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Committed to professional excellence

IIBF VISION

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Top Stories

RBI allows RRB branches in Tier-II cities

RBI has allowed Regional Rural Banks (RRBs) to open branches in Tier-II centres without prior approval; subject to certain conditions so as to increase banking penetration in the country. So far, RRBs could open such branches only in Tier-III cities.

Issue only at-par cheques

RBI has asked all Core Banking Solutions (CBS) enabled banks to issue only "payable at par" or "multi-city" cheques to customers to make cheque clearing more efficient. RBI has also asked the banks to put in place board-approved risk management procedures based on risk categorization of accounts.

Self-service banking gaining currency

Banks are increasingly launching self-service banking in the front lobby of their branches to increase customer convenience and reduce transaction time and costs. This convenience enables customers to use alternative banking channels i.e. ATMs, phone banking, cheque deposit machine, and pass-book printer - without entering the branch. It is reported that the per-transaction cost incurred on one customer in the physical branch is approximately ₹50, while e-banking costs about ₹10 for a similar transaction.

Lok Sabha to decide on Banking Act changes

The Lok Sabha's list of business for August 22 states that Finance Minister Mr. P. Chidambaram will move the Banking Laws (Amendment) Bill 2011 to amend the Banking Regulation Act, 1949, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980. Enactment of this Bill will empower RBI to call for information and returns from the associate enterprises of banking companies, and also inspect the same, if necessary. The

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

INSIDE

Bill had originally proposed raising the ceiling on voting rights of shareholders of nationalised banks from 1% to 10%. For private sector banks, the Bill wanted to remove the existing restriction on voting rights limited to 10% of the total voting rights of all the shareholders.

Bank-wide portal to shop for best service

As of now, customers seeking a higher return on their investible surplus, or wanting the cheapest loans, have to either go to the branches of various banks or surf their individual websites. But with a bank-wide portal, customers can avoid this tedium - thus saving much time and energy. One can compare interest rates on deposits and loans across banks at the click of a mouse. The portal could also usher in transparency in banks' dealings with customers.

Banking Policies

RBI tightens norms for securitization of NBFC loans

RBI has extended the guidelines on securitisation of standard assets (loans) - earlier issued only to banks - to Non-Banking Finance Companies (NBFCs) also. Originating NBFCs can securitise loans only after holding them in their books for a minimum period. These guidelines were issued to prevent unhealthy practices surrounding securitisation *viz.* origination of loans solely for securitisation in order to align the interest of the originator with that of the investors and to redistribute credit risk to a wide spectrum of investors.

Limits proposed for banks' exposure to group companies

RBI has proposed limits on banks' exposure to Intra-group Transactions and Exposure (ITE), to monitor conglomerates. RBI has proposed to cap banks' exposure to their non-financial services companies at 5% of net worth and to financial services companies at 10% of net worth. A bank's exposure at all group entities has been capped at 20% of net worth. These measures are aimed to ensure that banks maintain a safe distance relationship in their dealings with the group entities; meet minimum requirements with respect to group risk management and group-wide oversight; and adhere to prudential limits on intra-group exposures.

RBI directive on survivor clause

RBI has directed banks to incorporate the "either or survivor" or "former or survivor" clause in their account opening forms; and inform their existing as well as future term deposit holders about the availability of such an option. If such a mandate is obtained, banks can allow premature withdrawal of term / fixed deposits by the surviving depositor without seeking the concurrence of the legal heirs of the deceased joint deposit holder. Premature withdrawal by the surviving joint depositor will not attract any penalties.

Include compensation in cheque policy

RBI has asked banks to reframe their Cheque Collection Policies (CCPs) to include compensation payable for the delayed period in the case of collection of local cheques. If no rate is specified in the CCP for delay in realisation of local cheques, compensation at savings bank interest rate will have to be paid for the corresponding period of delay. Banks have to display their revised CCPs at branches and web sites.

Norms on forex earnings forward contracts relaxed

RBI has eased various restrictions on exporters' exchange earnings and forward contract transactions. It has restored the facility of allowing full credit for foreign exchange earning to Exchange Earners Foreign Currency (EEFC) Accounts. However, the relaxation is subject to the condition that accruals during a month should be converted into rupees on or before the last day of the succeeding month. Exporters can adjust for balances for forward commitments. For hedging their exposure, exporters have also been allowed to cancel and rebook forward contracts to the extent of 25% of the total contracts booked.

