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IIBF VISION

Committed to professional excellence

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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."

Top Stories

RBI review of Monetary Policy

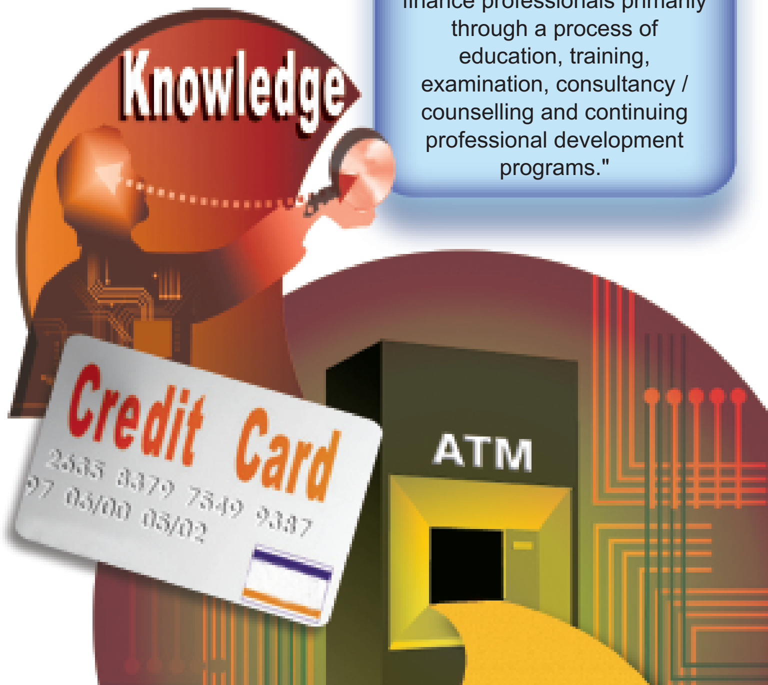
Reserve Bank governor Dr. Duvvuri Subbarao ended the soft monetary policy aimed at easing the credit crisis that struck last year. He began the exit by withdrawing liquidity boosting measures, thus becoming the third central banker in the world to do so after Australia and Israel. An increase in lending rates is now imminent in the next quarter if consumer and asset prices remain high. Benchmark rates were, however, kept unchanged. The governor withdrew a special facility that makes funds available from banks to mutual funds and finance companies, made it more expensive to lend to commercial real estate, forced banks to invest more in government bonds and asked lenders to set aside more funds for bad loans. The special facility was introduced last year to boost liquidity for firms in the financial sector after the credit markets froze.

Some of the highlights of the Review are :

- Keeps benchmark interest rates unchanged.
- Hikes SLR by 100 bps to 25%.
- Retains GDP forecast for FY10 at 6%.
- Says industrial output may revive in near term.
- Cuts money supply growth target

RBI eases states' borrowing rules

For the first time, the Reserve Bank of India (RBI) is offering more flexibility to state governments to rein in their market borrowing costs. For starters, the regulator has allowed West Bengal to borrow funds by selling state government securities with a 'put' option after four years - which means investors can redeem these securities prematurely after completion of the fourth year of maturity. States, typically, borrow from the market by selling 10-year securities called state development loans (SDLs) through RBI's auction window. Confirming the development, a senior RBI official has said, "The



INSIDE

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central bank is even open to the idea of allowing state governments more agility in terms of prepayment of debt for future bond plans." In financial parlance, this is known as a 'call' option, which gives the bond issuer more freedom in managing debt.

Core banking in post offices soon

Post offices in the country will soon have a core banking system, enabling customers to operate their bank accounts from anywhere and even providing them with ATM facilities. "Currently, data entry work is in progress. The system should be in place in two years' time," said the Chief Post Master General (North East Circle), Mr. A. N. D. Kachari. Once the system is in place, the post offices will be like any other nationalized bank. ATM facilities will also be provided to the customers, he said, adding that besides its own ATM centres, the department will be tying with other banks for the use of ATM cards.

