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Top Stories

SBI moves up in global banking

Even as the world financial markets witness a disappearance or at least a loss of positions of top banks and financial institutions due to the on-going subprime crisis, the Indian state-owned banks and financial institutions are scaling newer heights in the global markets. State Bank of India (SBI), the country's largest bank and GIC Re, the sole official re-insurer, have enhanced their global rankings considerably. SBI has come up to the 57th position from the earlier 70th one, according to the latest annual top 1,000 bank list prepared by the UK-based leading banking publication 'The Banker'.

State-run banks strong enough : RBI

The Reserve Bank of India (RBI) has emphatically stated that the country's state-run banks are robust enough to deal with the global credit crisis and the private sector banks too have adequate risk management systems to deal with the same. RBI Deputy Governor Mr. V. Leeladhar has said that RBI has been striving to improve the risk management techniques of Indian banks over the past decade and hence, they are now equipped to face the challenges presently poised before them.

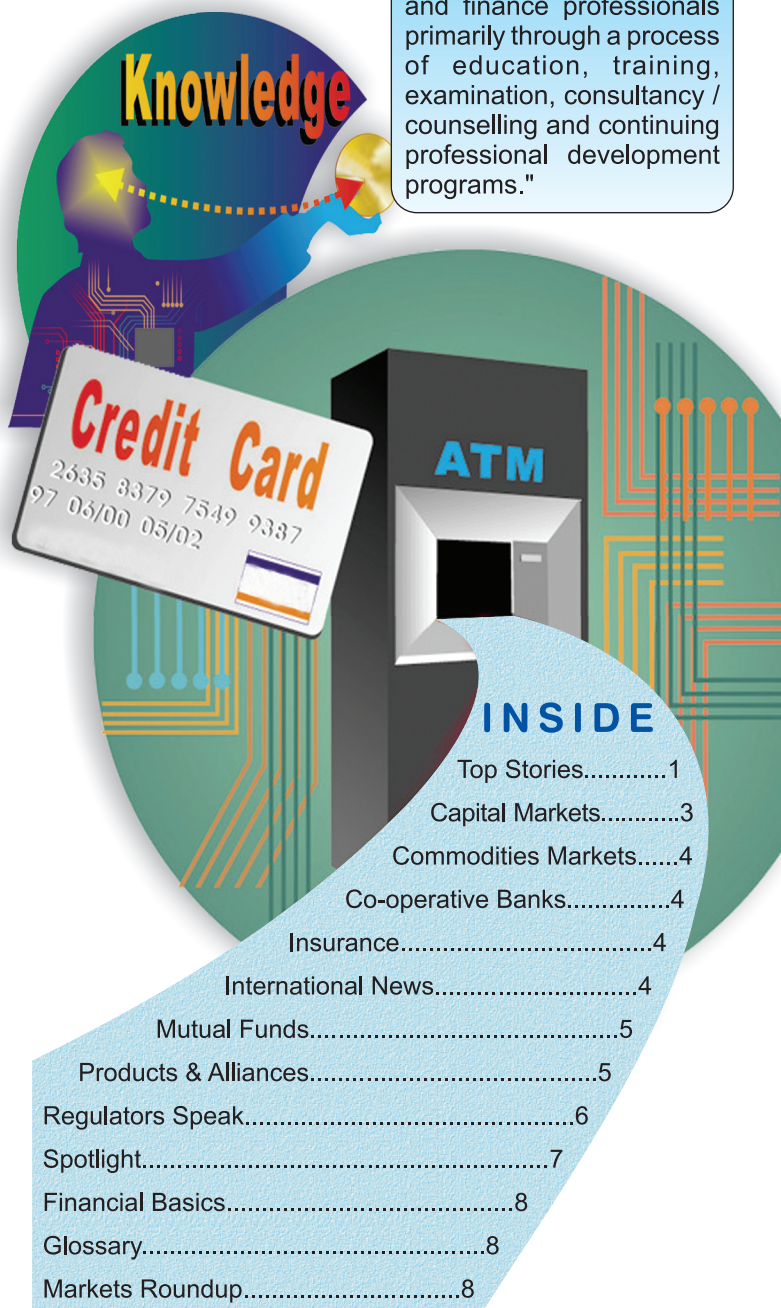
Union Bank's gesture

Union Bank of India has contributed Rs.1.25 crore to the Prime Minister's National Relief Fund. This contribution will be used for providing relief to the flood-affected people in the states of Bihar and Uttar Pradesh. A cheque for the amount was handed over to the Union Finance Minister Mr. P. Chidambaram by the Chairman and Managing Director of the bank, Mr. M. V. Nair. While the bank contributed Rs.25 lakhs, the employees of the bank have donated a day's salary to the fund, thus amounting to another Rs.1 crore.

