

Committed to
professional excellence

IIBF VISION

Volume No. : 1

Issue No. : 08

March 2009



Top Stories

Bill to change money laundering law passed

A Bill aimed at effectively combating money-laundering, terror financing and cross-border economic offences, was recently passed by the Parliament with the Lok Sabha approving the measure. The Prevention of Money Laundering (Amendment) Bill, 2009, passed by the Rajya Sabha, seeks to ensure a watertight legal framework to check such crimes. Financial intermediaries like full-fledged money changer, money transfer providers such as Western Union and International Payment gateways, including VISA and MasterCard have also been brought under the ambit of The Prevention of Money-Laundering Act. The Bill, after becoming an Act, will address India's international obligation and empower the enforcement directorate to search the premises immediately after the offences are committed and police have filed a report.

Banks respond to rate cuts

Interest rates have certainly dropped in recent months but they are yet to reach the April-2006 level in most segments. While public sector banks (PSBs) have opted for steeper cuts in lending rates, the private and foreign banks are yet to match the offers. Here's how PSBs have responded to RBI's rate changes during the last three years :

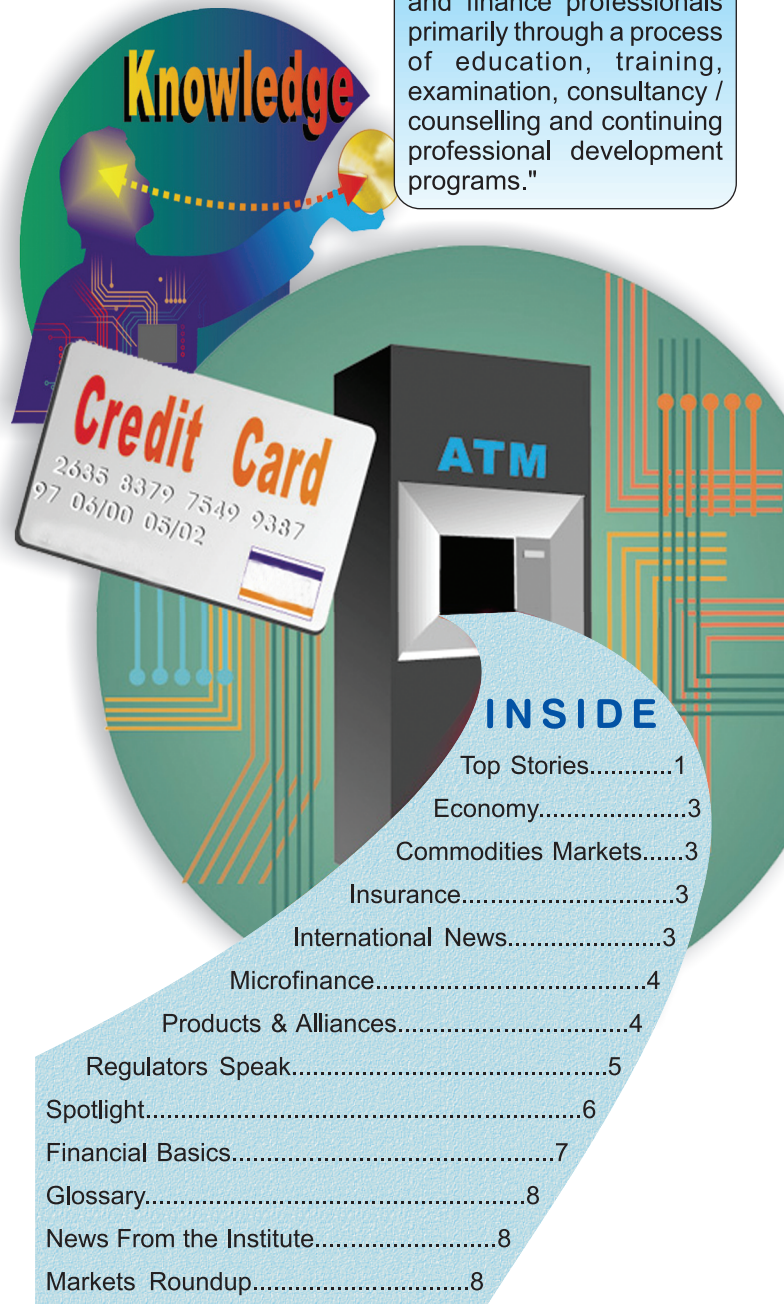
Category	April, 2006	Sep. 30, 2008	Dec. 01, 2008	Now
BPLR	10.25-11.50	13.75-14.75	12.50-14.00	11.50-13.00
Home	7.75-12.00	9.25-12.00	8.75-11.50	8.00*-11.50
Auto	8.00-9.75	11.25-14.25	11.25-13.50	10.50-12.50
Consumer Goods	9.00-14.50	13.25-17.50	12.75-16.75	2.00-16.00
SME	8.50-14.00	11.00-16.50	10.25-15.75	8.00*-15.00

