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IIBF VISION

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Top Stories

Dr. Subbarao to head RBI

The Finance Secretary, Dr. Duvvuri Subbarao, has taken over as the Governor of the Reserve Bank of India (RBI). A 1972 batch officer of the Indian Administrative Service from the Andhra Pradesh cadre, Dr. Subbarao, 59 is being appointed as the 22nd Governor of the country's central bank for a term of three years. An IIT-Kanpur alumnus, Dr. Subbarao was one of the first IITians to join the civil services. He did his MS in Economics from Ohio State University (1978) and was a Humphrey Fellow at Massachusetts Institute of Technology (MIT) during 1982-83. He has a Ph.D in Economics from Andhra University. He had worked as joint secretary in the Department of Economic Affairs during 1990-93, when economic reforms were initiated. Dr. Subbarao had also served as the Finance Secretary of the Government of Andhra Pradesh during 1993-98. Between 1998 and 2004, he was Lead Economist at the World Bank and worked on issues of public finance in the countries of Africa and East Asia. Prior to his appointment as Finance Secretary from May 1, 2007, he was the Secretary to the Prime Minister's Economic Advisory Council (EAC) from December 10, 2005.

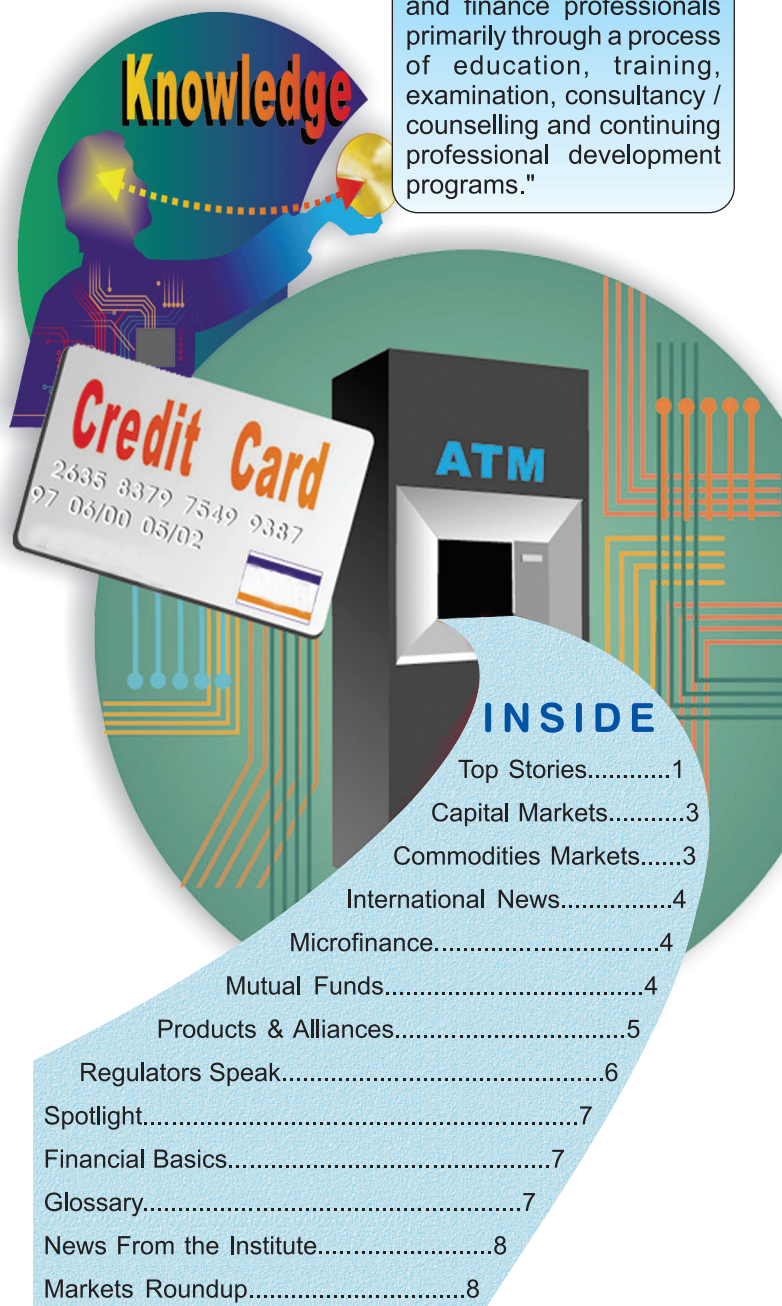
IBA gets new chief executive

Dr. K. Ramakrishnan, who retired as Chairman and Managing Director of Andhra Bank, took over as the Chief Executive of Indian Banks' Association (IBA) on August 4. He succeeds Mr. H. N. Sinor, who stepped down as Chief Executive on July 31, after being at the helm for five years.