18 PSBs seek fresh capital infusion

Almost all nationalized banks are seeking fresh infusion of funds by the government to enhance their capacity to lend and maintain a healthy solvency ratio, which is an indicator of a bank's ability to meet the long-term debt requirement. "Almost all 18 banks are in the list; except for subsidiaries of State Bank of India (SBI) as they are not entitled" said a senior finance ministry official. State-owned banking sector comprises 20 nationalised banks, SBI and its six subsidiaries. The fresh funds will come from the World Bank and the shortfall, if any, will be met by the government, he said, adding that the total amount is yet to be worked out. The World Bank is providing a loan of about Rs.10,000 crore for the injection of capital in the public sector banks (PSBs).

HSBC to rebuild retail assets

HSBC India is planning to rebuild its retail assets, but will re-enter in a more measured manner, as asserted by Mr. Stuart Davis, Chief Executive Officer; adding that the bank will look to grow its mortgage book quite significantly this time around. The bank will be setting up three branches in Surat, Guwahati and Nashik, which will take the total number of branches in the country to 50 by December 2009. Mr. Davis said HSBC will also add more staff and, on the wealth management side, focus on growth in mutual funds and insurance.

Deposit rates on the slide, touch five-year lows

Depositors are finding their income shrinking the last few months with banks slashing interest rates. Interest rates (especially for deposits of up to one year) are down by about 4 percentage points compared to a year ago. These rates are now closer to levels last seen five years ago. Currently, the rates for deposits of 15 days to one-year period range from 3% to 6.25% p.a. Five-and-a-half years ago, in March 2004, the peak rates for this period were about 5.25%. Since then, deposit rates have been on a roller-coaster ride. Inching up gradually over the next few years, deposit rates touched about 8% in March 2008 when banks had begun lending more as the economic growth started to accelerate.

Bank guarantee issue limits

Banks can now issue guarantees to service importers for an amount of upto $5,00,000 or equivalent, following RBI's move to increase the limit. The RBI has increased the limit for issuing bank guarantees from the earlier $1,00,000 or equivalent. Banks are allowed to issue guarantees in favour of a non-resident service provider, on behalf of a resident customer who is a service importer.

Central Bank to recruit 2,500 staff, revamp offices

In a bid to reposition itself among the techno-savvy customers, Central Bank of India has unveiled a massive plan to induct young workforce and refurbish all its branches across the country. Plans are afoot to invest in upgrading the bank's technology infrastructure by December 2010. The bank is expected to cover all its 3,550 branches under core-banking solution (CBS) platform. Mr. Pradeep Ramnath, Executive Director of Central Bank of India, has said that, "In the next six months, we are going to refurbish at least 100 branches of our bank at an investment of Rs.5-7 crore".

Banks' caution on retail loans pushes up corporate credit

The growth in corporate credit has been higher than in retail credit, judging by the second quarter (Q2) results announced by some private banks. The trend is likely to continue in the remaining quarters, as companies go ahead with their capex plans and banks continue to approach retail lending cautiously, say bankers and analysts. Ms. Aditi Thapliyal, Lead Analyst of research firm Noble Group said banks, especially those with large retail base, have been going slow in the segment after the liquidity crisis. Though several banks are indicating that they would like to grow in retail mortgages, they need more comfort in credit quality. So corporate credit would see higher growth than retail, she said.

Inflation data set to get a phase-lift

The main barometer of inflation in India in its revamped form will be providing a more accurate gauge of prices to policymakers in the government and the RBI. The updated Wholesale Price Index (WPI), which be made available on a monthly basis instead of weekly basis now, will have a wider and updated basket of products and a more recent base year. "The monthly WPI index will take into account price changes in more commodities and the base year will be updated to 2004-05 from 1993-94. Once it is in place, we will look at discontinuing the weekly release of data. However, data on primary and fuel items will still be released on weekly basis," said the Commerce and Industry minister Mr. Anand Sharma. The new WPI will take into account price movements in more than 850 articles as against 435 commodities in the current index, which was last revised in April 2000.