Banks form new firm for Basel-II data needs

In a bid to get ready for post-Basel-II challenges, Indian

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banks are forming a new corporation to meet data requirements and curb losses due to absence of requisite information. Known as Credit Operational Risk Data Exchange (Cordex), the new corporation will ensure the creation of a data pool consortium for Basel-II implementation by the banking industry. IBA, in association with some major banks, is currently working on the formation of the new corporation.

Indian banking sector ranks 6th among peers : Assocham

The Indian banking sector ranks 6th in efficiency, productivity and soundness among the banking institutions of 11 other emerging economies, as per an Assocham study measured on the basis of financial health indicators. Malaysia has topped the list followed by Korea and China. Within the **BRIC countries**, India has ranked 3rd behind China and Russia on eight financial parameters including cost, income and profitability. However, with respect to the income ratios, the Indian banking sector has performed the best among the BRIC countries. It has ranked 2nd in terms of cost ratios and 3rd in terms of profitability ratios.

Banks face challenges from within

Contrary to the stance taken by authorities, ratings-major Crisil has said domestic, not global factors are responsible for the current challenges facing the banking sector. Crisil has stated, "We believe that the Indian banking system is relatively insulated from factors leading to turmoil in the global banking industry. The recent tight liquidity in the Indian market is also qualitatively different from the global liquidity crunch, which was caused by a crisis of confidence in banks lending to each other."

RBI asks banks not to buy forex with Rupee funds for onward lending

The central bank is keen to reduce loan growth, as the credit-deposit ratio continues to be very high at 73.16% despite signals from RBI to trim lending. Although the market is facing an extreme liquidity crunch with banks borrowing over Rs.90,000 crore and inter-bank rates jumping to 16%, credit growth continues to be strong. Given this situation, RBI has sent a strong message to banks that 'it is not going to be business as usual'. Until early this year, banks have been supporting loan growth by borrowing from other banks. RBI has said that banks should only lend the money that they can raise as deposits, as market borrowing by banks is typically short-term and can land them in a liquidity squeeze.

Mauled abroad, but global bank majors swear by India

Major multinational banks that are facing tough times in western markets, appear to be holding on to their

optimism about the Indian market. Banks which have become cautious about expansion in other locations and are even mulling job cuts in Europe and America to cope with the liquidity crunch, are confident about rolling out their India plans. Banking sources say most leading banks like UBS (one of the worst hit European banks in the subprime fiasco) to ANZ, which had relinquished banking licence in India a few years ago are going ahead with expansion plans in India. The Swiss banking giant UBS, that had more than \$43 billion as total write-downs, is expected to launch its commercial banking operations within the next few months. The assertion by UBS comes at a time when questions are being raised whether UBS would meet its deadline of launching operations. The bank was given a 12-month timeframe under the licence it was granted, which is set to expire in February 2009.

NABARD to foray into carbon credits business

National Bank for Agriculture & Rural Development (NABARD) proposes to make its foray into carbon business (clean development mechanism). NABARD, which has received a report prepared by a working group, proposes to set up a Bio-Carbon fund on the lines of carbon fund formed by KfW. The bank will ink an MoU with the ICICI Bank or KfW for funding of green projects. NABARD has already initiated talks with a Delhi-based organization DTZ to provide consultancy services for establishment of a Bio-Carbon fund which can be utilized for green project funding, capacity building, and offsetting risks in carbon trading.