* SBI is offering at 8% for a year. After that rates will go back to their respective slabs. (Figures in %)

Banks to beef-up data security measures

In order to ring-fence their services from serious disruptions arising out of possible terrorist attacks, floods, earthquakes, strikes, etc. banks are gearing up their IT

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

Top Stories.....	1
Economy.....	3
Commodities Markets.....	3
Insurance.....	3
International News.....	3
Microfinance.....	4
Products & Alliances.....	4
Regulators Speak.....	5
Spotlight.....	6
Financial Basics.....	7
Glossary.....	8
News From the Institute.....	8
Markets Roundup.....	8

infrastructure by introducing an intermediate layer of data security called 'near-site'. This site will function synchronously with the primary data centre, capturing, on a real-time basis, all customer transactions at branches and ATMs. Among others, Corporation Bank and IDBI Bank are planning to set up 'near-sites' about 25-30 km away from their primary data centres. This move comes in the wake of the RBI asking banks to ensure enhanced data security.

RBI asks banks to set up credit counselling trusts

The RBI has asked banks to set up societies, or trusts to promote financial literacy and provide credit counselling to borrowers. The directive comes after the apex bank found the measures currently undertaken by banks to be ineffective. A year back, RBI had asked banks to set up credit counselling centres to provide free of charge services to the general public. However, a year on, the RBI has unearthed that most of the centres end up selling the bank's products instead. In many cases, the centres were manned by bank staff who were given the responsibility of counselling in addition to their regular duties.

18 banks to be recapitalized

Eighteen public sector banks are going to be recapitalised. Bank-wise details are being worked out by the department of financial services in the finance ministry, but apparently, the government may not provide capital to the six SBI associates since it does not have any direct holding. The sequence of fund infusion will be based on parameters such as the ability to raise tier-I and tier-II capital, the government holding and the capital adequacy ratio. Banks which have no headroom to dilute further or are unable to raise tier-I or tier-II capital will get the assistance first.

Banks exposure to Satyam pegged at Rs.8,000 crore

The Reserve Bank of India (RBI) has estimated the total exposure of Indian banks and foreign lenders operating in India to Satyam Computers Services and its related companies to be around Rs.8,000 crore. Sources close to the development said that this figure includes the total direct exposures to Indian and international operations of the companies so far. After the compilation of data, the banks have been advised to write off the short-term loans to the company to maintain the **margin amount** with broking houses and custodians, to keep the shares afloat in the market, as there has been a sharp fall in the share prices. This situation is more likely now since the market value of the shares have eroded following the sequential events.

PNB achieves 100% CBS network

Second largest state-owned lender, Punjab National Bank (PNB), is all set to achieve 100% core banking solution

(CBS) network throughout the country. PNB will be the second PSB to achieve it after the Union Bank of India achieved it early last year.

IOB to acquire Pune-based co-op bank

Chennai-based Indian Overseas Bank (IOB) has received approval from the RBI to acquire Pune-based Shree Suvarna Sahakari Bank (SSSB). IOB Chairman and Managing Director Mr. S. A. Bhat said that the bank has received RBI's approval to acquire all the assets and liabilities of SSSB. The acquisition process is expected to be completed by April.

PSBs beat private banks in third-quarter profit growth

For the first time in recent times, the PSBs have beaten private sector banks in recording higher growth in profit during the third quarter of 2008-09. In net profit, PSBs showed an increase of 48.4% as against an increase of 25.4% for private banks during the period. Interestingly, all the private sector banks (except three) showed an increase in the profitability ratio in October-December 2008, while 60% of PSBs showed an increase in the net profit to total income ratio during the same period. A comparison between 15 PSBs and 10 major private banks shows that PSBs have performed significantly better in terms of profitability during October-December 2008 vis-a-vis October-December 2007.

