints as well as balance in account. It is easy to use, secure, and involves low operational cost.

Regulators Speak...

Signing of the Bilateral Swap Arrangement between Japan and India

The Bank of Japan (BoJ), acting as the agent for the Minister of Finance of Japan, and the Reserve Bank of India (RBI) concluded a Bilateral Swap Arrangement (BSA) between Japan and India. The BSA was signed by Governor Masaaki Shirakawa of the BoJ and Governor Dr. Y. V. Reddy of the RBI in Basel, Switzerland and became effective as of June 29, 2008. The BSA enables both countries to swap their local currencies (*i.e.*, either Japanese yen or Indian rupee) against US dollar for an amount up to USD 3 billion. The arrangement aims at addressing short-term liquidity difficulties and supplementing the existing international financial arrangements, as one of the efforts in strengthening mutual cooperation between Japan and India.

No credit derivatives for now : RBI

The RBI has decided to once again postpone the introduction of credit derivatives. This is the second time the apex bank has done so since issuing the draft guidelines for credit derivatives in March 2003. The present turmoil in the international financial markets has made RBI shelve its earlier plans for issuing the final norms in this regard. Credit Derivatives are negotiable bilateral contracts that allow users to manage (hedge) their exposure to risk. These derivatives are financial assets like forward contracts, swaps and options, for which the price is determined by the credit risk. The market for derivatives in India is shallow. According to analysts,

though public sector banks have over 70% share in Indian banking assets, foreign and private banks dominate the derivative market.

RBI rebukes banks for not offering basic services

The RBI has pulled up banks for not offering basic banking services such as cash exchange facilities and coins to walk-in-customers even at branches with currency chests. Incognito visits by RBI officials have revealed that seldom are such services offered to walk-in as also for regular customers. RBI Deputy Governor Ms. Usha Thorat said in a recent speech, "Fulfilling the basic necessities of life, providing essential services and ensuring individual dignity for the millions in the country continues to be one of the major challenges and banks have a significant role to play in addressing these challenges".

RBI sets m-banking norms

The wait for rolling out mobile banking seems to be over, with the RBI issuing draft operative norms for such payment system. Now, it will be easier and safer to use mobile phones for carrying out a gamut of banking transactions. Banks can offer mobile based services only to their own customers though they may sign multilateral and bilateral agreements for fund transfer transactions and create mobile switches and inter-bank payment gateways with permission from RBI. This is being done with a view to create an infrastructure on a pan-India basis.

Anti-money laundering norms for RRBs tightened

The RBI has made it mandatory for RRBs to report all suspicious transactions above Rs.10 lakh to the Directorate of Financial Intelligence as part of its exercise to strengthen the anti money laundering drive. RBI had earlier issued similar guidelines for the commercial banks. 'The banks should report information in respect of all transactions referred to in Rule 3 to the Director, Financial Intelligence Unit-India (FIU-IND)' said RBI in a notification.

Deposits only for Rs.2 crore net worth NBFCs

In a bid to eliminate the weak links in the financial sector, the RBI has come down heavily on deposit taking finance companies with a low capital base. The regulator has set a deadline of March, 2009 for NBFCs to increase their net worth to at least Rs.2 crore and has frozen fresh deposit mobilization till the target is achieved. NBFCs unable to raise their net-owned funds (NOF) within the stipulated time-frame can apply to RBI for dispensation, which will be considered on a case-to-case basis. This is a relaxation from the draft guideline issued in June, 2007. At that time, RBI had said that if a deposit taking NBFC is not able to attain the revised minimum NOF requirement after the two year transition period, it will automatically

be shifted to non-deposit taking category and shall be required to repay the deposits held by it to the depositors within three years, which is within five years from the date of the circular is issued.

Small and Medium Enterprises

ICICI to focus on business banking

After focusing on retail business segment as the mainstay for its growth, ICICI Bank now seems to have changed tracks. With the banking industry facing pressure on spreads, ICICI Bank will orient itself towards fee-based income this fiscal, said Mr. Vijay Chandok, Senior General Manager, Head SME Business, ICICI Bank. The bank is looking to increase its share of current accounts and add to its fee income by improving the business banking services. The SME sector contributes 13-14% to the bank's total fee income, though its share in total assets is about 2-3%. The SME segment has seen a growth of over 50% for the last five years and the bank is expected to maintain the same this year.