No impact on bank's profit, says ICICI

ICICI Bank has said that its profitability trends, as reflected in the Rs.728 crore profit in the first quarter, will not be impacted by overseas subsidiaries, for which a mark-to-market (MTM) provision of over Rs.415 crore have been made till June. "The impact of profit and loss, whatever, gets restricted to the UK bank.... even if there is MTM, it does not impact the profitability of the Indian bank," ICICI Bank Joint Managing Director Ms. Chanda Kochhar has said.

IBA rolls up its sleeves to curb money laundering

The Indians Banks' Association (IBA) has joined hands with ten banks to improve the customer verification system and monitoring of transactions to keep in check the money laundering activities in the country. IBA has set up a working committee headed by ICICI Bank's Senior General Manager Mr. Sanjay Chaugle to prepare revised guidance notes on know-your-customer (KYC) and anti-money laundering (AML) operations. A member of the working committee has said that some

KYC norms, such as the requirement of a permanent account number, have not been proposed to be eased.

Local banks cut exposure to risky global peers, shift Nostro accounts

Indian banks are moving their nostro accounts to banks they perceive as 'safe'. The turmoil in US banks like Wachovia and Washington Mutual Fund (WaMu) is understood to have driven several local banks, state-owned as well as private - to make this shift. Most Indian banks are rumoured to have minimized their transactions with banks which are reportedly in trouble. Some large private banks have virtually stopped carrying out transactions with overseas banks, including Wachovia, UBS, Fortis and WaMu. Most transactions are now being carried out with either local banks or bigger banks like Citi, ABN Amro, Bank of America and Barclays Bank. On an average, a local bank has at least 10-15 nostro accounts.

Financial inclusion's here, no-frill a/cs jump 30 times

Financial inclusion has gone up significantly after the RBI issued a directive asking banks to open 'no-frill' accounts. The number of such accounts has gone up by at least 30 times in the past two years - according to an approximation by RBI which is soon set to release a report based on credit counselling to help the un-banked to easily access banking services. Mr. P. Bijendran, General Manager, rural planning and credit department of the RBI, has affirmed that no-frill accounts have gone up from 0.5 million in 2006 to 15 million in 2008.

RBI keeps keen eye on banks' overseas deals

The RBI has been keeping close tabs on all remittances by Indian banks and the screening has become more intense in the case of foreign and some private banks which act as custodians for foreign institutional investors (FIIs). Indian banks, both public and private, send capital to their foreign offices for everyday requirements in the inter-bank market and for client commitments. While banks report transactions fortnightly and monthly, the RBI is reportedly keeping close tabs on a daily basis; the objective being to check flight of capital under the guise of repatriation of portfolio investments. Most foreign investors- be it banks, parents of foreign banks, private or foreign banks, private equity players or foreign funds - have substantial investments in Indian entities through both foreign direct investment (FDI) and FII routes.

Banks hike interest rate on FCNR deposits

Soon after RBI announced an increase in interest rate ceiling by 50 bps on non-resident deposits, two public sector lenders have raised FCNR and NRE term deposit rates. PNB and Dena Bank have increased rates by half a

percentage point, on non-resident deposit schemes in dollar, British Pound, Euro and Australian & Canadian dollar across all maturities. The interest rate on the dollar deposits have been raised to 4.21% for a maturity of 1-2 years from 3.71%. For the maturity of 2-3 years, the rate has been revised to 3.52%, against 3.02%.

RBI to issue new 100-rupee notes

The RBI is shortly set to issue Rs.100 denomination notes with inset letter 'A'. Except for the change in the inset letter, the design of these notes will be similar in all respects with additional and new security features issued on August 24, 2005. All notes in the denomination of Rs.100 issued by RBI in the past, will continue to be legal tender.

HDFC Bank's Bahrain Branch

HDFC Bank recently inaugurated its first overseas full-fledged commercial branch in Bahrain. The bank has been granted a full commercial branch license by the Central Bank of Bahrain (CBB). The new Bahrain branch with a 25 member staff will offer cash management and trade finance solutions for corporate clients and wealth management services for non resident Indians.