Private sector banks downsize workforce

Hit by the economic slowdown and rising non-performing assets (NPAs), leading private sector banks are downsizing their workforce, re-structuring their balance sheet, offering lower packages to fresh recruits and reviewing the bonus quantum for their existing employees. The country's largest private sector bank ICICI Bank which had aggressively expanded its workforce in the last couple of years has reduced its manpower base by 1,500 to 37,000 within one year between December 2007 and December 2008.

RBI widens scope of open market operations

RBI has widened the scope of the open market operations (OMOs) by including purchases of government securities (G-Secs) through an auction-based mechanism in addition to operations through negotiated dealing system - order matching (NDS-OM). The RBI has taken this measure for a more effective liquidity management. The first such auction was held on February 19 with settlement happening on February 20.

Proposals to amend Basel-II norms

In a bid to strengthen the regulation and supervision of internationally active banks in light of weaknesses revealed by the ongoing global financial markets crisis, the Basel Committee on Banking Supervision issued a package of

consultative documents to strengthen the Basel-II capital framework, in January 2008. The proposed changes to capital requirements cover trading book exposures, including complex and illiquid credit products, certain complex securitizations in the banking book like collateralised debt obligations of asset backed securities and exposures to off-balance sheet vehicles like asset-backed commercial paper conduits.

Economy

Finance minister unveils 3rd package

Announcing the third stimulus package in as many months to boost flagging demand, the UPA government announced fiscal sops amounting to Rs.30,000 crore, the most significant being an across-the-board 2% cut in central excise duty and service tax. Though industry chambers hailed the incumbent administration's farewell gifts, they stressed that an interest rate cut by RBI was imperative to spur investment, consumption and reduce pressure on bond yields due to increased government borrowings.

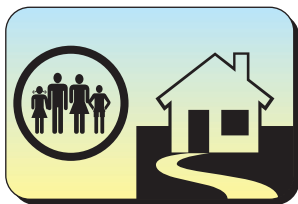
Commodities Markets

NCDEX revises position limits in eight items

The NCDEX has revised the position limits in eight agricultural commodities, to allegedly prevent speculative trading. Position limit is the maximum number of futures contracts permitted to be held by members and individual clients. It is set by the forward markets commission (FMC). The limits have become effective from March 1, 2009.

MCX-SX launches 5th regional language website

MCX Stock Exchange formally launched its 5th regional website in Marathi (<http://marathi.mcx-sx.com>). Dr. A. M. Pedgaonkar, CGM-in-Charge, Department of Information and Technology, RBI was the Chief Guest and he unveiled the website. This new initiative will provide the benefits of the currency futures markets in local language to a segment deprived of using the futures market due to language barrier.



Insurance

NIC to boost bancassurance business

The National Insurance Company (NIC) is looking at increasing its focus on the bancassurance route

as an alternative channel of business in 2009-10, Mr. V. Ramasamy, CMD, NIC said. Bancassurance is a mode of selling insurance products through banks. "Bancassurance and other alternative channels currently contribute nearly 7% of our total first premium income (FPI). We are looking to increase its share to nearly 10% in 2009-10," he said.

Life insurance sector targets 20% growth in FY09

The Indian life insurance industry which grew by 16% in the nine months ended December 2008 is expected to grow at 20% by FY 09. The industry collected a total premium of Rs.1,31,400 crore till December 31, 2008, as compared to Rs.1,13,000 crore in the year-ago-period, the Life Insurance Council said. "We continue to be optimistic about the future of the insurance business in India and expect the industry to grow at 20%," the industry body's Secretary General Mr. S. B. Mathur said, adding that in 2007-08 too the industry had grown by 20%.

IDBI Fortis floats Homesurance protection plan

IDBI Fortis Life Insurance has launched its Homesurance protection plan. It is a mortgage-reducing term insurance plan that secures the policy holder irrespective of interest rate fluctuations. "A home is the best gift a customer gives to one's family. In the event of any mishap, if the home buyer is not around, our plan ensures that his / her family will inherit a home and not a home loan burden," said the IDBI Fortis Chief Executive Officer and Managing Director, G. V. Nageswara Rao. Homesurance protection plan covers properties even under construction which ensures the beneficiary gets the full sanctioned amount. The plan also offers joint life cover where lives of co-borrower can be covered jointly, thus saving on premiums.