ICICI Bank, HDFC raise interest rates by 75 bps

The country's largest private bank ICICI Bank and the largest home mortgage company HDFC announced a 75 basis points (bps) increase in lending rates, resulting in a sharp rise of borrowing costs for home, personal

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and corporate loans. This was in reaction to the hike in repo rate and cash reserve ratio by 50 bps and 25 bps respectively announced by the RBI.

India is conduit for \$1 trillion worth of money laundering

International Consultant, KPMG has estimated that flows of laundered money into India by drug dealers, arms traffickers and other criminals are in excess of \$1 trillion every year. In the face of a huge growth in regulatory expectations and pressures in the recent years, combating money laundering and terrorist financing continues to be a major challenge for the banking sector, which is a gatekeeper to the legitimate financial system. However, the responsibility for stemming money laundering activities is also shared by other financial institutions like insurance companies, brokerage houses, etc.

Regulators seek review of the role of credit rating agencies

With the role of rating agencies under the lens across the world, Indian financial sector regulators too have decided to review their functioning and explore the possibility of strengthening regulation. The issue has been discussed at length by the high-level co-ordination committee (HLCC) on financial markets and the Securities and Exchange Board of India (SEBI) has been asked to issue a paper on it. In recent weeks, the United States and the European Union have proposed tightening of norms for rating agencies in the wake of their role in the financial turmoil. Earlier this year the RBI had asked the domestic agencies to follow revised international codes to avoid potential conflict of interest and also to improve standards.

ING Vysya Bank raises BPLR

ING Vysya Bank has raised its BPLR by 50 bps to 16.25% to offset the increase in key short-term lending rate and the reserve requirement announced by the RBI. The hike has automatically raised the interest rates on home and auto loans. The new floating home prime lending rate offered by the bank is 16.25%. The rise follows a similar action in various rates by banks like ICICI Bank, Punjab National Bank (PNB), HDFC Bank, Axis Bank, IDBI Bank and Yes Bank.

Rising yields bring foreign investors back into debt market

Rising bond yields and more flexible regulations have paved the way for the return of foreign institutional investors (FIIs) to the Indian debt market. FIIs, who were nearly absent from the debt market for most part of the year, stepped up investments in July, 2008. According to SEBI data, FIIs invested around \$897 million in the

debt market in July, while in March, April, May and June, their investments had been negative. FIIs' outflows between March and June were around \$928 million. They had, however, started off the year on a positive note by investing \$484 million and \$619 million in January and February, respectively. The FIIs are now seeing a significant arbitrage opportunity in debt investment.

State Bank of India hikes PLR; spares home buyers

The country's largest bank, SBI, has spared the borrowers taking home, auto and education loans while raising its prime lending rate (PLR) by 100 bps to 13.75% from 12.75%. The new rates have come into effect from August 12. Simultaneously, SBI has announced a hike in deposit rates by 25 bps to 75 bps. SBI has clarified that it will not pass on the rate hike to the existing and new home loan borrowers with limits up to Rs. 30 lakh. The bank charges home loan borrowers in the range of 10.05-11.25% depending on the tenure and the size of the loan.

Central Bank, SBBJ hike lending rates

Central Bank of India has increased its BPLR by 1% to 14% with immediate effect. The hike will make the bank's BPLR-related loans dearer to its customers. With this, vehicle loans having a 3-year tenure will now carry an interest rate of 12% as against the earlier 10.5%. Meanwhile, State Bank of Bikaner & Jaipur (SBBJ) too has increased its BPLR by 50 bps to 14% to protect margins, following a squeeze on money supply by RBI last month.

