A Monthly Newsletter of Indian Institute of Banking & Finance (Rs. 40/- per annum)
(ISO 9001 : 2008 CERTIFIED ORGANISATION)

Committed to professional excellence

IIBF VISION

Volume No. : 5 Issue No. : 1 August 2012

1st Quarter Monetary Policy Review - 31st July, 2012

Policy Measures

- Repo rate unchanged at 8%.
- Reverse repo stays at 7%.
- Cash Reserve Ratio (CRR) stays at 4.5%.
- Statutory Liquidity Ratio (SLR) cut to 23% of deposits from 24%, effective August 11.
- Marginal Standing Facility (MSF) rate and Bank Rate remains unchanged at 9.0%.

Forecasts

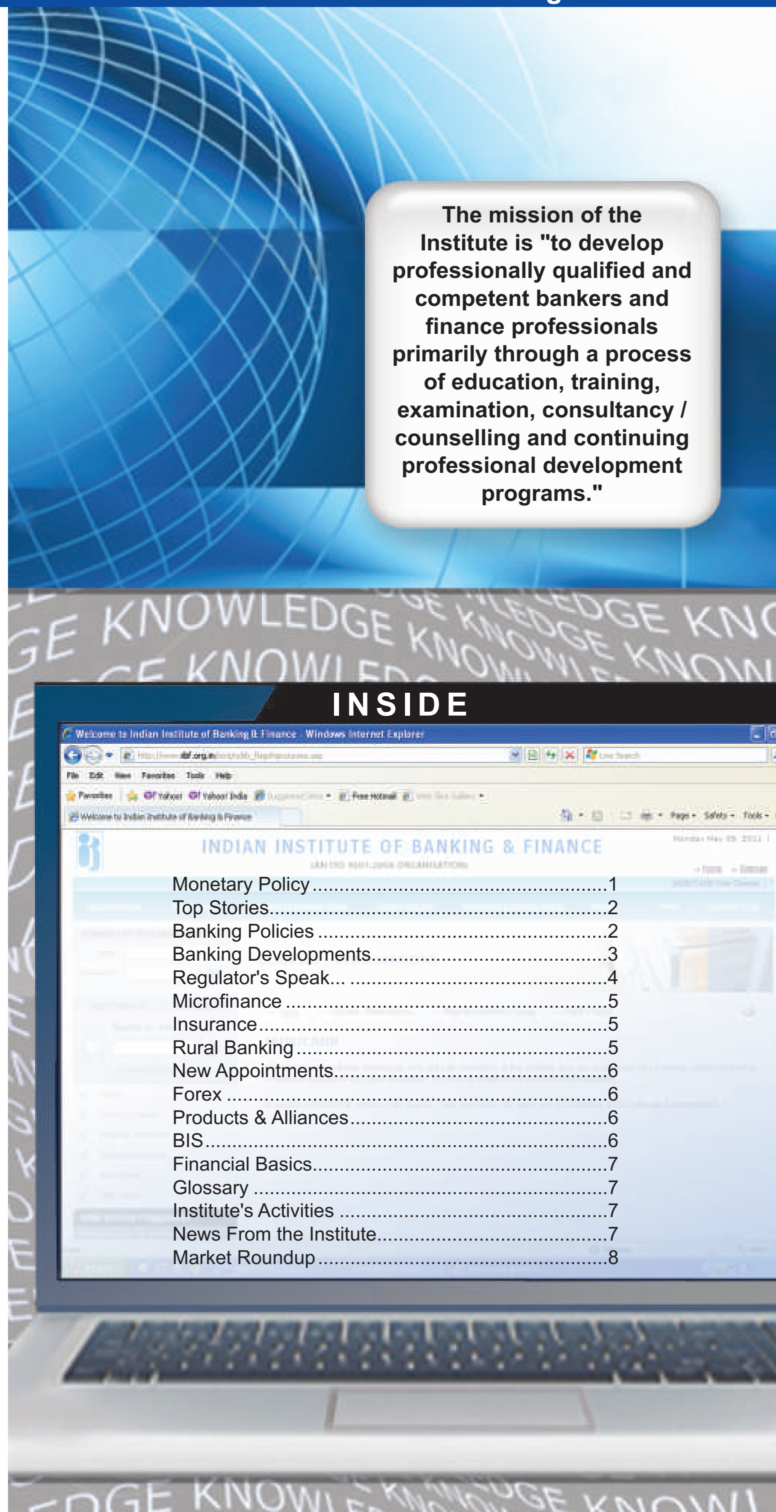
- Baseline GDP growth forecast for 2012-13 cut to 6.5% from 7.3%.
- Baseline Wholesale Price Index (WPI) inflation projection for March 2013 raised to 7% from 6.5%.