Proportion of sub-PLR loans comes down in 2008-09

Commercial banks in India have a BPLR meant to reflect lending rates for top-notch borrowers; but the RBI's recently released report on BPLR rates says that more than 2/3rd of the loans disbursed by banks in 2008-09 were below the stated PLR. 3/4th of the loans were below PLR in the preceding year. Sub-PLR lending makes it hard to ascertain the movement of lending rates even if banks reduce or cut their interest rates. The report also noted that the sub-PLR loans suggest that retail and small borrowers are cross-subsidised by larger borrowers. The BPLR is the interest rate at which the highest rated borrower gets a loan.

RBI asks banks to trim reliance on bulk deposits

The RBI has asked banks to stop relying on bulk deposits, which it has described as 'purchased liquidity' and instead strengthen their liquidity management by shoring up core retail deposits. The regulator has said that banks' asset liability mismatches have been exacerbated by such deposits on one end, which are essentially shorter in tenor, and lending in mortgages and core projects on the other. RBI has also warned banks that regulatory intervention can take place if banks fail to adhere to KYC norms, and has called for a minimum leverage ratio on off-balance sheet items that have snowballed in recent years.

Banks told to lend directly to corporates

The RBI Governor, Dr. D. Subbarao has asserted that banks should lend directly to corporates and not through the intermediation of mutual funds. Speaking on the issue of banks parking sizeable surplus in debt schemes of mutual funds, the Governor said banks are doing this to benefit from tax exemption and regulatory arbitrage. With regard to deployment of bank funds with mutual funds, the Governor said there are concerns about the circularity in the movement of funds. Banks have been asked to take up this issue with their respective boards to draw up an appropriate framework for such investments.

Banks allowed to buy priority sector lending certificates from registered lenders

Banks, which fall short of their priority sector lending obligations, can now fulfil their targets by purchasing priority sector lending certificates (PSLCs) issued by registered lenders such as microfinance institutions (MFIs), non-banking finance companies (NBFCs) and co-operatives. These certificates could be traded in the open market. The Committee on Financial Sector Reforms set up by the RBI has recommended the introduction of PSLCs to be issued by registered lenders for the amount of loans granted by them to the priority sector, and also by banks for the amounts in excess of their stipulated priority sector lending requirements.

Credit growth in first half slowest in 6 years

Bank credit grew by 12.62% the slowest in six years - in the first half of this financial year compared to the corresponding period a year ago. Credit grew Rs.97,605 crore in April-September 2009, compared to Rs.180,000 crore in the same period last year. But bankers expect the growth rate to pick up substantially in the second half. According to the latest RBI data, bank credit stood at Rs.28,73,155 crore at the end of September 28, 2009 as against Rs.25,51,025 crore in the same period last year. Due to high government borrowings, banks' investment in instruments that qualify for statutory liquidity ratio (SLR) *viz.,* government securities (G-Secs) went up by Rs.2,06,612 crore during April-August 2009 as against Rs.15,526 crore in the corresponding period last year.

Nod for currency futures contracts in different currency pairs

The RBI has decided to permit recognized stock exchanges to offer currency futures in currency pairs of Euro-INR, Japanese Yen-INR and Pound Sterling-INR, in addition to the already permitted US dollar-rupee contracts. The average daily turnover of contracts in all the three exchanges where they are allowed is currently about $2.5 billion compared with about $1.1 billion about six months ago. Volumes have recently increased considerably as the rupee began appreciating against the dollar. More than 1.7 million contracts have been traded in October on the MCX SX.