IOB hikes lending rate, spares housing loans up to Rs.30 lakh

Indian Overseas Bank (IOB) has announced a 0.50% hike in BPLR to 14% with effect from August 16, but has spared housing loans up to Rs.30 lakh and education advances from the increase. The existing housing loans and education loans, which are linked to BPLR, are exempted from the current revision. Fresh housing loans up to Rs.30 lakh and fresh education loans have also been spared from the hike. Existing loans under the special credit scheme, where fixed rate option is applicable, has also been exempted from the revision. A host of banks including SBI have raised their interest rates following tight monetary measures taken by RBI to tame inflation, which has crossed 12%.

Government asks public banks to avoid competing for bulk deposits

The government has asked public sector banks (PSBs) to avoid cut-throat competition for bulk deposits as it increases their cost of funding and affects profitability. Finance Minister Mr. P. Chidambaram has asked bankers to provide credit for productive sectors *viz.*, education,

agriculture and industry. He said that there is no slowdown in credit offtake from banks. However, there has been no growth in agricultural credit during the first quarter of the current fiscal because of the farm debt waiver scheme and delayed monsoon in some parts of the country. Mr. Chidambaram said that GDP growth for the fiscal would be close to 8% against the prime minister's Economic Advisory Council's estimate of 7.7%. Further, he also mentioned that banks will not increase interest rates of existing loans, particularly housing, education and auto sector loans.

Interest rates have almost peaked : SBI

Interest rates have almost peaked and are unlikely to change unless the RBI further tightens monetary policy, said Mr. O. P. Bhatt, Chairman, SBI, which has raised its BPLR by 100 bps to 13.75% in response to a further hike in RBI's key lending rate in the last week of July. Mr. Bhatt cited softening oil prices, a good monsoon and lower prices of commodities, except steel, as factors indicating a peak in interest rates.

HSBC, ICICI Prudential may be lead PF caretakers

Of Rs.30,000 crore incremental corpus of the Employees' Provident Fund Organisation (EPFO), it is expected that HSBC will get 40% of the total corpus to manage. ICICI Prudential is expected to manage 25% of the total funds. No official communication has been made about the percentage allocation in the incremental corpus share. In fact, a scheduled meeting of the central board's Finance & Investment Committee may not take place at all to finalise the allocation. Despite this, the EPFO appears to have decided on the share of funds to be managed by HSBC - AMC, ICICI Prudential AMC, Reliance Capital and the SBI. The organization will transfer the corpus to be managed for one year to the four players by September 1, 2008.

Oriental Bank to focus on low-cost deposit mobilization

The focus of Oriental Bank of Commerce in the current year will be on vigorous lending to mid-corporates, SMEs and priority sector segments as well as mobilization of low-cost deposits, according to Mr. Alok K. Misra, Chairman and Managing Director of the Oriental Bank. Recently, Mr. Misra unveiled the bank's plan to achieve by 2010 a total business of Rs.2,00,000 crore as compared to the present Rs.1,40,000 crore, especially on the basis of the bank's thrust to providing IT-based services.

Bank of Baroda opens branch in China

Bank of Baroda (BoB) opened its 1st branch in the People's Republic of China on 2nd August 2008 at Guangzhou. The branch was inaugurated by Mr. Pawan Kumar Bansal,

Hon'ble Minister of State for Finance in the presence of Mr. M. D. Mallya, Chairman & Managing Director of the Bank.

Banks entering private equity space to increase fee income

An increasing number of banks are floating private equity (PE) funds in order to add to their non-interest income. This gives them the opportunity to exploit their expertise in risk management and advisory services. Banks also have the advantage of large networks, which can help them tap more investors for their funds. "The PE segment gives opportunities that are not usually found in the equity space and, therefore, it fits into the bank's growth strategy. It also helps to take advantage of the bank's high capital base," he said.

Capital Markets

Deutsche Borse, SGX representatives to join BSE board

The Bombay Stock Exchange (BSE), a 133 year-old bourse, is all set to get foreign participation at the governing board level as the SEBI is understood to have approved BSE's proposal to invite representatives of both its foreign partners *viz.*, Deutsche Borse and SGX on its board. Earlier, SEBI was said to have raised an objection to two board seats for foreign investor representatives, but, the then BSE Chief Executive Officer Rajnikant Patel convinced the regulator that for the bourse both were strategic investors and that they should be permitted on the board. Both the foreign investors have expressed their willingness to participate in BSE at the Board level.