Inflation stance

- Conduct of monetary policy will continue to condition and contain perception of inflation in the range of 4.0-4.5%.
- Deficient and uneven monsoon performance so far will have an adverse impact on food inflation.
- Going forward, further pressure on non-food manufactured products inflation cannot be ruled out.
- Outlook for food and commodity prices, especially crude oil, has turned uncertain.
- Input price pressures due to exchange rate movements and infrastructure bottlenecks in coal, minerals and power may push up non-food manufactured products inflation.

Growth, economy

- Risks of potentially large negative spillovers from US, and euro area, have increased.
- Data for industrial activity in April-May suggests that industrial production, despite some recovery, remains weak.
- External risks to the outlook for the Indian economy are intensifying.
- M3 growth projection for 2012-13 has been retained at 15% and the growth in non-food credit of scheduled commercial banks at 17%.



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

RBI pilot for plastic currency

Amid instances of counterfeiting of notes, RBI is trying to launch plastic currency and will introduce a pilot project for the same in 4-5 centres.

Mobile banking transactions rise five-fold

According to RBI data, banking through mobiles has increased five-fold to ₹1,140.6 crore between January and May 2012 (*vis-a-vis* ₹209 crore in January-May 2011). RBI has identified mobile banking as a key tool to achieve financial inclusion. With a large unbanked population across the country, offering banking services through mobiles with 929 million subscribers is seen as a viable option *vis-a-vis* the brick & mortar approach.

Finance Ministry asks banks to pare cheque-based transactions

The Finance Ministry has asked Public Sector Banks (PSBs) and Regional Rural Banks (RRBs) to bring down cheque - based transactions by popularizing electronic payments. The banks have been asked to pare cheque - based transactions by at least 20% in the current financial year, in the top 20% branches in terms of business volume. The finance minstry wants banks to encourage customers to migrate e-payments; as, the cost of handling a cheque during its entire life-cycle - from printing till storage and destruction - is quite steep *viz.* ₹25-40 per cheque, depending on size of the bank.

Bank charges for small value e-transfers to come down

RBI has rationalised the charges that banks can levy on customers for transfer of funds through National Electronic Fund Transfer (NEFT). This move is aimed at promoting greater use of the electronic payment system and providing the masses being covered under the financial inclusion programme with an efficient and affordable remittance mechanism. From 1st August, banks can levy not more than ₹2.50 (exclusive of service tax) for funds transfer up to ₹10,000.

Banking Policies

Common platform for trade finance messages

The Finance Ministry has asked Public Sector Banks (PSBs) to use a common messaging system for communicating trade finance messages. This is to prevent frauds in discounting Letters of Credit (LCs) and encashment of Bank Guarantees (BGs). Thus, from August 1, no PSBs can issue or accept any LC or BG except through the Structured Financial Messaging System (SFMS).

Higher capital norms on cards

The Domestic Systematically Important Banks (D-SIB) might have to maintain a higher amount of capital to increase their capacity to absorb. According to a Bank for International Settlements (BIS) panel's consultative document, "the higher provisions for loss absorption should be met fully from common equity Tier-I. It is the simplest and best way to increase a bank's loss absorption capacity and reduce the probability of failure. It is left to the banking regulator to identify the country's systematically important banks and prescribe norms for them. Other national regulators could prescribe additional norms to deal with risks posed by such entities."

No interest benefit to staff on non-resident deposits

RBI has now barred banks from giving additional interest rate benefit of 1% p.a. to their own staff, on deposits under FCNR(B), NRE and NRO accounts. The discretion given earlier for the same stands withdrawn.

RBI eases derivatives exposure guidelines for banks

RBI has eased the norms for banks to restructure derivatives contracts by allowing them to partially or fully terminate the contract before maturity. Such termination would not be treated as restructuring of the contract provided all other parameters are unchanged. Thus, banks won't need to settle Mark-To-Market (MTM) value at the time of termination through cash. If the MTM value of the derivative contract is not cash settled, banks may permit payment in instalments of the crystallized MTM of such derivative contracts (including Forex Forward Contracts).

Norms for PSBs' takeover of loan accounts tightened

As per revised guidelines issued by the Finance Ministry, Public Sector Banks (PSBs) are required to establish a board-approved policy for taking over loan accounts from another bank. Normally, banks can take over only those loans whose credit ratings are above the level approved by the board. In all cases of takeover, the ministry has emphasized that due diligence, (including visiting the prospective customer's premises / factory) should be undertaken to prevent unethical / unjustified takeover of loans.