International News

BoE cuts rates to a record low of 1%

The Bank of England (BoE) has cut its benchmark interest rate to the lowest since the bank was founded in 1694, to help salvage the British economy from the deepening recession. The nine-member Monetary Policy Committee, led by Governor Mervyn King, reduced the bank rate to 1% from 1.5%. The decision matched the median estimate of 61 economists of a Bloomberg News survey. The UK economy will shrink the most since 1946 this year and faster than any other industrialized country, as per the International Monetary Fund forecasts.

Regulators shut 4 US banks, toll reaches 13

Banks in four US states with more than \$1 billion in assets were closed in a single day, increasing the toll of seized lenders to 13 this year and further draining a deposit

insurance fund amid record home foreclosures. Florida, Nebraska, Illinois and Oregon regulators took over the banks on 13 February 2009. The Federal Deposit Insurance Corp sold \$807.5 million in deposits and arranged to open the branches under new names on 17 February 2009. The FDIC said the shut-downs, the most on one day since 1992, have cost the agency \$341.6 million.

UK to infuse more into Northern Rock

Britain will inject billions of pounds into state-owned Northern Rock bank to unlock lending and help the economy emerge from recession, said the Finance Minister, Mr. Alistair Darling. Northern Rock, which largely withdrew from the mortgage market before being nationalized in February last year, will increase lending by up to £14 billion (\$20.33 billion) over the next two years. The move forms part of the Government's effort to revitalize the economy by stimulating bank lending, heavily curtailed since the onset of the global credit crunch 18 months ago.

US T-Bills still a big draw; RBI parks \$6.9 billion in December 2008

Unruffled by the US slowdown and near-zero returns, some of the central banks, including RBI, are buying US treasury bills in a big way. Monetary authorities of China, Russia, Hong Kong, Norway, Ireland and Israel have steadily added the low-yielding sovereign dollar asset to their coffers. RBI's holding of US T-bills has risen \$6.9 billion in December to \$23.1 billion. India's forex reserves have risen from \$247.6 billion as on November 28 to \$254 billion on December 26. China continues to be the largest foreign holder of US treasuries at \$696.2 billion while Japan, the second largest holder, has invested \$800 million more to raise its total holding to \$578.3 billion.

Microfinance

SIDBI opens specialized micro-finance branches

Small Industries Development Bank of India (SIDBI) has inaugurated seven specialized micro-finance branches in various centres across the country at Bhubaneswar Lucknow, Hyderabad, Chennai, Bangalore, Kolkata and Guwahati. SIDBI has a network of 120 partner micro-finance institutions (MFIs). The bank is giving greater thrust towards extending 'credit plus facilities' to its partners with special emphasis on underserved regions, through capacity building initiatives. The cumulative sanctions to the micro finance sector have been over Rs.3,700 crore with the current loan portfolio outstanding at over Rs.1,400 crore. SIDBI's assistance has reached to more than 56 lakh beneficiaries, predominantly women.



Products & Alliances

SBT floats new loan schemes for MSMEs

State Bank of Travancore (SBT) has introduced special loan schemes offering loans at an interest rate of 8% per annum, to assist the micro, small and medium enterprises (MSMEs) segment. This concessional rate of interest will be available for existing units with a limit up to Rs.10 crore. Term loan, repayable within five years, is provided for the purchase of equipment, tools, generator sets, etc. Working capital demand loan, up to 20% of the limit enjoyed by MSME units, is also available.

Citibank launches online remit for NRIs

Citibank launched a new online money transfer service for US-based Non Resident Indians (NRIs) that will help them transfer funds directly to the beneficiary's bank account in India. The new service - Citi Online Remit allows NRIs to transfer funds to India from any US checking or savings account or by using a US credit or debit card. Thus, NRIs can directly transfer funds into the beneficiary's bank account or a draft can be couriered to the beneficiary's mailing address in India.

IOB in JV with BoB, Andhra Bank to enter Malaysia

Chennai-based PSB Indian Overseas Bank (IOB) will join hands with Bank of Baroda (BoB) and Andhra Bank to start operations in Malaysia. The new joint venture (JV) is expected to commence operations by the end of 2009. IOB's Chairman and Managing Director Mr. S. A. Bhat revealed that they wanted to enter Malaysia as part of their overseas expansion plan; but as per the Malaysian government norms, a bank should have a minimum capital of \$100 million. So, they decided to partner with other banks to enter the Malaysian market.