Commodities Markets

NCDEX in talks with banks to fund certified emission reduction (CER) sales

In an attempt to revive carbon futures on National Commodity and Derivatives Exchange (NCDEX), the exchange has approached some banks to provide instant funds to certified emission reduction sellers on the exchange. "We are in talks with some banks that can provide immediate finance to projects selling their CERs on the platform," said Mr. Unupom Kaushik, chief business officer of the exchange. According to Mr. Kaushik, companies that have received carbon credits from their green projects need immediate cash for viability funding of these projects. However, a near-month contract that will expire only in December is still four months away before sale value can be realised.

NCDEX to accept gold ETFs as collateral

The NCDEX has decided to accept gold exchange traded fund (ETF) units as collateral from August 18. NCDEX would accept the gold ETF of Benchmark Mutual Fund, - a Gold Benchmark Exchange Traded Scheme; UTI Mutual Fund's UTI Gold Exchange Traded Fund, Kotak Mutual Fund's Gold Exchange Traded Fund and Reliance Mutual Fund's Gold Exchange Traded Fund. These units will be pledged in favour of NCDEX and the units are subject to a minimum margin as may be decided by the exchange from time to time.



International News

Australia's central bank encounters slowing economic growth

Australia's central bank said domestic demand was slowing significantly and cut its economic growth forecast for 2008, increasing the prospect of interest rate cuts. The Reserve Bank of Australia (RBA) said that it expected an economic growth of 2% in the year to December 2008, down from its previous forecast of 2.25%. "The evidence to date is that a significant moderation in demand is now occurring, and it is looking more likely that demand will remain subdued, and economic growth will be fairly slow, in the period ahead," it said. The bank said in a quarterly statement on monetary policy that the slowdown would cool inflationary pressures over time, increasing the possibility of the first Australian interest rate cut since 2001.

Microfinance

Banks see higher credit in Q1 despite rate bites

Even though there are signs of a slowdown in the economy, bank loans are showing higher growth this year. This, according to the Prime Minister's Economic Advisory Council (EAC), is largely because other routes like overseas borrowings and domestic equity markets have dried out. In its latest report on the outlook for the economy, the EAC has noted that despite tightening of liquidity, credit growth in the first quarter of 2008-09 was stronger than what it was a year ago. The rates on credit default swaps (a premium for protection against credit risks) on paper of major Indian borrowers have hardened significantly over the past four months. The rates are generally influenced by global market conditions and the outlook in the borrowers'

economy. Rating agencies have been expressing concerns over India's sovereign outlook, largely on account of deteriorating financial conditions. As a result, the chances of rates softening in the near future could be dim.



Mutual Funds

Debt funds cut exit loads to make it more lucrative

With uncertainty still stalking the market, short-term and medium-term debt funds are trying to lure customers by lowering exit loads and lock-in-periods. Recently, Deutsche Mutual Fund reduced the exit load of two schemes DWS MIP Plan A and Plan B - from 1% to 0.5%. UTI Mutual Fund has also reduced its lock-in period for UTI Floating Rate Fund from 90 days to 40 and then further reduced it to 15 days. The exit load too has been reduced to 0.75%. Others like Reliance Mutual Fund have also slashed the exit load for Reliance FHF (a fixed maturity plan) VIII Series 9 from 1% to 0.3%. This scheme was launched in July and has a six-month maturity period.

AMFI moots common form for MF trade

The Association of Mutual Funds in India (AMFI) has proposed to introduce a common application form and a common online platform for mutual fund transactions under the aegis of AMFI or an independent agency appointed by it to make mutual funds more investor-savvy. "We are working on a common application form as there is no need for a separate form for mutual funds of different firms," said the AMFI Chairman Mr. A. P. Kurian.