Bank credit flow increases by 29%

The flow of credit from SCBs, including RRBs, has gone up by 29.36% on a year-on-year basis to Rs.26,07,404 crore as of October 10 this year; as against Rs.20,15,469 crore a year ago. The growth is much higher than the 20% non-food credit growth targeted by RBI this year. Despite repeated rate hikes, credit growth has hovered around the 25% mark. The rise in bank credit has been attributed to high demand from sectors such as oil firms and fertilizer companies. The RBI data also says that the deposits with SCBs till the same date rose by 21.5% to Rs.34,69,358 crore from Rs.28,54,096 crore in the same period last year. This growth is also higher than the RBI target of 17%.

Capital Markets

PSBs with less than 12% CAR to get capital support from Government

Dena Bank, Andhra Bank, Vijaya Bank and UCO will benefit the most, with the government's decision to infuse capital into commercial banks to improve their capital adequacy ratio (CAR). The government announced that it would provide banks access to finance to raise their CAR up to 12%. CAR is the amount of capital that banks need to set aside as a prudential practice based on the risk associated with various assets. Among government owned banks, Dena Bank, Andhra Bank and UCO Bank have a CAR of less than 12% and the Government's shareholding

in these banks has nearly touched 51% - a level below which the government cannot reduce its stake if it wants to raise fresh equity.

Commodities Markets

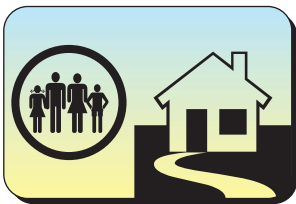
Commodity linked investments drop first time in 5 years

Commodity investments held by professional money managers sank 22% in the third quarter - the first decline in value in five years, as falling raw-material prices deflated portfolios, as reported by Barclays Capital. Assets invested in commodities have shrunk to \$211 billion at the end of September, down from \$270 billion at the end of June, according to a report by analysts, Ms. Suki Cooper, Mr. Kevin Norrish and Ms. Amrita Sen. "The decline hasn't occurred due to sales by fund managers and investors. This fall should not be confused with actual outflows," say the analysts adding "We would dispute claims that there has, in aggregate, been a large move out of commodity investments over the past few months."

Co-operative Banks

RBI sets up panel for urban co-operative banks

A state-level task force for urban co-operative banks (UCBs) has been set up in the wake of the signing of an MoU between the Tamil Nadu government and RBI on UCBs. RBI Regional Director for Tamil Nadu and Puducherry Mr. F. R. Joseph will be the chairman of the task force and the Registrar of cooperative societies will be its co-chairman.



Insurance

ING Vysya Life, e-seva tie-up

ING Vysya Life Insurance has tied up with the e-seva service of the Andhra Pradesh Government to enable its customers to pay premiums. "The policy holders can now make payments to renew premiums through e-seva centres either by cash or cheque," said Mr. B. Ashwin, CEO, ING Vysya Life Insurance. The current arrangement is being activated at 49 e-seva outlets in Hyderabad and Secunderabad. Later it will be extended to the remaining 200 locations across all municipal towns in the state. According to Mr. Ashwin, the company's rural business accounts for 21.2% of the total business. The new

premium collected between April and August during the current financial year rose by 64% to Rs.273 crore.

Tata AIG Life launches InvestAssure Health

Tata AIG Life Insurance Company has recently launched its first unit linked health product - Tata AIG Life InvestAssure Health. The product covers 946 surgeries with no limit to the number of claims for surgery. It also covers hospital stay of about 120 days on a yearly basis and 730 days on a lifetime basis. The ICU benefit is payable for hospitalization of up to 15 days per policy year and up to 90 days for the entire policy term.

LIC on buying spree, hikes stake in pivots

Life Insurance Corporation of India (LIC), the largest domestic institutional investor, continues to pile up shares in stock market heavyweights. LIC has raised its stake in all the 15 Sensex companies that have disclosed their shareholding pattern for the September quarter to the stock exchanges. LIC has been buying shares even in those companies where it already had more than 10% stake.

LIC to launch credit card with Corporation Bank

After parting ways with GE, LIC has decided to tie up with Corporation Bank for launching a white labelled / co-branded credit card. LIC already holds a 27% stake in Corporation Bank. Through this tie-up, LIC aims to offer premium payment facility to policy holders with their own credit card. Not only will this provide added convenience and service to LIC customers; it will bring down transaction costs for the insurance company as well. LIC has already decided, with the Government of India's permission, to form a separate wholly-owned company called "LIC Cards Services Ltd.," to manage all aspects of its credit card foray.