Banks underestimating currency market risks

The Basel Committee on Banking Supervision has issued draft guidance to lenders to bolster safeguards against the possibility that trades may break down before they are settled. Many banks underestimate their principal and other associated risks by not taking into full account the duration of exposure between trade execution and final settlement. While such risks may have a relatively low impact during normal market conditions, they may create disproportionately larger concerns during market stress. While banks and other institutions active in the currency markets are striving to make trading more robust, "substantial" settlement risks do remain with rapid growth.

RBI decrees revamp of no-frills accounts

RBI has told banks to replace the current practice of opening no-frills accounts, with basic savings bank deposit accounts. In no-frills accounts, the banks were free to decide the facilities offered to the holders. Now, RBI has brought uniformity in the rules for such accounts. There will be no minimum balance requirement for these accounts; and all the services including deposits and withdrawals at bank branches or ATMs; receipt / credit of money through electronic payment channels; deposits of cheques drawn on central or state government agencies or departments etc., should be made available to the holders of these accounts. All existing no-frills accounts will be converted to basic savings bank deposit accounts.

Global expansion of PSBs

The FM has asked PSBs to go aggressive on overseas expansion - especially in Asia, Latin America and Africa - but without competing with each other. The move assumes importance in the wake of India's diversification of the export market to counter the slowdown in developed nations. Mr. Pratip Chaudhuri, Chairman, SBI said "we're willing to expand where Indian companies are increasing their foothold. Overseas expansion makes sense if you can mobilise deposits. It's pointless to just keep lending without deposits."

Banking Developments

Banks spurring credit card business

Rising consumption expenditure and declining defaults are prompting banks to boost their credit cards business. In the first three months of the current fiscal, the number of new credit cards issued by banks increased by about ₹3.60 lakh. As of June-end, the number of credit cards in circulation stood at 1.80 crore, against 1.76 crore as of June-end last year. Credit scores of customers is helping credit card companies target the right customer. Banks are throwing in goodies to make credit cards attractive *viz.* Equated Monthly Instalment (EMI) conversion facility; reward points in the form of movie and air tickets; or vouchers for lifestyle and clothing brands. Banks are also selling co-branded cards with airlines and petroleum companies.

PSBs see 28% growth in small sized loans

A slack in demand for loans from corporates and the slicing out of microfinance companies from rural lending have come as a blessing for PSBs wanting to push the government's financial inclusion agenda. Where the biggest guzzlers of funds *viz.* power, roads and ports projects, are lying dormant due to various obstacles; loans to weaker sections and in rural India are accelerating, aided by special initiatives from banks. Small-sized loans of up to ₹50,000 grew 28% *vis-à-vis* 14% gain in the previous year.

Finmin suggests 7% interest on CRR deposits

In order to lower rates, the finance ministry has suggested that RBI pay 7% interest on the mandatory deposits parked with it by banks. The ministry opines that if RBI were to pay interest at the reverse repo rate, then banks will be able to lower their deposit rates - thus leading to a fall in lending rates. At present, the CRR rate is 4.75%. If RBI were to agree to the proposal, banks will earn 7%, the reverse repo rate, on this portion of funds, helping them to lower the cost of funds that can be passed on to borrowers.

Government to boost export credit

The government is planning for a greater flow of credit for exporters by allowing banks with significant presence abroad, and foreign currency deposits available, to arrange for borrowings abroad or to seek lines of credit from foreign banks. An important reason for the stall in growth is a gradual decline in export credit as a percentage of net bank credit and a percentage of exports.

Consortium approach for lending to SEBs

The FM has asked public sector lenders to form consortiums to restructure the accounts of State Electricity Boards (SEBs). The bank with the highest exposure to the SEB concerned should take the lead in the process. In consortium-based restructuring, an SEB can't borrow from one lender to repay another. Also, the consortium comes up with a viability plan and assesses the funding needs of power boards. Besides, consortium lending helps banks spread the risk and all documentation is done jointly. The credit is also monitored continuously.