Mutual funds play it safe with their cash

Mutual funds seem to be playing safe with their cash as they continue to dispense it sparingly even as the equity markets have exhibited a marked improvement in July on the back of softening crude prices. The benchmark Sensex rose by more than 6% in July. At the end of July, mutual funds were sitting on Rs.22,131 crore of cash that was waiting to be deployed in the market. Of this, Rs.15 crore has been mobilized through NFOs while the rest lies with the existing mutual funds, according to a report by Sharekhan. Contrary to expectations, there was not much redemption pressure in July, so mutual fund houses raised their deployments slightly. They were holding back earlier just in case there was redemption pressure. The cash levels maintained by fund managers reflect their perception of the markets and their expectations, said Mr. Dharendra Kumar, CEO, Value Research.



Products & Alliances

SBI launches its first debit card in Canada

“SBI has decided to expand its global operations and expects more than three-fold increase in its international business in the next five years” said the SBI Chairman, Mr. O. P. Bhatt while launching the bank's first debit card in Canada, adding “we expect more than a three-fold increase in our international business from 7% last year to 25% in the next five years. The focus of our international business would be relating to India. We have formulated strategic plans to cash in on India's emerging opportunities”. SBI (Canada) would encourage Canadian investors, particularly non-resident Indians (NRIs), to invest in the Indian market. The bank has already been offering loans for NRIs to own a home in India.

SBBJ kicks off online share trading

SBBJ has launched e-Trade, a facility to enable online trading of shares. SBBJ Managing Director Mr. Arun Shandilya said that the bank will offer depository services free of cost up to October 31, 2008.

Union Bank launches two funds-transfer services

Union Bank of India has launched two services. These services, which are expected to enable faster transfer of funds, are Online National Electronic Fund Transfer (NEFT) and quick collection of cheques (QCC). NEFT service would help the bank's customers transfer funds to other branches and to over 47,000 NEFT-enabled branches of other banks for free. The features of this service include no upper or lower ceiling for transfer of funds, online help for IFSC codes of branches of other banks and confirmation of funds transfer through SMS and email, said Mr. T. Y. Prabhu, Executive Director, Union Bank. Under QCC, customers will be able to get their money credited to their accounts within six days of depositing outstation cheques. The bank will also provide compensation to the customer in case of delay beyond the prescribed time frame. This service will be available to all customers for all their outstation cheques payable and drawn on centres where Union Bank of India has a branch.

LIC & PNB launch insurance scheme for women

Life Insurance Corporation (LIC), the country's largest insurer and PNB, the second largest public sector lender, have launched a life insurance scheme for credit linked

women self help groups to provide life and permanent disability cover. This is the first such programme launched on a national level, as per the announcement by finance minister Mr. P. Chidambaram in his Budget speech this year. The scheme will initially cover 5,000 members of SHGs credit-linked to PNB and the annual premium is Rs.200. Of this, 50% is contributed by the insured and the rest comes from the Social Security Fund of the central government.

Union Bank to offer wealth management services

Union Bank of India plans to spread its overseas operations to five to ten more locations in addition to its existing branch in Hong Kong and representative offices in Shanghai and Abu Dhabi. The Hong Kong branch commenced operations from August 1. The bank plans to convert its representative office in Shanghai into a branch by next year. Mr. T. Y. Prabhu, Executive Director, Union Bank, said that the bank was planning to set up either a representative office or a branch in Africa, Australia, New Zealand, Canada and the Far East.

ICICI Prudential extends tie-up

ICICI Prudential Life has extended its corporate agency tie up with the Muthoot Group in 6 additional states for the distribution of its insurance products. ICICI Prudential Life has partnered with the Muthoot Group for the past six years in Kerala. This tie-up will now be extended to states such as Delhi and NCR, Rajasthan, West Bengal, Punjab, Gujarat and Maharashtra where it has a strong presence.

YES Bank launches voice-based facility

For the first time in the Indian financial services sector, a voice based banking facility has been introduced by Yes Bank in partnership with Cisco Systems. The new facility will enable YES Bank customers to transact round-the-clock banking through their mobile handsets from anywhere in the world, by merely saying 'voice commands' instead of keying-in various menu options, when their calls gets connected to the banks contact centre based in Gurgaon. The customers will have to key in their customer identification numbers on their mobile handsets while availing this facility. In association with a US based speech and imaging solutions company 'Nuance', YES Bank is developing an exclusive voice biometrics verification technology for customers in a bid to authenticate their voices for allowing banking transactions.