Kotak ties up with Japanese i-bank

Kotak Investment Banking has entered into a co-operation agreement with Japan-based investment bank GCA Savvian Corporation for advising Indian and Japanese companies on cross-border mergers and acquisitions (M&As) between the two countries. The tie-up with GCA comes at a time when an increasing number of Japanese companies have been looking at M&A opportunities in India. "We are trying to develop a network of partners across different geographies," said Ms. Falguni Nayar, MD, Kotak Mahindra Capital. Kotak has a similar tie-up with KBC Financial for foreign currency convertible bonds.

PNB ties up with Oriental

PNB has tied up with Oriental Insurance under 'referral arrangement' and has informed BSE that it has executed an agreement with the Oriental Insurance Company for bancassurance- general insurance under the provisions of IRDA's 'referral arrangement'.

SBI, Goa government tie-up

State Bank of India (SBI), which is also the main accredited banker for handling transactions for the Government of Goa, is partnering the Goa government's e-governance initiative with the launch of cyber treasury. This initiative will enable tax payers to make online payment of taxes such as value added tax and central sales tax to begin with.

ICICI in first foreign tie-up for pension fund in India

Unlike the life insurance industry, the newly opened up pension fund industry, which will see the entry of six players, will have only one foreign JV. The pension fund company to be set up by ICICI Pru Life Insurance company, which has received license from the Pension Fund Regulatory Authority (PFRDA) along with other five leading players, will be the first JV with a foreign partner in the country. Confirming the development Ms. Shikha Sharma, Managing Director & CEO, ICICI Pru Life Insurance, said, "My company will be setting up the new pension fund company. Our partnership with the UK-based prudential will continue in the pension fund company".

Federal Bank Launches Online Trading in Association with Geojit

Federal Bank has launched its Online Trading Product-FED-e-TRADE-in association with Geojit, an Indian stock broking company. Mr. K. S. Harshan, ED, The Federal Bank Ltd, and Mr. C. J. George, MD, Geojit Financial Services Ltd, jointly unveiled the new product's logo at a function in Kochi.

Central Bank launches special rates for home, auto loans

With a view to increasing credit off-take in the home and auto loan segments, the state-owned Central Bank of India has reduced its rate of interest on home loans and auto loans. The bank will be offering its home loans up to Rs.5 lakh at an interest rate of 8%. By doing so, the Central Bank has become the second lender to have reduced its rate of interest on housing loans.

SKS Microfinance, ICICI Bank in Rs.200 crore securitization deal

SKS Microfinance and ICICI Bank have sealed a securitization deal worth Rs.200 crore, which allows the bank to purchase loans extended to weaker sections. The

transaction is a step forward in financial inclusion, since the programme will deliver income-generating loans averaging Rs.9,500 to over 2,00,000 unbanked families - belonging to SC, ST and minorities, identified by the RBI as 'weaker sections'. SKS Microfinance currently has a member base of 3.6 million and has disbursed loans worth Rs.5,788 crore.

Regulators Speak...

RBI turns down plea to relax NPA norms

The RBI has turned down suggestions to relax rules for recognizing NPAs by doubling the duration to 180 days. RBI feels that such a move will affect banks' financial health. At present, banks treat a loan as an NPA if the payment is overdue for 90 days. Companies, especially SMEs, had suggested that a loan should be treated as an NPA if it was overdue for 180 days. SMEs had suggested the move because they were facing cash flow problems due to a slowdown in demand in domestic and overseas markets, resulting in repayment problems.

RBI releases advanced Basel roadmap for banks

The RBI has worked out a roadmap to help Indian banks graduate from the simpler approaches of the Basel-II framework to more advanced ones. Basel II is the second amongst Basel Accords, which are primarily, recommendations on banking laws and regulations issued by the Basel committee on banking supervision. It sets up rigorous risk and capital management requirements aimed at ensuring that a bank holds capital reserves appropriate to the risk it poses itself through its lending and investment practices.

RBI widens scope of Ombudsman

'Customers can now lodge complaints related to Internet banking and non-adherence to the provisions of the fair practices code for banks, with the Banking Ombudsman' the RBI has decreed; thus widening the scope of the Banking Ombudsman Scheme 2006. As per the amended scheme, the Ombudsman can award compensation not exceeding Rs.1 lakh to the complainant in case of complaints arising out of credit card operations, taking into account the loss of the complainant's time, expenses incurred by him / her, and also harassment and mental anguish suffered. Flouting the RBI's guidelines on recovery agents by banks has also been brought under the purview of the scheme.