RBI working group seeks higher FII limits in gilts

A working group set up by RBI has recommended that Foreign Institutional Investment (FII) must be increased in government debt in a phased manner. FIIs being global players, can provide much-needed diversity of views in the market and more opportunities for trading. The group was established to suggest ways to increase liquidity in the government bond market and interest rate derivatives. It has also recommended doing away with withholding tax, which is a major hurdle for the participation of FIIs in the government debt market. Banks and post offices may be used as distribution channels for retail participation in government bonds. The government could issue inflation-indexed bonds for individual investors.

Kisan Credit Card scheme modified

RBI has removed the 12 months' repayment on the loans taken by farmers on Kisan Credit Card (KCC). Banks might fix repayment period according to the anticipated harvesting and marketing period for the crops for which a loan has been granted. The extant prudential norms for income recognition, asset- classification and provisioning would continue to apply for loans granted under revised KCC scheme.

Coins in short supply

According to a survey conducted by RBI in February 2012, about 44% of the respondents reported that shopkeepers gave some items as a substitute for coins. Nearly 56% found giving correct change difficult as coins are not easily available from any source. 11% of the respondents did not want to spend time in selecting, counting and giving exact change. Another 27% did not want to carry coins. The survey was conducted following rising complaints from the public regarding non-availability of coins. Majority of the respondents reported ₹1 (44%) and ₹5 (34%) coins as the most needed ones. The survey has provided RBI pointers to better addressing the demand for coins from the public and supply / distribution bottlenecks. As at March-end 2012, the number of coins in circulation came down to 7802.9 crore (11,218.4 crore as at March-end 2011).

Banks, post offices may be roped in to sell G-secs

According to a RBI panel, bank branches and post offices could be used as distribution channels to get retail investors in Government Securities (G-secs). Investment in G-secs will attract retail investors if the interest rates offered on various small savings instruments are aligned with the rates yields of G-Secs of comparable tenors.

Regulator's Speak...

Rate cut will depend on inflation

Dr. Subir Gokarn, Deputy Governor, RBI has stated that India can only consider cutting interest rates when inflation starts to show very sustainable signs of moving down. "Our position is very clear. It's always balancing between inflation risks and growth risks; and price gains are currently the dominant threat." Inflation eased to a 32-month low of 6.87% in July; yet it remains the highest among Brazil, Russia, India and China (BRIC) economies.

E-payments have not penetrated deep enough

Dr. D. Subbarao, Governor, RBI opines that "India needs to proactively shift from cash to electronic payment systems. Large value payments have mostly shifted to the electronic mode, possibly because of the regulatory fiat. Disappointingly, retail payment systems continue to be paper-centric and electronic systems have not penetrated deep enough. Though the usage of mobile banking and internet banking is growing, a significant percentage of customers remains uncovered. While the private non-bank entities have introduced prepaid payment instruments, including mobile wallets, the market is yet to deepen."

Re-jig loans for individuals too

Dr. K. C. Chakrabarty, Deputy Governor, RBI avers that "banks must come up with a loan restructuring mechanism for individuals and small-scale businesses too. They cannot leave it to the branch manager to do it." He further said that it is a myth that only poor economic conditions are responsible for the jump in debt restructuring. Some borrowers had borrowed heavily during economic boom.

Adjust base rates in tune with monetary conditions

Mr. Anand Sinha, Deputy Governor, RBI avers that the banking system is supposed to be responsive to monetary conditions. RBI would like banks to respond by adjusting their base rate. Banks have been reluctant to cut base rates as they are unable to correspondingly pare deposit rates due to tightness in liquidity. If banks cut only the base rate without cutting the deposit rate, their margins will get squeezed. Banks are not able to respond quickly to changes in monetary policy as they carry fixed costs over an extended period of time and need to recover the same.

Restructured loans grow faster than credit growth

Dr. K. C. Chakrabarty, Deputy Governor, RBI has stated that between March 2009 to March 2012 total gross advances of the banking system grew at a compound annual growth rate of less than 20%; whereas restructured standard advances grew over 40%. The bank-wide Corporate Debt Restructuring (CDR) mechanism has come under RBI attention because of the extraordinary rise in the number and volume of advances being restructured under the scheme. The proportion of restructured standard advances to gross total advances increased from 3.45% in March 2011 to 4.68% in March 2012. The increase in restructuring can be partially attributed to excessive leveraging by some borrowers during boom period.