Commodities Markets

MCX currency futures turnover crosses Rs.10,000 - crore mark

The turnover in the currency futures segment in the MCX-SX (Multi Commodity Exchange - Stock Exchange) touched a record high of Rs.10,798 crore. Currency dealers attributed this sharp spike to high volatility in over-the-counter (OTC) market. On the other hand, the NSE currency futures segment clocked a turnover of Rs.7,985 crore with a total volume of 16.92 lakh contracts. The USD / INR October futures contract witnessed a total traded volume of 20 lakh lots (One lot denotes $1000) in MCX-SX, generating a turnover of Rs.9,458 crore, while the November futures contract generated a turnover of Rs.1,322 crore with a total traded volume of 2.8 lakh lots. Currency futures market enables participants exposed to currency risk, to hedge their position by entering into a futures contract to exchange one currency for another at a predetermined price.

Fundamentals, more than dollar, seen driving commodity prices

Over the last two months, prices have gained strength in a large number of commodities covering energy, industrial metals, precious metals and agriculture. The period saw the US dollar depreciating in value *vis-à-vis* other currencies, especially the Euro. As commodity price performance has coincided with the depreciation of the US dollar, there is a tendency to link the two to establish a casual relationship. While the relationship between commodities and the US dollar (in which most commodities are priced) is known, experts point out that the dollar is generally not the key driver of commodity prices at present, although there could be exceptions, such as gold, for instance.

Co-operative Banks

Co-op banks' loans to women

The Rajasthan government has declared that co-operative banks will provide loans of up to Rs.50,000/- to women interested in self-employment, especially through self-help groups (SHGs) in the handicraft sector. The banks would sanction cash loan employment in rural areas for handicrafts, dairy development and other creative and traditional fields.

Insurance

Insurers against new tax regime for policies sold before April, 2011

Insurance companies have asked the government to shift to the new tax regime under the Direct Tax Code only for those policies sold after the proposed Code comes into effect from April 2011. The draft code, circulated for public comments, had suggested that life insurance policies should be taxed at the time of maturity. So, the contribution and accumulation would be exempt from tax payments, but the government would levy tax on the withdrawal amount. The exempt-exempt-tax (EET) method of taxation is proposed to be introduced from April, 2011 and would also cover policies purchased before the cut-off date.

On its part, Life Insurance Council, the industry lobby, has suggested that only policies sold from April 2011 should be subjected to the new system of levy.

ICICI Pru races ahead of SBI Life

Private insurer ICICI Prudential has raced ahead of SBI Life to regain the top position among private players garnering new businesses worth Rs.1,725 crore in the first five months of the current financial year. According to an IRDA data, SBI Life earned first year premium worth Rs.1,704 crore in the April-August period while ICICI Prudential collected Rs.1,725 crore in the same period. ICICI Prudential's gain is mainly from the large premium the insurance firm managed to mop up in August.

Rs.1000 crore loss on health policies in FY09 : Watson Wyatt

Insurance companies in India have lost Rs.1,000 crore on group health policies during FY09, according to Watson Wyatt, a global consultant in human capital and financial management. It said the combined claims ratio went up to 150% for many of the insurers. The size of the health insurance premium in India for the year ended March 31, 2009 was Rs.6,500 crore, of which, employee group health insurance plans contributed 35%. The health insurance market in the next four years was likely to be around Rs.20,000 crore, according to the firm. The four state-owned general insurance companies command the bulk of the market share in the health segment. This segment accounted for 18% of the gross underwritten premium last year.

International News

Banks can stand a bigger slowdown - EU stress test

A stress test of the European Union's (EU's) biggest banks showed they could withstand an even deeper recession, even after almost 400 billion euros ($881 billion) being in losses, according to a report to EU finance chiefs. Under current EU economic forecasts for 2009 and 2010, the largest banks in the region would maintain an average Tier-

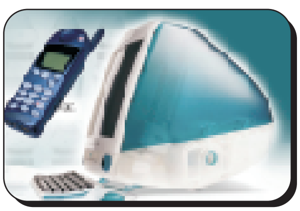
I capital ratio “well above” 9%. A “more adverse” scenario would boost losses and cut the average ratio to about 8%. The five-month study was ordered by ministers after a similar one in the US European Central Bank President Jean-Claude Trichet emphasized that the potential losses for the region's 22 largest banks represents an “adverse” scenario and not a baseline case.