Changes in FDI norms

RBI has notified changes in the Foreign Direct Investment (FDI) policy to allow Foreign Institutional

Investors (FIIs) to invest up to 23% in commodity exchanges sans its prior approval. These changes were approved by the Department of Industrial Policy and Promotion (DIPP) on April 10. In order to streamline the procedures to boost foreign investment into the country, the DIPP issues a consolidated FDI circular every year. The next circular would be released on March 29, 2013.

RBI norms on agriculture lending target

Bankers say the loans for food and agro processing units will now be classified under the Micro and Small Enterprises (MSEs) category, provided the units satisfy the investments criteria prescribed for the latter. A manufacturing unit is classified as a micro enterprise if investment in plant and machinery does not exceed ₹25 lakh and if it exceeds more than ₹25 lakh but less than ₹5 crore then the unit is classified as a small enterprise. The annual targets for both direct and indirect agricultural lending are set at 13.5% and 4.5% of (adjusted) net bank credit.

More services under PSL

According to RBI's revised guidelines on Priority Sector Lending (PSL), foreign banks having 20 or more branches in India will be brought on par with domestic banks for fulfilling PSL targets in a phased manner. They will have to achieve the target over a maximum period of 5 years starting April 1, 2013. The PSL target for Indian banks is set at 40% of their adjusted net bank credit. Now, housing loans of up to ₹25 lakh in metropolitan cities and ₹15 lakh in other centres will be classified as PSL. Education loan of up to ₹10 lakh for courses in India and ₹20 lakh for courses abroad will also come under PSL. Loans to individuals other than farmers up to ₹50,000 to prepay their debt to non-institutional lenders will also be eligible for the same.

Banking Developments

RBI asked to study LIBOR fiasco effect in India

The Finance Ministry has asked RBI to look into the implications of London Interbank Offered Rate (LIBOR) fiasco on Indian banks and corporates that have borrowed money from abroad, even as efforts are on to shield the economy from another global financial crisis. The LIBOR scandal assumes importance as Indian companies have raised \$104.4 billion until March 2012 through External Commercial Borrowings (ECBs), which is slightly less than 1/3rd of the country's total external debt of \$345.82 billion. Most of these overseas debts are linked to LIBOR.

RBI caps debit card usage fee

Mr. G. Padmanabhan, Executive Director, RBI has revealed that RBI has set a cap on merchant discount rates (usage fees), for debit card transactions to encourage merchants to choose electronic payment mode over cash transactions. From September 1, banks will need to cap the merchant discount rate for debit card transactions up to ₹2,000 at 0.75% and for transactions over ₹2,000 at 1%.

Exporters get overseas credit at cheaper rates

Exporters averse to borrowing overseas, may find some relief through lines of credit being extended at favourable interest rates by external credit agencies such as ADB and Japan Bank for International Cooperation (JBIC). Credit extended by these agencies in terms of foreign currency loans works out cheaper by 4-5% compared with rupee-term loans, since exporters have a natural hedge as their receivables are in foreign currency.

No service tax on sending or receiving forex

The Central Board of Excise and Customs (CBEC) has removed the service tax on foreign currency remitted to India from overseas. This will benefit exporters, families of students studying abroad and people receiving remittances from abroad. Also, any fees or conversion charges levied for sending foreign exchange are not liable to service tax.

Digitisation must for financial inclusion

Mr. B. Sambamurthy, Director, Institute for Development and Research in Banking Technology (IDBRT) has stated that financial inclusion can be achieved only through digitisation. "Only 40,000 habitats of 6.2 lakh villages are on the radar of financial inclusion. The cost and operational feasibility of digitisation would make financial inclusion possible."

Government mulls cut in withholding tax on interest payments on ECBs

In a bid to attract foreign investment for capital-intensive sectors, *viz.* railways, telecom and oil and natural gas exploration, the Finance Ministry is working on a proposal to reduce withholding tax on interest payments on all External Commercial Borrowings (ECBs) and long-term infrastructure bonds from 20% to 5%. The lower withholding tax regime will also extend to rupee-denominated debt for infrastructure corporate bonds. These measures would help provide a level-playing field to all sectors and also to rupee debt, which faces incidence of higher withholding tax *vis-a-vis* overseas debt.

Bankers seek liquidity measures from RBI

Bank heads have sought liquidity easing measures from RBI to enable them to cut deposit rates (and thereby lending rates) whilst protecting their bottom lines and margins. Bankers have sought measures from RBI to boost investment and sentiment among companies. A Cash Reserve Ratio (CRR) cut is easier at this juncture than a repo rate cut owing to persistent inflation.