Indian banks can weather impact of drought

Dr. K. C. Chakrabarty, Deputy Governor, RBI has stated that "Indian lenders are resilient enough to weather the pressure on farm loans caused by drought like situation because of deficient monsoon. Droughts do cause a pressure on farm loans but we have sufficient rehabilitation measures for banks to weather it out."

Economic scene in 2012 is quite unlike 1991

"A ballooning fiscal deficit, historical-high current account deficit, precarious balance of payments situation…Comparisons abound, but the Indian economy of year 2012 is quite unlike 1991 when it had threatened to default", says Dr. D. Subbarao, Governor, RBI adding "but all the same, we need to work on de-bottlenecking of infrastructure; skill up gradation;

fiscal consolidation; governance reforms at the centre and states; and managing challenges of federalism."

Microfinance

RBI relaxes MFI-NBFCs loan pricing flexibility

RBI has announced a string of regulatory relaxations, including those for pricing of loans. MFI-NBFCs have been allowed operational flexibility whereby the interest rate chargeable on individual loans can exceed the earlier cap of 26%. However, the maximum variance permitted for individual loans between the minimum and maximum interest rate cannot exceed 4%. MFIs have to ensure that the average interest rate on loans during a financial year does not exceed the average borrowing cost during that period, plus the margin within the prescribed cap. Even as the cap on interest rate has been removed, RBI has persisted with the 10% cap on margin for large MFIs (with loan portfolio exceeding ₹100 crore) and 12% for others.

CIBIL to compile history of MFI borrowers

The Credit Information Bureau (India) Ltd (CIBIL), in association with the registered Micro-Finance Institutions (MFIs) and Micro-Finance Institutions Network (MFIN), is planning to issue a comprehensive report on the credit history of borrowers. This comes in the wake of increasing defaulters in the MFI segment and multiple lenders now competing to increase fresh borrowings. CIBIL is working with the industry to get an authentic MFI borrowers list and accordingly provide a credit score. The authentication is crucial and there is a need to put all the data together for identification process. CIBIL is also looking to introduce 'risk index' for business entities. This is a global procedure pinned with a scale of 1-5 for obtaining bank loans.

Forex

Benchmark Rates for FCNR(B) Deposits applicable for the month of September 2012

LIBOR / SWAP For FCNR(B) Deposits					
	LIBOR	SWAPS			
Currency	1 Year	2 Years	3 Years	4 Years	5 Years
USD	1.03200	0.422	0.501	0.656	0.865
GBP	1.40525	0.8028	0.8325	0.9180	1.0680
EUR	0.75357	0.514	0.637	0.788	0.984
JPY	0.54514	0.314	0.316	0.341	0.386
CAD	2.03650	1.420	1.488	1.578	1.671
AUD	4.48200	3.145	3.205	3.409	3.500
CHF	0.35940	0.098	0.133	0.210	0.318
DKK	0.76250	0.5575	0.6575	0.8420	1.0335
NZD	3.47600	2.715	2.850	3.008	3.163
SEK	2.70000	1.700	1.735	1.780	1.873

Source : FEDAI

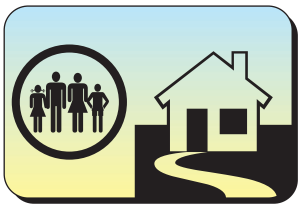
Foreign Exchange Reserves

Item	As on August 24, 2012	
	₹Bn.	US$ Mn.
	1	2
Total Reserves	16,081.2	290,179.3
(a) Foreign Currency Assets	14,281.0	257,872.5
(b) Gold	1,435.1	25,714.7
(c) SDRs	242.9	4,386.0
(d) Reserve Position in the IMF	122.2	2,206.1

Source : Reserve Bank of India (RBI)

Half of RBI's forex reserves in government bonds

RBI has invested nearly half of the country's forex reserves in sovereign securities and around 10% in gold, as on March 31. RBI held 557.75 tons of gold (around 9.2% of forex reserves), out of which 265.49 tons were kept as deposits in Bank of England and Bank for International Settlements. RBI's investment of forex reserves is driven by the objective of safety and liquidity. The goal of maximizing returns is embedded in these objectives.