US bank failures top 100-mark in '09; 106 collapse in 10 months

The number of US bank failures has surpassed the century-mark this year, with a whopping 106 entities going out of business, the highest in nearly two decades. Seven banks were shut down by the authorities, taking the tally of failed banks to well past hundred. Reflecting the severity of the financial meltdown, this year's failures are more than a four-fold increase from 2008 when 25 banks were closed down. With the banking system continuing to remain shaky, more banks, especially the smaller and medium ones, are anticipated to join the ranks of failed banks in the coming months. The US witnessed this year's biggest bank collapse when Colonial Bank, which had assets worth $25 billion as on June 30, went belly up.

US grows fastest in 2 years as stimulus takes hold

The US economy grew in the third quarter at the fastest pace in two years as government stimulus helped bring an end to the worst recession since the 1930s. The world's largest economy grew at a pace of 3.2% from July through September after shrinking the previous four quarters, according to the median estimate of 65 economists surveyed by Bloomberg News. Other reports may show sales of new homes and orders for long-lasting goods to have increased.



Products & Alliances

IDBI Fortis launches new product

IDBI Fortis Life Insurance has launched a term insurance product called 'Termsurance Protection Plan'. The product offers three life insurance cover options, including an increasing risk cover option.

SBI launches FinMart

SBI has launched SBI FinMart, which seeks to raise customer awareness, give a thrust to new products and disseminate banking-related information under one umbrella “The concept is the first-of-its-kind in the country,” said Chief General Manager of Orissa circle, Mr. Shiva Kumar. Besides highlighting SBI's financial strength, FinMart aims at making available products like life insurance and mutual fund more readily available at the grassroot level.

Bank of India to expand branchless banking

Bank of India (BoI), which has implemented branchless banking to take the service to new areas, is planning to extend the model to 200 locations by the end of December said Mr. M. Narendra, Executive Director, who said that the bank has already implemented the branchless banking model in 138 locations. In the IT-enabled branch-less banking model, biometric smart cards and hand-held devices are used by business correspondents to provide doorstep banking to customers in areas where there is no banking.

Regulators Speak...

Base rate to replace BPLR

The RBI committee on reviewing BPLR has recommended that the nomenclature be scrapped and a new benchmark rate known as base rate replaces it. The base rate would be linked to one-year term deposit rate and also factor in the negative carry of cash reserve ratio (CRR) and statutory liquidity ratio (SLR). Banks have for long demanded that they should be paid interest on the funds set aside to meet CRR requirements. After factoring in costs incurred while sanctioning a loan, the proposed base rate could be as low as 6-7% in the current interest rate scenario.

Regulators to decide on more effective co-ordination

The governor will hold discussions on a proposal to make the high level committee on financial and capital markets (HLCC) - an informal body comprising representatives of all financial regulators more effective next month. “The decision to make HLCC more effective would be deliberated on in the second half of November. The discussion is on whether formalization of HLCC would be more effective or more bureaucratic?” an official source said. There is a consensus that HLCC needs to be more effective to tackle any problem speedily and with ease as there are many issues in the financial market that require close co-ordination and acting together by various regulators.

RBI pulls up banks for charging more from retail clients

The RBI has pulled up banks for continuing to charge unduly high interest rates from retail customers even after announcing a series of cuts in lending rates. This came at a pre-monetary policy meeting with bankers after the latter sought retaining of the soft interest rate regime. "If after so much liquidity support, fiscal and monetary sops, the interest rates remain so high for retail customers, what is the meaning of the monetary policy if it is not translating into a low interest rate regime for retail customers?' went RBI's comment. Officials said even after announcing lending rate cuts, the rates being charged were still high. This has been reflected in the periodic data banks send to RBI. In some cases, the effective rates are as high as 30% for some and as low as 3-4% for others - the latter rate is usually for a short-term corporate loan for working capital.