NSE launches currency futures on August, 29

After kick-starting mock-trading for currency futures, the National Stock Exchange (NSE) has launched currency derivatives on August, 29. NSE is the first exchange to

launch currency futures after receiving an in-principle approval from SEBI. This will be for the first time that even retail investors with no exposure to foreign exchange will be able to take a call on the rupee's movement with dollar. Hitherto, trading in foreign exchange was allowed only for banks and companies having currency exposure. Currency futures are standardized foreign exchange contracts traded on an exchange to buy or sell one currency against another on a specified date. The contracts will be traded and settled in Indian rupees and there will be 12 monthly contracts.

Union Bank ties up with Wealth Advisors India

Union Bank of India announced the launch of Wealth Management Services for its high net worth clients. The Bank launched its service offering it to its clients in Bangalore. It has tied up with Wealth Advisors (India) Pvt. Ltd; one of the leading companies in the wealth management space for the initiative.

HDFC Bank launches rural BPO

HDFC Bank has set up the country's first ever commercial scale rural BPO at Tirupati in Andhra Pradesh by employing youth belonging to the weaker sections from nearby villages. Mr. A. Rajan, Country Head, Operations, HDFC Bank said that the BPO set up by the bank's subsidiary, ADFC, has commenced operations in July. The BPO is located at Tirupati. The bank opted for a semi-urban location as villages cannot support power supply, broadband connectivity and maintenance support required for software and hardware facilities. The BPO employs more than 500 staff members and there are plans to ramp it up to over 1,500 by March next year, making it one of the largest rural BPOs in the banking sector.

Regulators Speak...

Exchange-traded futures to begin with Re-\$ contracts

After months of deliberations, both the SEBI and the RBI have issued final guidelines for launching exchange traded currency futures. Stock exchanges can now start currency futures after obtaining approval from both the regulators. According to the guidelines, banks planning to enter trading in currency futures should have a minimum net worth Rs.500 crore and a capital adequacy of 10%. They should have made net profits in the past three years and their net non-performing assets (NPAs) should not exceed more than 3%.

Banks told not to fund State governments' budgets

The RBI has asked commercial banks to ensure that loans for infrastructure projects are not used for financing State Government budgets. The central bank has come down

heavily on banks for not following instructions while lending to public sector units for infrastructure projects. Banks are advised to follow instructions "scrupulously", even while investing in bonds of sick public sector units as part of the rehabilitation effort. Commenting that banks must not extend term loan to public sector units to substitute budgetary resources of State Governments, the apex bank said, "The term loan could supplement the budgetary resources, if such supplementing was contemplated in the project design".

SEBI sues Imax Equity chief

The SEBI has initiated criminal proceedings against Rajeep Kapoor, the proprietor of Imax Equity Research, for violating statutory provisions related to portfolio management services (PMS). The market regulator's investigations revealed that Kapoor lured customers to PMS without registering for the same.

RBI reconstitutes board to regulate payments

RBI has reconstituted a board which prescribes policies on regulation and supervision of all types of payment and settlement systems. In the reconstituted board, RBI Governor is the chairperson as was the case earlier. The eight member board also has RBI deputy governor Mr. V. Leeladhar as vice-chairperson. Other deputy governors of RBI - Dr. Rakesh Mohan, Ms. Shyamala Gopinath and Ms. Usha Thorat are members on the board. The other members are Prof. U. R. Rao, Shri. H. P. Ranina and Prof. Man Mohan Sharma.

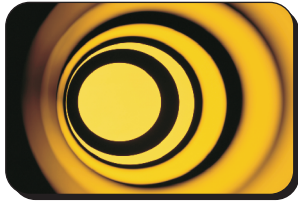
RBI defines NPAs in gold, interest rate exposures

Pursuant to the earlier mandate for the banks to calculate their off-balance sheet exposures in the interest rate and foreign exchange derivative transactions and gold, the RBI has said that only the amounts unpaid in cash to the bank for a period of 90 days or more would be classified as NPAs. While computing the credit exposure, banks would, however, be allowed to exclude the 'sold options', if the entire premium or the fee from the derivative transaction has been received. While the computation of credit exposures would be treated as per the current mark-to-market value of the contract, these contracts would attract provisioning as for the loan assets in the standard category.