International News

HK guarantees deposits, sets up fund for banks

"The Hong Kong Monetary Authority will use its foreign exchange reserves to guarantee bank deposits, shoring up confidence in lenders after the first run on a bank in the city in more than a decade. The government will also set up a fund from which banks will access additional capital if needed," affirmed John Tsang, Hong Kong's financial secretary. "These two measures are precautionary and pre-emptive. They show our determination to safeguard our depositors and banking system" said Tsang. The

collapse of Lehman Brothers Holdings Inc. last month has deepened the turmoil in credit markets, has forced European governments to take over some banks and has prompted Indonesia, Australia and New Zealand to extend deposit guarantees.

More Europe banks 'may fail' as recapitalizing slows : IMF

The International Monetary Fund (IMF) has said that more European banks may fail as they struggle to raise fresh capital from investors. Financial markets are now paying increasing attention to pure leverage rather than accounting for how risky it is. By that measure, Europe's banks score less favourably than those in the US. As sovereign wealth funds and investors show diminished appetite for putting money into banks and volatile markets make it hard to raise capital, Europe's financial institutions will find their ability to raise funds falling and the need for government support growing.

Singapore, Malaysia to guarantee all bank deposits

Singapore and Malaysia have pledged to guarantee all local and foreign currency bank deposits, thus joining governments across the world in shoring up confidence in the embattled banking system. The neighbouring Southeast Asian countries have announced within minutes of each other that they will guarantee bank deposits until December 2010. In the recent past, Hong Kong, Australia and New Zealand have provided blanket guarantees on all deposits amid a crisis of confidence in global financial markets. Singapore's finance ministry and central bank have jointly affirmed that the government will back all local and foreign currency deposits in banks, finance firms and investment banks in the country.



Mutual Funds

Kotak Mahindra Mutual Fund enters into distribution tie-up with Andhra Bank

Kotak Mahindra Asset Management Company has entered into a distribution tie-up with Andhra Bank. Under the agreement, Andhra Bank will offer the entire bouquet of Kotak Mutual Fund products from the bank's 1386 branches. Mr. Sandesh Kirkire, CEO, Kotak Mahindra AMC and Mr. Rakesh Sethi, GM Marketing, Andhra Bank have signed the MoU. With this tie-up customers will gain easy access to the various schemes of Kotak Mahindra AMC at the branches where they do their banking transactions.

RBI allows MFs to raise funds against CDs

In a bid to help the domestic mutual fund industry, which is reeling under a severe liquidity crisis, the RBI has decided to allow them to raise funds against certificates of deposit (CDs). The central bank had also decided to conduct a special 14-day repo auction, at which it would infuse Rs.20,000 crore to meet the liquidity requirements of MFs. It has been decided to relax these guidelines for the issuance of CDs on lending and buyback, for a period of 15 days, only in respect of CDs held by mutual funds.

Reliance Capital buys 15% stake in Hong Kong Mercantile Exchange

A unit of India's Reliance Capital has bought a 15% stake in Hong Kong Mercantile Exchange for an undisclosed sum to become the second largest shareholder in the commodity exchange. Hong Kong Mercantile Exchange plans to start trading in the first quarter of 2009 by offering dollar-denominated oil contracts, according to Reliance Money, the broking arm of Reliance Capital. "We believe that our deal will help us capitalize on the growing demand for commodities in this region," said Mr. Sudip Bandyopadhyay, chief executive of Reliance Money. The Indian firm owns 10% of the smallest Indian commodity derivatives exchange and has sought government approval to buy another 16%.

ABN Amro MF gets SEBI nod to change name to Fortis MF

ABN AMRO Mutual Fund has received SEBI's approval to change its name to Fortis Mutual Fund. The name change has been effected, as there has been an indirect change in control of the mutual fund operations due to global restructuring of ABN-AMRO Group. ABN AMRO Asset Management (India) will soon be renamed Fortis Investment Management (India), while ABN AMRO Trustee (India) will be called Fortis Trustee (India). ABN AMRO prefix will be dropped and instead, Fortis will be prefixed for all schemes.