RBI sets new norms on hedging of freight risks

The RBI has come up with fresh norms on hedging of freight risk by domestic oil-refining, shipping companies and other companies. As announced in the mid-term

review of annual policy statement for 2008-09, it has been decided to delegate powers to banks, which have been granted permission by the RBI to approve commodity hedging, to allow hedging of freight risk by domestic oil-refining companies and shipping companies. Hedging can be undertaken as plain vanilla over the counter (OTC) or exchange traded products in the international market or exchange, on the condition that the exchanges on which the products are purchased must be regulated entities where the maximum tenor permissible will be one year forward.

ATM complaints: RBI warns banks of fines

The RBI has warned banks that it will impose penalties under the Payment and Settlement Systems Act 2007 if they do not reimburse their customers the amount wrongly debited in case of failed ATM transactions, within a maximum period of 12 days from the date of receipt of customer's complaint. The RBI has issued this directive after receiving a number of complaints from bank customers, regarding debit of accounts even though the ATMs have not disbursed cash for various reasons.

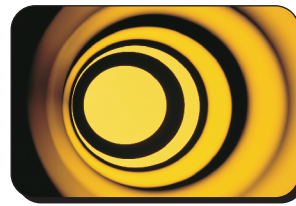
RBI issues more security measures for debit, credit cards

In a bid to enhance the security of online card transactions in the country, the RBI has made it mandatory to put in place a system of providing for additional authentication or validation. The system will be based on information not visible on the cards for all online cards 'not present transactions' except interactive voice response (IVR) transactions, with effect from August 1, 2009. Separate sets of instructions will follow in this regard. The RBI will also be making it mandatory to put in place a system of "online alerts" to the cardholder for all 'card not present' transactions of the value of Rs.5,000 and above. The central bank has taken this decision following extensive consultations with banks and card companies.

SEBI eases norms for preferential allotment of shares

The Securities and Exchange Board of India (SEBI) has exempted companies whose boards have been superseded by the government from the preferential allotment guidelines. The move is aimed at helping companies like Satyam Computers. Investors who have sold shares of such companies in the past six months will still be eligible for preferential allotments. The regulator has also relaxed the 15 day-period for completing allotments. Further, SEBI has lowered the timeline for completing bonus issues from six months to 15 days where no shareholder approval is required and 60 days where the company requires shareholder approval. Also, listed companies are now required to submit any significant changes made to the offer document, to at least one month before filling

the document to the registrar of companies or the stock exchanges.



Spotlight

Stanchart joins NFS-ATM network

Standard Chartered Bank has joined the National Financial Switch (NFS)-shared ATM network, which will allow its customers to access funds from virtually any city or town in India. The NFS network-set up by Institute of Development and Research in Banking Technology and promoted by the RBI is the country's largest domestic network with over 30,000 ATMs across the country.

HDFC Bank bags award

HDFC Bank has been declared as the 'Best Local Bank' in India in Euromoney's Annual Private Banking Survey. The survey has also recognized HDFC Bank as the best bank in the category of 'Relationship Management' and the second best bank in 'Private Banking Services Overall' by the people who know the industry best - the private bankers themselves.

Banks lose nearly Rs.6.6 crore to internet fraud

Banks in the country have lost Rs.6.57 crore to internet frauds in 233 incidents of cyber crime, with Tamil Nadu topping the list in the last fiscal. Banks in Tamil Nadu have lost Rs.2.09 crore in seven cases reported between April and December 2008. Whereas the lending institutions in Maharashtra, which reported the highest number of incidents *viz.*, 23, have lost Rs.55.54 lakh to online fraudulent practices, Minister of State for Home, Mr. Shakeel Ahmad told the Loksabha.

Debt waiver has affected recovery

The National Bank for Agriculture and Rural Development (NABARD) has revealed that the recovery process has slowed down due to the debt waiver scheme. "Last year, the recovery rate was 65-66%. This year, the payment habits of farmers have taken a hit. Even those who were repaying regularly have stopped paying due to the expectation of another waiver. As far as the trend goes, the recovery rate will slide below 50% this year". The nodal agency for agricultural credit, along with the state cooperatives banks, is offering incentive schemes to step up the recovery process. "State cooperative banks are offering loans at lower interest to farmers for paying their dues in time," added NABARD.