Yes Bank targets SMEs in UP

Yes Bank is targeting SMEs in Uttar Pradesh for meeting their working capital needs and growth plans. The bank has also entered into an agreement with the industry chamber, Indian Industries Association (IIA), for reaching out to SMEs in UP across verticals under its Business Banking initiatives. The bank will provide an array of financial services including lending and advisory services to SMEs having a minimum turnover of Rs.150 crore.



Spotlight

Narayanasami becomes IBA chief

Mr. T. S. Narayanasami CMD, Bank of India, has been selected as new Chairman of Indian Banks Association (IBA), replacing CMD of Canara Bank Mr. M. B. N. Rao who retired in June. Dr. K. C. Chakrabarty, CMD of PNB, CEO of Citi Group CMD of United Bank of India, Mr. P. K. Gupta and MD & CEO of HDFC Bank Mr. Aditya Puri have been appointed as Deputy Chairmen of IBA.

PNB, Vijaya Bank stop selling Principal PNB policies

PNB and Vijaya Bank, the two key partners of insurance broking firm Principal PNB Insurance Broking Company have stopped selling insurance policies.

Loan waiver to lift banks' bottom-line

PSB bottom lines are expected to receive a boost this year as a result of the Union finance ministry's farm loan waiver scheme. The scheme is expected to help neutralize the effects of high depreciation of investments, low treasury incomes and shrinking interest margins. The waivers will allow the banks to write back provisions on all the overdue loans, classified as sub-standard or doubtful assets. Several banks have already provisioned the overdue payments as mandated by the RBI. The provisions written back will be accounted as extraordinary or other income in the bank's profit and loss account.

Dividend payouts by private banks rise in FY'08

In FY08 also, the dividend payment of 34 banks has increased by 31%. But, the private banks dividend payment rate was higher than that of PSBs. In the case of dividend payout ratio, private sector banks showed an increase as against a decline for PSBs in 2007-08 from the level of 2006-2007 (as per a comparison between 12 private sector banks and 22 PSBs operating in the country). The RBI has raised the cap on banks' dividend payout ratio from 33.33 - 40%. In the case of private sector banks, dividend to net profit ratio at the aggregate level showed an increase during 2007-08, against that of 2006-07 and in the case of PSBs, dividend to net profit ratio decreased.

Karnataka Bank to write off Rs.165 crore

Karnataka Bank will write off farm credit worth Rs.165 crore under the loan waiver scheme proposed by the finance ministry, as revealed by the Chairman Mr. Ananthakrishna. The bank's outstanding farm credit stood at Rs.750-800 crore, including direct financing of Rs.75 crore. In the Union Budget for 2008-09 (April-March), the Finance Minister P. Chidambaram had proposed a Rs.60,000 crore loan waiver scheme for farmers, the size of which was later increased to Rs.71,680 crore.

Glossary

Factoring

It is a form of financing in which an arrangement for obtaining finance is made by selling receivables to a specialized financing agency (the factor) generally without recourse. This is done by selling invoice receipts to the factor. Usually, a factor pays up to a certain amount (up to 80%) of the invoice value to the client upon receipt of the copy of the invoice relating to goods delivered. The remaining is paid after receiving the amount due from the firm's customer. To ensure timely collection, the factor bears the responsibility and attendant risk of collecting the dues from the company's customers.



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Credit derivatives

Credit derivatives can be defined as arrangements that allow one party (protection buyer or originator) to transfer, for a premium, the defined credit risk, or all credit risk, computed with reference to a notional value, of a reference asset or assets, which it may or may not own, to one or more other parties (the protection sellers). Thus in a credit derivative, only the risk is transferred and not the underlying asset. Most of the credit derivatives take the form of the credit default swap (CDS), which is a contractual agreement to transfer the default risk of one or more reference entities from one party to the other. One party, the protection buyer, pays a periodic fee to the other party, the protection seller, during the term of the CDS.