Second Quarter Results of Banks

IndusInd Bank net jumps two-fold to Rs.78 crore

The net profit of IndusInd Bank has grown by 131% to Rs.77.82 crore for the quarter ended September 30, 2009 as against Rs.33.66 crore in the corresponding period a year ago, as confirmed by MD & CEO Mr. Ramesh Sobti. The growth has been attributed to a rise in NII by 98% to Rs.208.55 crore, non-interest income by 49% and the core-fee income by 44%, and net interest margin (NIM) by 2.86%. The CAR stood at 13.51% and the net NPA came down to 0.98% as against 2.21%, a year ago.

HDFC Bank profit rises 30%

Despite slower credit off-take, HDFC Bank, helped by non-interest income, has reported a 30.21% rise in its quarterly net profit to Rs.687.46 crore for the second quarter (Q2) ended September 2009. HDFC Bank's gross advances rose 9% to Rs.1,15,104 crore. It's gross and net NPA, went up from 1.6% and 0.60%, to 1.8% and 0.5% respectively. It's NII showed a strong growth of 56.6% to Rs.1,007.4 crore from Rs.643.1 crore a year ago. The largest component of the non-interest revenues was fees & commissions of Rs.692.4 crore, which went up 17.9%. The bank's net profit followed a 32% jump in the quarterly profit for Axis Bank. Top lender SBI too is expected to show a 30% jump in non-interest income.

UCO Bank profit soars 39% at Rs.208 crore

UCO Bank posted a 39% rise in its Q2 net profit at Rs.208 crore as against Rs.150 crore in the corresponding period of last fiscal This, despite a sharp dip in profitability in its overseas operations and a provisioning of Rs.160 crore. The bank's interest income for the quarter has grown by 19.55% to Rs.2,384 crore against Rs.1,994 crore last fiscal. Total income for the quarter grew by 19.28% to touch Rs.2,610 crore against Rs.2,188 crore last fiscal. The bank's NII went up by 16.49%.

Interest, treasury income drive SBT net 95% higher

State Bank of Travancore (SBT) registered a 94.96% growth in higher net profit of Rs.302.08 crore in Q2. SBT MD Mr. A. K. Jagannathan, attributed the performance to increase in NII, higher profit from treasury operations and write-back of excess provision on investments. The higher net profit is despite the higher provisions for wage revision to employees from 13.25% to 17.5% with retrospective effect from November 2007. Repricing of deposits has helped bring down their costs by 6.22%.

Yes Bank net up 75% on asset growth, margins

Yes Bank's net profit rose 75% to Rs.112 crore for Q2, against Rs.64 crore in the corresponding quarter last year. Mr. Rajat Monga, Chief Financial Officer, YES Bank, attributes the good performance to asset growth and higher margins, adding that the bank has also enabled a provision to raise up to $250 million (approximately Rs.1,150 crore), through a qualified institutional placement issue, either domestically or internationally. Hoping to maintain margins at 3.25% this year, the bank has seen incremental credit growth of 30% between July to September and hopes to maintain year-on-year growth of 40-50% this fiscal.

Allahabad Bank posts eight-fold jump in net

A substantial rise in fee-based income contributed by higher treasury gains has led to Allahabad bank making an eight-fold jump in net profit at Rs.333 crore for Q2, against Rs.42 crore last year. The fee-based income of the bank grew by 208% at Rs.405 crore, while treasury income increased at Rs.168 crore. The bank had parked about Rs.128 crore in liquid mutual funds, which yielded good income during the quarter.

Treasury, forex gains lift Canara Bank net by 72%

Canara Bank's net profits grew by 72% growth at Rs.910.52 crore during Q2, *vis-à-vis* Rs.529.43 crore in the corresponding period last year. The growth has occurred due to growth in other income and provisions. The bank's treasury gains stood at Rs.435.8 crore, up from Rs.3.54 crore a year ago. "Net profit growth was achieved mainly because of treasury and forex gains," said Mr. A. C. Mahajan, CMD, Canara Bank. The bank's profit on forex operations was Rs.59.19 crore, up from a loss of Rs.5.69 crore during the same quarter last year.