Insurance

IRDA mulls friendlier rules for life cover surrender

Insurance Regulatory and Development Authority's (IRDA) revised draft guidelines on the design of life insurance products, have proposed a minimum Guaranteed Surrender Value (GSV) for traditional policies. These are significantly higher than those being practiced by insurers. Accordingly, if a policy has been active for more than seven years, an insurer will have to pay back at least the premium amount. Policy holders would get back as much as half their premiums if a policy has been active for at least three years. IRDA wants all individual non-linked life insurance and pension products to acquire a minimum GSV as unit linked insurance plans already have.

Rural Banking

Committee to review viability standards, HR policies of RRBs

The government has decided to review the viability standards for Regional Rural Banks (RRBs) and their manpower planning, as it plans to assign a bigger role to these lenders in its financial inclusion programme with greater use of technology. A six-member committee headed by the Executive Director of the

National Bank for Agriculture and Rural Development (NABARD), Mr. S. K. Mitra, will carry out the review. The government wants the committee to examine economies of scale in RRBs and see whether they would be profitable after migrating to a new technology. The panel will also suggest changes in the staffing pattern and hiring policies as these banks are expected to soon roll out a massive ATM and Business Correspondents' (BCs) networks, besides setting up ultra-small branches.

New Appointments

- Mr. Jasbir Singh has been appointed as an Executive Director of RBI.
- Mr. Arvind Mayaram has been appointed as a Director on the Central Board of Directors of RBI.
- Mr. Sharad Sharma has been appointed as the Managing Director of State Bank of Mysore.
- Mr. Shantanu Ambedkar has been appointed as the Managing Director and Head-Private Banking Arm of HSBC India.

Products & Alliances

Organisation	tied up with	Purpose
Central Bank of India	The Indian Coast Guard	For provision of banking services to Coast Guard personnel
HDFC Bank	OneAssist	To protect all credit card holders against theft of cards, mobile handsets and important documents
Syndicate Bank	IDBI MF	To distribute their mutual fund products in a bid to expand the product offerings
Oriental Bank of Commerce	Mahindra & Mahindra	For personal and commercial vehicle financing
Development Bank of Singapore	Tata Institute of Social Sciences	To provide seed funding and incremental funding to its social entrepreneurship graduates
United Bank of India	Asset Reconstruction Company (ASREC) India Ltd.	To realize the bank's dues
IDBI Bank	SME Rating Agency of India Ltd.	To evaluate its existing as well as potential Micro-Small and Medium Enterprises (MSME) clients

International News

Euro rescue fund: Regaling banks on German court nod

The European Financial Stability Facility (EFSF) has expressed hope that the Euro area's bailout fund, the European Stability Mechanism (ESM), will get an approval from a German court. The decision on the bailout fund and a fiscal pact proposed by Euro leaders to deal with the sovereign debt crisis, will be announced on September 12 - a verdict that will be watched closely around Europe as the fund could not be launched without German approval. Germany is the largest economy in Euro zone. The proposed ESM is an international organisation which will provide financial assistance to Euro zone members having financial difficulties. ESM, proposed to be based in Luxembourg, will replace temporary funding programmes such as EFSF and the European Financial Stabilisation Mechanism (EFSM).

Bank for International Settlements (Continued...)

Stress testing methodologies

Stress tests cover a range of methodologies. Complexity can vary, ranging from simple sensitivity tests to complex stress tests, which aim to assess the impact of a severe macroeconomic stress event on measures like earnings and economic capital. Stress tests may be performed at varying degrees of aggregation, from the level of an individual instrument up to the institutional level. Stress tests are performed for different risk types including market, credit, operational and liquidity risk. Notwithstanding this wide range of methodologies, the crisis has highlighted several methodological weaknesses.

At the most fundamental level, weaknesses in infrastructure limited the ability of banks to identify and aggregate exposures across the bank. This weakness limits the effectiveness of risk management tools - including stress testing.