Plastic is out, fingerprints are in

Smart cards have been outsmarted as the country's largest lender; SBI has come up with a card-less transaction that requires only the account holder's fingerprints. The bank has decided to dispense with cards to lower the cost of transactions, particularly for the disbursement of social security pensions and wages under the National Rural Employment Scheme (NREGS). Under the new system, which is being implemented across the country, a point of sale (POS) machine, comprising bio-metric details of account holders will go to a particular village where the bank's customers can withdraw or deposit funds using the fingerprint-based method.

LIC hikes stake in banks

Banking stocks were a favoured investment option for insurance companies, especially LIC, during the December quarter. LIC's stake in PSU and private banks moved up by 1 to 4% during the last quarter, as the State-owned insurance company reduced stake in several other sectors, as per a study of BSE data. LIC's stake in some PSU banks rose by between 2 and 4%. The banks were Allahabad Bank (up 4.60%), Oriental Bank of Commerce (2.60%), Syndicate Bank (2.32%) and Union Bank of India (2.18%).

PNB to rationalise workforce

In step with global banking trends, PNB is expected to rationalise its workforce and reduce its staff strength by 28,000 in the next six years, from the current 58,000. "My long term goal is that the bank must be run by 30,000 people by 2015," said the PNB CMD, Dr. K. C. Chakrabarty. "We don't have any exit policy (and) we don't want anybody to leave with an exit package. These people (about 28,000) will retire in natural course," he said. The workforce reduction, however, will be side by side with the induction of personnel with specialized skills to improve operational efficiency. "We are recruiting about 2,000 people (this) fiscal. I need specific types of skills... people for credit, treasury, corporate communications and marketing," he said.

South Indian Bank offers 'SIB Junior' to school-goers

South Indian Bank's financial inclusion strategy is targeted at 'catching them young' by educating students in semi-urban and rural schools about banking habits and offering every student customer aged 12 and above an ATM card. "Students are enthused and keen to park their savings with us rather than putting it in a traditional hundi at home," said SIB's Managing Director and CEO, Dr. V. A. Joseph. Resultantly, SIB has managed

to mop up over 1.5 lakh 'SIB Junior' (student) accounts within three months.

IOB to provide cash credit jewellery for small business

IOB expects to garner about Rs.100 crore from its new product Commercial Cash Credit against Jewellery in a year's time. Mr. Y. L. Madan, Executive Director, IOB has said that the product is aimed at meeting the financial needs of small businessmen, professionals and self employed customers like carpenters, welders, mechanics and contractors who can utilize their gold jewellery of 20 carat and 22 carat to get a cash credit of up to a value of Rs.10 lakh and a minimum of Rs.50,000. The rate of interest will be at 12.75% fixed for cash credit, and would be renewed every year.

Sharp rise in outward remittances

Indians are taking more money outside the country, in a legal way. According to RBI figures, outward remittances by Indians climbed manifold from a mere \$10 million in 2004-05 to \$441 million in 2007-08. In the eight months of this fiscal, the number has once again been eclipsed and is already at \$530 million. Admittedly, this is a fraction when compared to \$30 billion that comes in as remittance from NRIs. But for a country that has hitherto been seen as a grabber of remittances (India is the country with the largest remittance from overseas), the change, however small, is significant - especially so, in these troubled times.

SMS alerts for online card deals

Credit card frauds through on-line transactions may soon see a dramatic decline. From August 2009, banks will clear online card transactions only after they are authenticated by a separate password. The RBI has also made it mandatory for banks to send SMS and online alerts for all online transactions exceeding Rs.5,000. The central bank will also shortly prescribe security measures to be employed for card usage in interactive voice response (IVR) transactions, where cardholders punch in their card details into the telephone to make payment.

Financial Basics

Macaulay's duration

It is the measure of the price sensitivity of a security or a portfolio of securities to a change in interest rates. It was the first formulation (formulated in 1939) of the principle of duration. Duration is the average time need to recover an initial cash outlay. For simple application of duration analysis, Macaulay's duration is an adequate approximation of the true duration.



Registered with the Registrar of Newspapers for India under No. : 69228 / 98 ● Regn. No. : MH / MR / South - 42 / 2007 - 09
Licence to Post without Prepayment No. South - 116 / 2007 - 09 ● Post at Mumbai Patrika Channel Sorting Office Mumbai - 1 on 25th & 26th of every month.