Government of Kerala signs MoU with RBI

The Government of Kerala and the Reserve Bank of India have, on August 21, 2008 signed a memorandum of understanding with regard to urban co-operative banks in the state of Kerala. Consequent upon this, a State level Task Force for Urban Co-operative Banks (TAFUCB) has been constituted for Kerala. Shri. S. Ramaswamy, Regional Director for Kerala and Lakshadweep,

Reserve Bank of India, is the Chairman of the TAF-CUB and Smt. Rani George, IAS, Registrar of Co-operative Societies, Government of Kerala is its Co-Chairman. Similar MoUs have also been signed with the Governments of the states of Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Rajasthan, Uttarakhand, Chattisgarh, Goa, Maharashtra, Assam, NCT of Delhi, Haryana, West Bengal, Tripura, Punjab, Uttar Pradesh, Manipur, Meghalaya and Himachal Pradesh.



Spotlight

Fee-based income declines for private banks, up in PSBs

For the first time, private sector banks have witnessed a decline in fee-based income, while public sector banks have improved their performance in this segment in Q1. Fee-based income of 26 PSBs rose by 31.5% to Rs.7,031 crore during Q1 '08, whereas, the that of 17 private banks decreased by 1.6% during the same period. In the case of private sector banks, fee-based income to total income ratio at the aggregate level has fallen during Q1 '08 compared to Q1 '07; whereas PSBs' fee-based income to total income ratio marginally increased during the same period.

Banks seek interest for delay in debt waiver reimbursement

PSBs have asked the government to pay interest for delay in reimbursing the Rs.70,000 crore worth farm loans written off by them even as the administration is expected to pay back about Rs.25,000 crore by October end. "Banks have suggested that they be compensated on payment of farm debt waiver," reported Mr. Arun Ramanathan, financial sector secretary, after a meeting of finance minister Mr. P. Chidambaram with chairpersons of regional rural banks (RRB). RRBs, which cater to the rural sector, are sponsored by major PSBs and Centre and state governments also hold stake in them. Earlier, the bankers said they were facing liquidity crunch due to delay in the relief package.

Top 20 cities hold keys to urban growth

Twenty top boom cities in India are projected to have their household income grow at 10% annually over the next 8 years, and they already account for 60% of the surplus income (income minus expenditure) generated at present. Even as businesses search for promising new markets among thousands of booming small towns in the country, they need to pause and reassess the potential of India's top 20 cities, according to a new study "The Next

Urban Frontier: Twenty Cities to Watch", co-authored by National Council of Applied Economic Research's (NCAER) Mr. Rajesh Shukla and Future Capital Research's Ms. Roopa Purushottam. Annual household income growth in these 20 cities has averaged at 11.20% in the last three years (2005-2008). These cities are expected to maintain a double-digit growth (10.10%) till 2016, the current global economic slowdown notwithstanding. In comparison, annual household income for rest of India (other than these 20 cities) is expected to grow at a much lower rate of 7.9% between 2008 to 2016.

Higher denomination notes being used

In 2007-08, the value of bank notes in circulation rose by 17.2% (17.6% during 2006-07), whereas the volume of banknotes rose by 11% (5.2%). The growth in volume of banknotes continued to be lower than that in value terms, which reflects the gradual use of higher denomination banknotes, particularly Rs.1,000 and Rs.500, said the Reserve Bank of India, in its Annual Report 2007-08. While the volume of Rs.500 denomination banknotes increased by 16.7% (23.6%) that of Rs.1,000 denomination banknotes rose by 50.7% (45.7%).

Financial Basics

Garnishee Orders

Garnishee order is an order of the court served on a bank by which the bank attaches the credit balance of the bank customer named in the order, to the extent specified in the order. If no amount is mentioned, the order attaches all sums owing and accruing to the customer as on the date and time it is served and received by the bank. Cheques presented after service of the garnishee order should be returned with the remark 'Refer to Drawer'.