Most risk management models, including stress tests, use historical statistical relationships to assess risk. They assume that risk is driven by a known and constant statistical process, *i.e.* they assume that historical relationships constitute a good basis for forecasting the development of future risks. The crisis has revealed serious flaws with relying solely on such an approach.

First, given a long period of stability, backward-looking historical information indicated benign conditions so that these models did not pick up the possibility of severe shocks nor the build up of vulnerabilities within the system. Historical statistical relationships, such as correlations, proved to be unreliable once actual events started to unfold.

Second, the financial crisis has again shown that, especially in stressed conditions, risk characteristics can change rapidly as reactions by market participants within the system can induce feedback effects and lead to system-wide interactions. These effects can dramatically amplify initial shocks as recent events have illustrated.

Extreme reactions (by definition) occur rarely and may carry little weight in models that rely on historical data. It also means that they are hard to model quantitatively. The management of most banks did not sufficiently question these limitations of more traditional risk management models used to derive stress testing outcomes nor did they sufficiently take account of qualitative expert judgment to develop innovative ad-hoc stress scenarios. Therefore, banks generally underestimated the strong inter-linkages between, for example, the lack of market liquidity and funding liquidity pressures. The reliance on historical relationships and ignoring reactions within the system implied that firms underestimated the interaction between risks and the firm-wide impact of severe stress scenarios.

Prior to the crisis, most banks did not perform stress tests that took a comprehensive firm-wide perspective across risks and different books. Even if they did, the stress tests were insufficient in identifying and aggregating risks. As a result, banks did not have a comprehensive view across credit, market and liquidity risks of their various businesses. An appropriately conducted firm-wide stress test would have beneficially drawn together experts from across the organization. For example, the expertise of retail lenders, who in some cases were reducing exposure to US subprime mortgages, should have counteracted the overly optimistic outlook of traders in securities backed by the same subprime loans.

Financial Basics

Zero-Floor Limit

A retail authorization system in which all of a merchant's credit or debit transactions must be checked against the card's outstanding balance due and / or any Warning Bulletin listings about past-due or over-limit accounts before processing. Floor limit refers to the limit above which credit or debit transactions require authorization - when that limit is zero, all transactions require authorization, regardless of their size.

Glossary

Consortium

A group made up of two or more individuals, companies or governments that works together towards achieving a chosen objective. Each entity within the consortium is only responsible to the group in respect to the obligations that are set out in the consortium's contract. Therefore, every entity that is under the consortium remains independent in his or her normal business operations and has no say over another member's operations that are not related to the consortium.

Institute's Activities

Training activities at IIBF, Leadership Centre for September, 2012

Sr. No.	Program	Date
1.	Trade Finance	3rd to 7th September
2.	Wealth Management	10th to 12th September

Training activities completed at Leadership Centre, IIBF, Kurla during August, 2012

Sr. No.	Program	Date	No. of participants
1.	IT & Cyber Security workshop	4th August	13
2.	Financing and Marketing of Retail Banking products	6th to 10th August	18
3.	Compliance Function workshop	24th August	22

News From the Institute

IIBF Vision via e-mail

The Institute will be sending the IIBF Vision via e-mail to all the e-mail addresses registered with it from October 2012 onwards. Members are requested to register their e-mail immediately, if not done already. For details, refer www.iibf.org.in.

New Certificate examinations

The Institute has launched new Certificate exams in IT Security, Rural Banking Operations For RRB Staff, Prevention of Cyber Crimes and Fraud Management, Foreign Exchange Facilities For Individuals And Microfinance from December 2012 onwards. For details, please visit website www.iibf.org.in.

Annual General Meeting (AGM)

The 85th Annual General Meeting will be held at 4.00 pm on 12th September, 2012 at IIBF, Corporate Office, Kurla (West), Mumbai - 400070.

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Registration for Ordinary Membership Online

The Institute has started Online registration for Ordinary membership from 15th of June, 2012. Institute will not be accepting, hereafter DDs towards membership fee. Candidates are requested to visit www.iibf.org.in for details on online registration.

Inclusion of Service Tax in Membership fees

Ordinary membership fee has been increased by ₹185/- including service tax.