Products & Alliances

HDFC Bank launches 'Project Jharkhand'

HDFC Bank has launched 'Project Jharkhand' an IT-enabled financial inclusion. As part of the programme, the bank has launched its services at a Common Service Centre (CSC) in Kanke comprising over 1.5 lakh households spread across 100 villages in 30 panchayats.

The bank has also adopted Chakala village near Ranchi as part of the programme.

ICICI Bank, British Airways launch co-branded card

India's largest private sector lender ICICI Bank and British Airways have launched a co-branded credit card called ICICI Bank British Airways American Express Credit Card. The card provides one of the fastest ways to earn complimentary flights using a credit card in India. With complimentary membership to the British Airways Executive Club and attractive BA miles earned on everyday spending, the card will give new and existing members an opportunity to accelerate their these earnings.

Max New York Life launches policy for low-income group

Private life insurer Max New York Life has launched a new policy for the low income group in rural and urban areas. Max Vijay is a novel insurance and savings product primarily targeted at people in the income bracket of Rs.30,000 - 3 lakh per annum. The product will available to the customers via a wide spread distribution network, including the neighbourhood retail outlets and even NGOs. There is minimum formality in buying the policy and the premiums can be paid easily just like topping up or recharging a mobile phone.

MCX launches currency futures

The Multi Commodity Exchange (MCX) recently launched currency futures and the live trading has begun from October. The currency futures segment was launched by Securities and Exchange Board of India's (SEBI) Chairman Mr. C. B. Bhave. MCX-SX has received 870-plus membership, including 22 banks in a short time since its inception.

Deutsche Bank launches operations in Pune

Deutsche Bank launched its operations in Pune, which marks the bank's 13th retail branch in India. Deutsche Bank now has five branches across Maharashtra - two in Mumbai and others in Aurangabad, Kolhapur and now Pune. The Pune branch, located at Aundh, will offer the full suite of personal and business banking products and services to customers.

NCDEX Spot Exchange ties up with MSWC

NCDEX Spot Exchange Ltd. (NSEL), the Maharashtra State Warehousing Corporation (MSWC) and the National Collateral Management Services Ltd. (NCMSL), have entered into a three way MoU for creating high quality warehousing infrastructure at 20 important locations in Maharashtra. The MoU was signed in

Mumbai by Mr. R. Ramaseshan, director, NSEL, Mr. U. K. Agarwal, joint managing director, MSWC and Mr. Sanjay Kaul, MD & CEO, NCMSL. This strategic alliance also is anticipated to give a boost to on-line trading on NSEL.

Regulators Speak...

RBI sets limits for charges on e-payments, outstation cheques

Inward electronic transaction facilities offered by banks will now be free of cost, following a notification by the RBI issued on October 8. The RBI has also set limits for the fees on outward transactions. Banks now cannot refuse to accept outstation cheques deposited by customers for collections. The RBI has set the maximum charges for a single outward electronic transaction using Real-Time Gross Settlement (RTGS) and National Electronic Fund Transfer (NEFT) and has set maximum charges for an instrument / cheque collection. Banks may prescribe charges not higher than cheque return charges for Electronic Clearing System (ECS) debit returns. These charges will be all inclusive and banks will not charge additional charges such as for courier and so on.

RBI further tightens norms for banks' exposure to derivatives

Further tightening the prudential norms for banks' exposure to derivative instruments, the RBI has asserted that non-payment of dues on a derivative contract beyond the stipulated period of 90 days will also turn all other funded facilities extended to a client, including cash credit and overdraft facility among others, into a non-performing asset (NPA) - even if they are duly serviced. These instructions will be applicable to both Indian and foreign offices of Indian banks.