Glossary

Margin amount

It is the minimum amount a client or a customer (in the stock market it would be a broker) must provide the stock exchange to purchase securities on credit. Changes in the value of such securities are credited (or charged) to those deposits each day (marked-to-market).

Open market operations (OMO)

It is a tool for monetary action that is available with the central banks. It involves buying and selling of government securities from / to banks with the objective of managing the liquidity in the system. An open market purchase (of government securities from banks) would increase liquidity in the system. An open market sale (of government securities to banks) would suck the liquidity out of the system.

News From the Institute

Admissions open for 'Certificate Course in Project Finance'

ENROL NOW for VIIth BATCH - IIBF-IFMR 'Certificate Course in Project Finance' one week campus training from 3rd to 8th August 2009 at IFMR, Chennai - Details available on website www.iibf.org.in - For Registration contact the Course Co-ordinator, IIBF, Mumbai - Tel. : (022) 2215 5092 or via email : ftshroff@iibf.org.in.

Contact class / virtual class

The Institute will be organising virtual classes and contact classes for the May / June 2009 JAIIB / CAIIB exam. Candidates are requested to visit the Institute's website (www.iibf.org.in) for details. The website will also contain updates for the various examinations which the candidates are requested to go through before the next examination.

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

Editor Shri R. Bhaskaran.

INDIAN INSTITUTE OF BANKING & FINANCE

'The Arcade', World Trade Center, 2nd Floor, East Wing, Cuffe Parade, Mumbai - 400 005.

Tel. : 2218 7003 / 04 / 05 ● Fax : 91-22-2218 5147 / 2215 5093

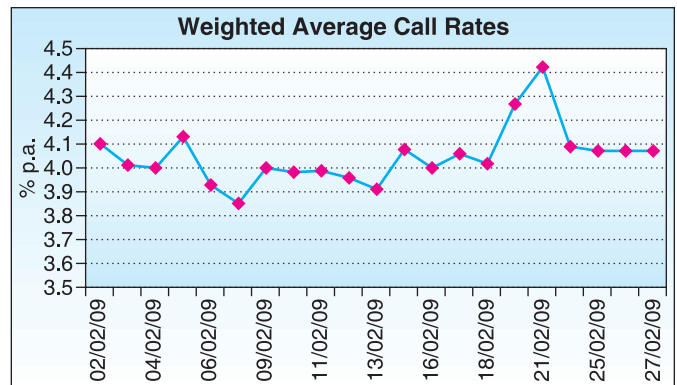
Telegram : INSTIEXAM ● Email : iibgen@bom5.vsnl.net.in

Website : www.iibf.org.in

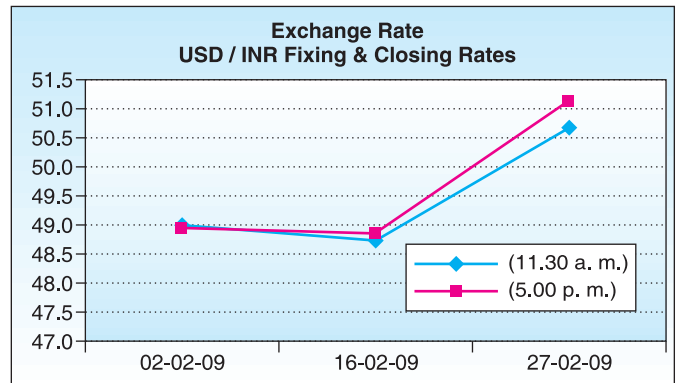
Markets Roundup

Market Snapshot (Amount in Rs. Mn.)				
Indicators	Feb.06, 2009	Feb.13, 2009	Feb.20, 2009	Feb.27, 2009
Inflation (%)	5.07 (Jan.24, 2009)	4.39 (Jan.31, 2009)	3.92 (Feb.07, 2009)	3.36 (Feb.14, 2009)
Avg. LAF Rev. Repo Vol.	516,580	485,870	420,588	567,640
Avg LAF Repo Vol.	2,250	1,800	0	2,400
Avg. Repo Rates (%)	3.99	3.73	4.09	3.96
10-yr G-Sec Yield (%)	6.2221	6.2445	6.2744	6.0422
1-10 yr spread (bps)	162	169	152	120
6 Month Forward Premia (%)	2.18	1.95	1.84	1.87
6 month USD LIBOR (%)	1.77	1.72	1.79	1.80

Source : CCIL Newsletters, February 2009



Source : CCIL Newsletters, February 2009



Source : Fedai