News From the Institute

IIBF-IFMR Certificate in 'Project Finance'

The 4th Programme of Certificate in 'Project Finance' with one week campus training at IFMR, Chennai is scheduled from 18th August, 2008 to 23rd August, 2008. Course fees for Members is Rs.13,000/- and for Non-Members is Rs.15,000/-. For details log on to www.iibf.org.in. Enrolment is currently open.

Second R. K. Talwar Memorial Lecture

The Institute is organizing the second R. K. Talwar memorial lecture on 25th July, 2008 at State Bank of India's corporate office (Nariman Point, Mumbai). The lecture will be delivered by Mr. Vinod Rai, Comptroller & Auditor General of India. The topic of the lecture is 'Human resource as the value driver in Indian banking'. The R. K. Talwar memorial lecture was instituted in 2007 in the memory of the Late Shri. R. K. Talwar, former Chairman, SBI.

Shri. Narayanasami takes over as President, IIBF

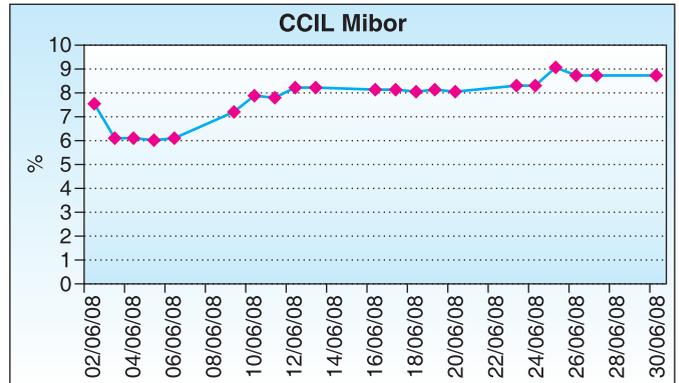
Shri. T. S. Narayanasami has taken over as President of IIBF with effect from April 1, 2008.

Printed by Shri R. Bhaskaran, published by Shri R. Bhaskaran on behalf of Indian Institute of Banking & Finance, and printed at Quality Printers (I), 6-B, Mohatta Bhavan, 3rd Floor, Dr. E. Moses Road, Worli, Mumbai-400 018 and published from Indian Institute of Banking & Finance, 'The Arcade', World Trade Center, 2nd Floor, East Wing, Cuffe Parade, Mumbai - 400 005.
Editor Shri R. Bhaskaran.

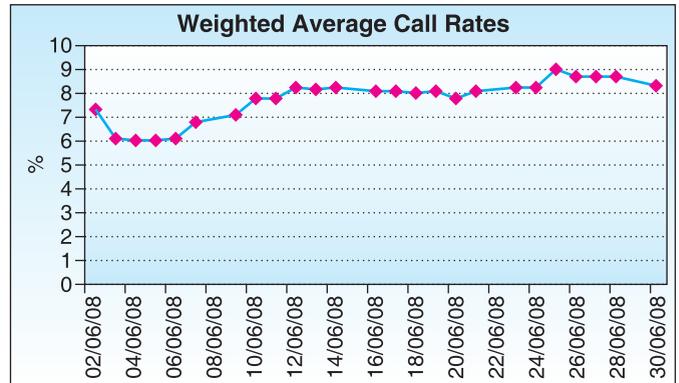
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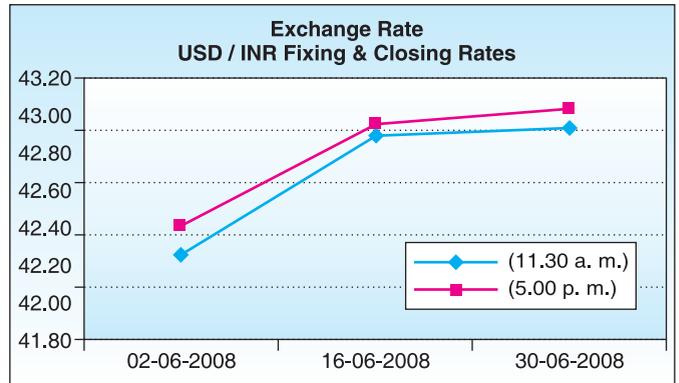
Markets Roundup



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