FII's can invest in IDRs : RBI

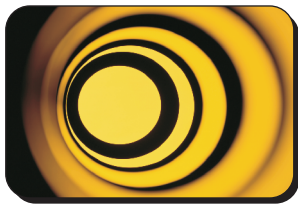
The RBI and finance ministry have cleared the participation of foreign institutional investors (FIIs) in Indian depository receipts (IDRs). IDRs are Indian counterparts of global depository receipts that enable foreign companies to raise money from the Indian markets. The proposal has been forwarded to the Ministry of Corporate Affairs for clearance before the decision is notified. The Ministry is rumoured to toy with the idea of also allowing Non-Resident Indians (NRIs) to subscribe to IDRs since neither RBI nor the finance ministry have any objection to the proposal. SEBI has set Rs.50 crore as the minimum amount for issuing IDRs and the minimum investment by retail investors has been set at Rs.2 lakh.

RBI hikes NRE, FCNR (B) rates

The RBI has issued fresh guidelines in connection with interest rates on non-resident (external) rupee (NRE) term deposits and FCNR (B) deposits. Accordingly, the interest rates on fresh NRE term deposits for one to three years maturity will not exceed the libor / swap rates plus 100 bps, as on the last working day of the previous month, for US dollar of corresponding maturities (as against libor / swap rates plus 50 bps, effective from the close of business on September 16, 2008). The interest rates as determined above for three year deposits will also be applicable in case the maturity proceeds beyond three years. The changes in interest rates will also apply to NRE deposits renewed after their present maturity period.

SEBI hikes margin requirement for derivative trading

SEBI has increased the margin requirement for exchange traded equity derivatives, to protect the interest of investors, amid huge volatility being witnessed on bourses recently. "With a view to ensure market safety and safeguard the interest of investors, it has been decided that the exposure margin shall be higher of 10% or 1.5 times the standard deviation," said SEBI. Analysts say that the regulator is moving in the right direction, as the markets have been showing huge volatility in the recent past.



Spotlight

Foreign banks beat PSU peers in race for credit, deposits

Foreign banks have sharply increased their share of bank credit and deposits in the first quarter of the current fiscal. This, despite some high-profile banks going slow and even unwinding parts of their retail portfolio. However, nationalized banks have grown much slower, reducing their share of bank loans. The change in the market share of foreign banks is evident in the RBI's quarterly handout on bank statistics. Between end-March 2008 and end-June 2008, foreign banks have managed to increase their share of bank credit to 7.1% from 6.8% and of bank deposits from 5.6% to 5.8%. Although the percentage change is small, the increase is significant, given that bank deposits stand at Rs.34,05,377 crore and total outstanding bank credit is Rs.24,91,248 crore.

NRI deposits stage strong comeback

Non-resident deposits have staged a strong comeback with commercial banks in Kerala witnessing a flow of an additional Rs.1,976 crore during the first quarter of the financial year. This has taken the cumulative deposits to Rs.31,865 crore, capping a year-long declining trend, according to records made available at the State Level Bankers' Committee (SLBC) meeting. The surge in NRI deposits was the most striking feature of the banks' performance during the first quarter.

Banks shifting back-office work out of Mumbai

High real-estate costs are forcing many financial services firms to shift their back-office work out of Mumbai. For instance, ICICI Bank is building three 30-storey towers of 10 lakh square feet each near the Gujarat International Finance Tec-City (GIFT) in Ahmedabad. While the first tower is under construction, others will be developed in phases. The bank is rumoured to be relocating some of its operations to this facility. The relocation will depend on cost effectiveness and without affecting the smooth functioning of existing operations.

SC relief to banks in bilingual software case

SBI and its seven associate banks have moved the Supreme Court, challenging the Rajasthan High Court's judgement which asked them to install bilingual electronic software in all its branches across the country within six months. Bilingual Electronic Software is applied in ATM services, accounting and processing, correspondence and general administration, apart from facilitating data entry in both Hindi and English at will. According to SBI, such bilingual services are not necessary in inter and intra-bank operations, international banking, budgeting, taxes and other operations, which do not involve public or customer interface.

RBI move gives rural push to m-commerce

With the RBI doubling the cap on mobile transactions, mobile payment companies are bullish on the prospects for m-commerce - especially in the rural un-banked space. The RBI has recently increased the daily transaction limit for cash transactions from Rs.2,500 to 5,000 and the daily transaction limit for goods and services from Rs.5,000 to Rs.10,000/-. Companies reason that as the metropolitan users are equipped with card based payments and the Internet, rural deployment becomes more significant for them. Over 30% of the new mobile subscriptions every month come from villages.