Union Bank net profit rises 39% on other income

Union Bank of India's Q2 net profit increased by 39.5% to Rs.505 crore, from Rs.362 crore last year. The growth was mainly on account of a 95% increase in NII. "Profit has come from treasury income as also core fee income comprising fees from corporate credit, transaction banking and third party product sales. We expect core fee income to grow by 30%" said Mr. M. V. Nair, CMD, Union Bank.

Loan growth pushes Oriental Bank net up

Aided by lower cost of deposits and robust loan growth, Oriental Bank of Commerce (OBC) reported a 14.31% rise in profit at Rs.270.80 crore for Q2. Total income rose by 19% to Rs.2,800 crore during the July-September quarter of the current fiscal. During the quarter, the bank's interest income surged 16.11% to Rs.2,495.83 crore, while interest expenditure stood at Rs.1,934.79 crore, up 18.69% *vis-à-vis* a year ago. Loans grew 25.2% while the net interest margin stood at 2.02%.

Spotlight

Banks to open more currency chests in Sikkim

In an effort to improve the banking reach in Sikkim, the RBI has said that banks will open additional currency chests in the state in the next nine months. This will ensure that all the district headquarters in the state are covered. The banks and the State Government will work in close co-ordination to enhance credit flow in Sikkim.

Lessons from crisis : ECBs now need insurance cover against default

Companies raising overseas loans are being asked to buy insurance cover against loan default, which raises their borrowing costs by at least 150 bps. Despite a drastic improvement in the liquidity situation globally, lenders are reluctant to lend long-term funds to foreign firms. Bankers arranging overseas loans for Indian companies said a majority of the ECB deals cut in the past few months are in the form of export credit agency or ECA loans. These agencies, which can be government owned or private companies, provide an insurance cover against default on a credit taken by a company from overseas lenders.

Banks' international liabilities decline

The international liabilities of Indian banks declined by 1.1% in 2008-09 to Rs.3,86,608 crore against Rs.3,90,857 crore a year ago. The international liabilities had increased by 8.4% during 2007-08. The drop in international liabilities was mainly due to a decline in ADRs and GDRs reflecting the drying up of overseas lines of credit for banks and corporates in the last fiscal.

Axis Bank appointment

Axis Bank has appointed Mr. Somnath Sengupta as its Executive Director and Chief Financial Officer effective from October 1. Previously, Mr. Sengupta was serving as President (finance and accounts) of Axis Bank. He has been with Axis Bank since 1996 and has headed the finance function since 2003. Mr. Sengupta was involved with each of the banks capital raising programmes since 2005.

New CMD for Punjab National Bank

The Centre has appointed Mr. K. R. Kamath as the CMD of Punjab National Bank. Prior to this appointment, Mr. Kamath was CMD of Allahabad Bank since August 2008. Mr. Kamath has assumed charge as CMD of Punjab National Bank at New Delhi.

Financial Basics

Vostro account

A term meaning 'your account with us' used by a bank to describe one of its accounts maintained by a bank located in a foreign country.

Glossary

Business Correspondent

A business correspondent (BC) is an agent who works on the behalf of banks on an outsourcing basis for taking banking services to the hitherto non-banked centres. The banking services provided include rural credit disbursement, delivery of savings and insurance products, small value payments and remittances. BC is an intermediary between the bank and the people who are outside the banking sector. The BC idea has its origin in Brazil where retail vendors, lottery outlets and post offices double as bank branches.

Innovative Perpetual Debt Instrument

To enhance their capital raising options, Reserve Bank of India allows banks to raise Innovative Perpetual Debt Instruments (IPDI) which will be eligible for inclusion as Tier-I capital. Such debt will not have any maturity and will be perpetual like equity shares.

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Claims of investors in Perpetual Debt will be superior to that of equity share investors and subordinated to that of all other investors. There is always a restriction on the share of PDI to Tier-I capital.