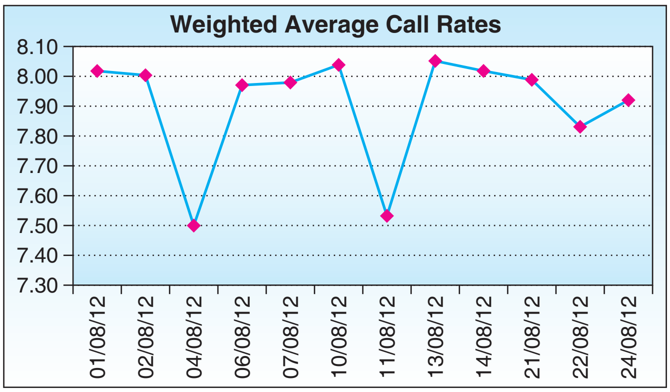
Green Initiative

Members are requested to update their email address with the Institute to send the Annual Report via email in future.

Correction : IIBF - Vision August 2012

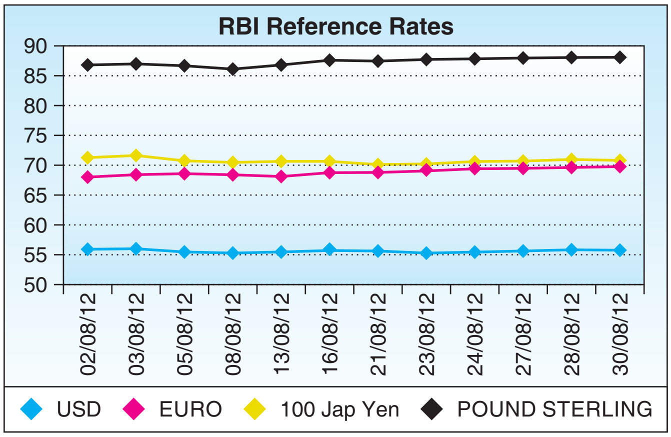
CRR is given as 4.5% on page 1, which may be read as 4.75%. Error is regretted.

Market Roundup



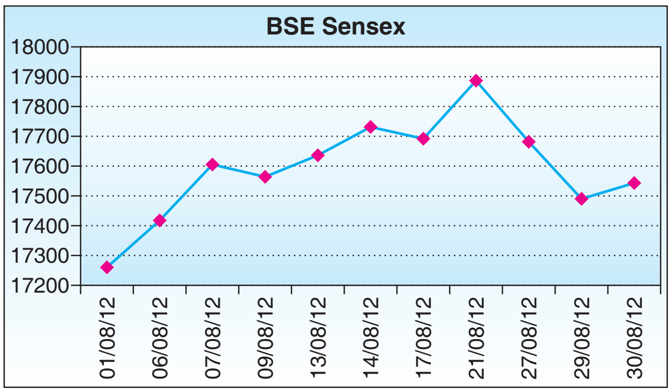
Source : CCIL Newsletter, September 2012

- During the first week, the overnight call money rates remained stable. It moved in the range of 8.15% and 7.90%.
- On 14th, the call money rates finished higher at 8.15% from closing level of 8% on 10th.
- On 28th, call rates eased slightly and finished lower at 7.95%.
- On 30th, the call money rate finished stable at 8%. It moved in a range of 8.05% and 7.80%.



Source : Reserve Bank of India (RBI)

- On 2nd of August, the Rupee declined 0.7% to 55.84 per dollar in Mumbai, the biggest drop since July 23rd, according to data compiled by Bloomberg.
- On 9th, the rupee advanced 0.2% to 55.30 per dollar, according to data compiled by Bloomberg.
- The Rupee declined 0.1% to 55.3 per dollar on 13th on concern that inadequate monsoon rainfall will hurt farm output and spurt food inflation.
- On 21st, the Rupee advanced 0.3% from August 17 to 55.58 per dollar, the biggest gain since August 7, according to Bloomberg.
- The rupee was little changed in the spot market at 55.68 compared to 55.69 on 27th.
- On 29th the rupee advanced 0.1% to 55.63 per dollar.
- During the month, the Rupee appreciated 0.2% and 0.5% against USD and JPY respectively while depreciating 1.56% and 2.2% against Sterling and Euro respectively.



Source : Reserve Bank of India (RBI)

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