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Financial Basics

In the money

A phrase used to describe an option that has positive intrinsic value. For a call option, this means the current price of the underlying asset or contract covered by the option exceeds the option strike (exercise) price. For a put option, this means the current price of the underlying asset or contract covered by the option is below the option strike (exercise) price.

Glossary

BRIC Countries

BRIC stands for Brazil, Russia, India and China. It is an acronym that was coined by Goldman Sachs in 2001 to refer to the fast growing developing countries of Brazil, Russia, India and China. One of the major arguments put forth by Goldman Sachs in their report is that by 2050 the output in the BRIC economies would surpass those of the current richest countries. These countries are known to encompass over twenty-five percent of the world's land coverage, forty percent of the world's population and hold a combined GDP (PPP) of 15.435 trillion dollars. These factors make it very plausible for these economies to overtake the current developed countries by 2050.

Nostro Account

Transactions in foreign exchange take place through bank accounts. For example, if an export bill of an Indian exporter sent on a collection basis have to be credited in a bank account in New York of a bank of India. For this the bank in India has to have an account in the foreign bank in New York. Such an account is called the Nostro account. Nostro means 'ours' in Latin. Nostro accounts are usually in the currency of the foreign country. This allows for easy cash management as no currency conversion is then required.

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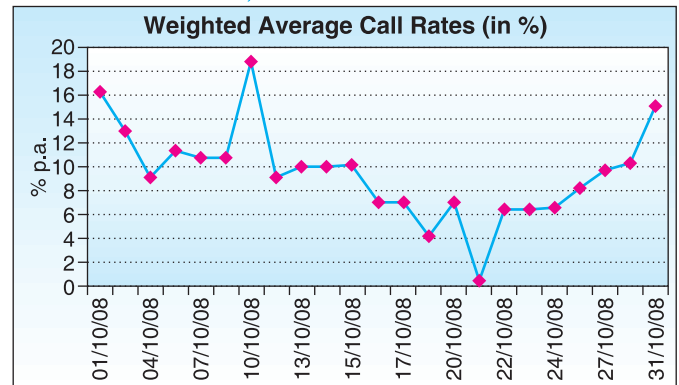
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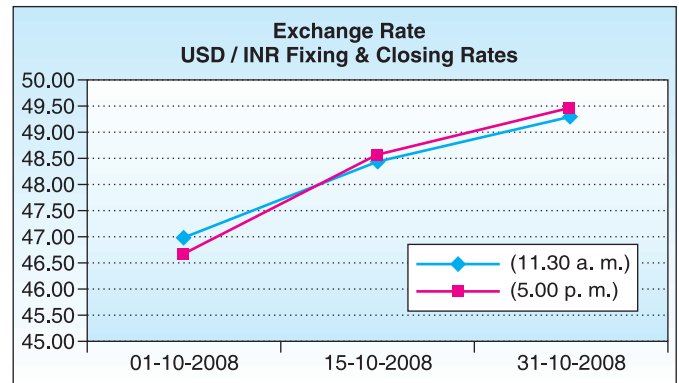
Markets Roundup

Market Snapshot (Amount in Rs. Mn.)					
Indicators	Oct. 03, 2008	Oct. 10, 2008	Oct. 17, 2008	Oct. 24, 2008	Oct. 31, 2008
Inflation (%)	11.99 (Sep. 20, 2008)	11.80 (Sep. 27, 2008)	11.44 (Oct. 04, 2008)	11.07 (Oct. 11, 2008)	10.68 (Oct. 18, 2008)
CCIL MIBOR	15.9723	17.4568	7.0302	6.0988	18.8383
Avg.LAF.Rev.Repo.Vol	0	18,375	32,240	339,988	233
Avg.LAF.Repo.Vol	908,400	760,050	390,940	41,375	548,400
10-yr G-Sec Yield(%)	8.5029	7.9332	7.9131	7.7835	7.5855
1-10 yr spread (bps)	11	6	12	52	29

Source : CCIL Newsletters, October 2008



Source : CCIL Newsletters, October 2008



Source : FEDAI