News From the Institute

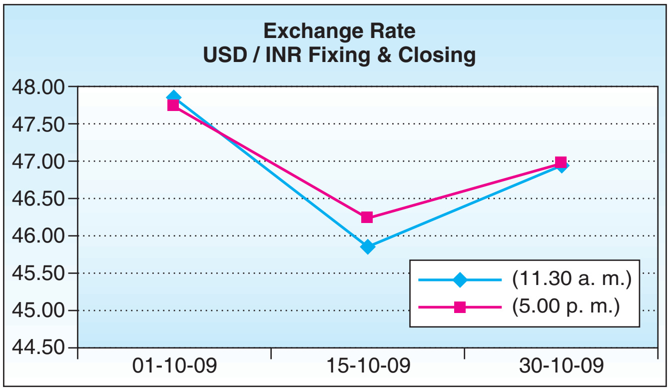
NABARD support for aspirants eyeing rural bank jobs

Indian Institute of Banking & Finance (IIBF) recently launched a certificate course for business correspondents (BCs) and business facilitators (BFs) the intermediaries that banks have now started using in the hinterland as their extended arms. NABARD has decided to reimburse 75-100% of the course fee for successful candidates. As part of the country's financial inclusion drive, NABARD will use a tiny portion of Rs.500-crore Financial Inclusion Fund to this end. In the next couple of years, IIBF will offer training to 20,000 people with NABARD's financial assistance through accredited institutes. This move is expected to provide a huge fillip to RBI's plans to use the BC / BF model to reach out to the country's unbanked population. There are still some 260 districts without any banking penetration at all. The Institute has fixed the course fee at Rs.4,000 per candidate. IIBF has run a pilot training project for Basix Academy in Rajasthan with financial support from United Nations Development Programme. "Some 150 people who are already working with banks completed training in this pilot project," Mr. Bhaskaran said. Going forward, IIBF plans to offer training in all major regional languages. The Institute has already conducted / facilitated two more training programmes for Union Bank of India at Bengaluru and State Bank of India at Hyderabad.

Markets Roundup

Market Snapshot					(Amount in Rs. Mn.)
Indicators	**Oct. 02, 2009**	**Oct. 09, 2009**	**Oct. 16, 2009**	**Oct. 23, 2009**	**Oct. 30, 2009**
Inflation (%)	0.83 (Sep. 19, 2009)	0.70 (Sep. 26, 2009)	0.92 (Oct. 03, 2009)	1.21 (Oct. 10, 2009)	1.51 (Oct.17, 2009)
Avg. LAF Rev. Repo Vol.	705125	1352620	831825	1141175	952790
Avg LAF Repo Vol.	10000	0	0	0	0
Avg. Repo Rates (%)	3.02	2.03	3.17	2.69	2.56
10-yr G-Sec Yield(%)	7.4545	7.5768	7.7377	7.7102	7.5941
1-10 yr spread (bps)	263	321	324	314	261
6 Month Forward Premia (%)	3.00	3.18	3.36	3.27	3.01
6 month USD LIBOR (%)	0.63	0.60	0.59	0.58	0.00

Source : CCIL Newsletters, October 2009



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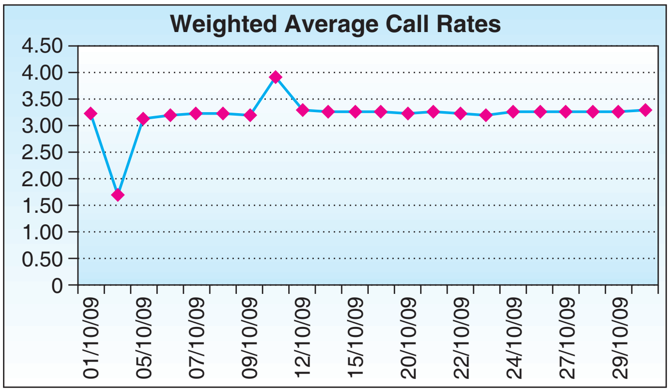

Source : CCIL Newsletters, October 2009

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