Glossary

Money Laundering

Transactions through banks intended to disguise the true source of funds and their ultimate disposition. The transactions are done in a manner to ensure that there is no audit trail and income taxes can be evaded. In a typical situation of money laundering, illegitimate money is sent through various accounts and put through a cycle of transactions so that it comes out 'clean'. Basically illegitimate money is mixed with legitimate money so that the source of the illegitimate money is obscured, externally, through succession of transfers or deals and finally the money appears 'clean' or legitimate.



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Currency Futures

A currency future is also known as foreign exchange future to exchange one currency for another. Usually one of the currencies is the US \$. It is a contract for future delivery of a specified currency. The actual delivery takes place at some date in the future but the exchange rate is decided at the time when the agreement is entered into. Like all futures contracts, currency futures are traded on exchanges and contract sizes are standardized by the exchange on which these are traded.

News From the Institute

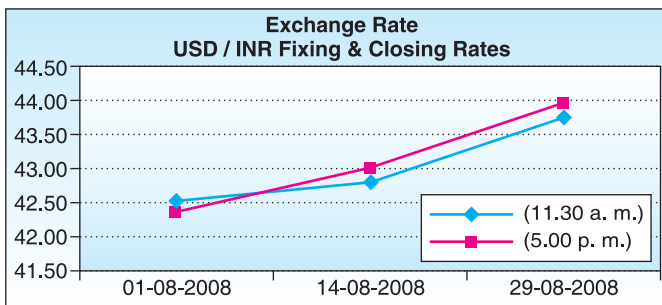
Virtual classes for JAIIB / CAIIB

IIBF will be conducting 'Virtual Classes' via internet and 'Contact Classes' for JAIIB / CAIIB during October / November 2008. Await further announcement on www.iibf.org.in.

Diamond Jubilee & CH Bhabha Overseas Banking Research Fellowship-2008

The Institute has announced the Diamond Jubilee & CH Bhabha Overseas Banking Research Fellowship (DJCHBOBRF) for the year 2008. The last date for receiving applications is 31st October 2008. For details and application form, please visit our site www.iibf.org.in.

Markets Roundup



Source : FEDAI

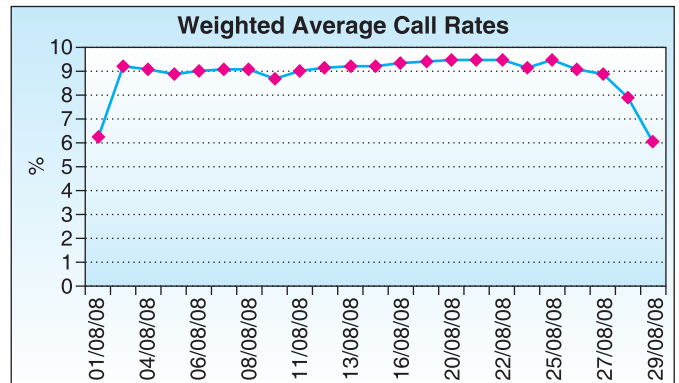
Bank	Increase (in bps)	New interest rate
SBI	100	13.75
Central Bank of India	100	14.00
PNB	100	14.00
Bank of Baroda	75	14.00
HDFC Bank	50	16.50
Axis Bank	50	15.75
ICICI Bank :		
(a) Corporate	75	17.25
(b) Retail	75	14.25
HDFC Bank :		
(a) Floating rate	75	11.75
(b) Fixed rate	Nil	14.00

* PLR for all banks except ICICI Bank and HDFC Bank

Source : Business Standard, Mumbai edition, 12th August, 2008

Indicators	Aug. 1, 2008	Aug. 8, 2008	Aug. 15, 2008	Aug. 22, 2008	Aug. 29, 2008
Inflation (%)	11.98 (July 19, 2008)	12.01 (July 26, 2008)	12.44 (Aug. 02, 2008)	12.63 (Aug. 09, 2008)	12.40 (Aug. 16, 2008)
CCIL MIBOR (%)	6.6626	9.2267	9.3681	9.7482	6.25
10-yr G-Sec yield (%)	9.3543	9.1531	9.2588	9.2358	9.0024
1-10 yr spread (bps)	5	-4	8	5	-9
6 month USD Libor	3.08	3.10	3.10	3.10	3.12

Source : CCIL Newsletters, August 2008



Source : CCIL Newsletters, August 2008

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