MIBOR better at tracking loans than LIBOR

Borrowers using the interest rate benchmark set in London Interbank Offered Rate (LIBOR) feel they have been taken for a ride. Called the FIMMDA NSE MIBOR (Mumbai Inter-Bank Offer Rate), the benchmark closely mirrors the rate at which banks borrow from one another on an overnight basis. A comparison of MIBOR movements with interest rates in the call money market suggests that they mostly move in tandem. More so, the gap between the two is very small. Running the numbers over two years shows a 0.99 correlation coefficient between daily weighted average call rates and the MIBOR rate.

No loan growth targets for PSBs

Public Sector Banks (PSBs) will not have to focus on their top line growth, as there will be no targets for them to meet credit and deposit growth for the current financial year. Instead, the Finance Ministry has asked them to focus on increasing efficiency and bringing down their NPAs. Banks will now have targets on lowering the number of loss-making branches and cutting bad loans of Regional Rural Banks (RRBs). Now, the Finance Ministry wants banks to focus on increasing their profitability and improving the asset quality by emphasising on parameters such as return on asset, net profit per employee, cost to income ratio and staff ratio in branches.

Bank credit shrinks in fortnight but grows 17.7% y-o-y

Bank credit shrank by ₹36,400 crore in the fortnight ended July 13. However, it expanded by 17.7 % y-o-y, in line with RBI's estimate for the current financial year (2012-13). Total credit was ₹47, 24,437 crore.

Foreign banks expands outside large cities

Middle India is gaining popularity among foreign banks in the country. It is partly due to regulatory compulsion but also because of growing business opportunities in smaller towns. RBI has not allowed large foreign banks to open branches in metropolitan cities in the past five years. This has resulted in places such as Proddatur, Nandyal and Nanded getting foreign bank branches. Hence, the share of non-metro centres in foreign lenders' branch network in the country is on the rise.

New CDR norms may cut PSB profits by 18%

As per a report by Standard Chartered Securities, the new Corporate Debt Recast (CDR) norms issued by RBI will have a massive negative impact - to the tune of 18% - on the profitability of PSBs. State-run banks had a CDR book of ₹1,17,100 crore as of FY12, according to the report. In FY12 alone, they added ₹62,800 crore in restructured assets. The new provisions, under which banks will have to provide additional 3% in the first year and 5% in the second year, will see this increasing by ₹3,500 crore.

Foreign banks up exposure in India despite global crisis

Foreign banks based in US and Europe, have increased their exposure in India by 2.7% in the quarter ended March 2012 amid heightened crisis over possible debt default by some of the troubled European nations. The latest report released by 'Bank of International Settlements' (BIS) shows that total claims of foreign banks stood at $283.55 billion at the end of March 2012, up from $276.12 billion at end of December 2011 but tad lower than $283.65 billion in September last year. Foreign claims on Indian private companies rose to $173.91 billion at end March 2012, compared with $169.11 billion in December, while it increased to $34.5 billion for public sector undertakings from $31.49 billion end of last year.

Regulator's Speak...

Farm loans being diverted to other activities

Dr. D. Subbarao, Governor, RBI has pointed out to cheaper agricultural loans being diverted for non-farm purposes. He said “going through the records of some bank branches, it was unclear whether the credit being shown as lent to farmers was actually used for agriculture purposes. This defeats the objective of the subvention scheme (for farmers) and needs to be corrected either by modifying the subvention scheme or tightly monitoring of the end use of agricultural loans.”

RBI panel weighs proposals on gold

Mr. Anand Sinha, Deputy Governor, RBI has stated that “gold imports are contributing substantially to India's Current Account Deficit (CAD). Import is one aspect and the other is bringing out the gold which already exists in the country. Several proposals are being considered. It remains to be seen whether it can be brought out to satisfy the demand by devising appropriate financial instruments.”

Many farmers not reached by banks

Dr. D. Subbarao, Governor RBI has pointed out that a large chunk of Indian farmers still remains out of the banking ambit and those availing of banking services have to face high interest and transaction cost. "By far, the biggest challenge in farm credit is the demand-supply gap. Even after giving interest rate subsidies, the weighted average lending rate for farmers has not reduced. In order to tackle food inflation and increase farm productivity, it is necessary to focus on both agriculture and non-agriculture activities for credit disbursements."

Rupee not directly linked to OMOs

RBI has said that liquidity management operations are not related to exchange rate movements; and, the rupee movement is not directly related with the Open Market Operations (OMOs). Dr. Subir Gokarn, Deputy Governor, RBI says "the rupee movement is being driven by judgments on liquidity conditions and conditions on liquidity - whatever is causing the liquidity stress, be it foreign exchange markets or something else.

CAD a major concern for rupee fall

India's Current Account Deficit (CAD) has been a major factor for the downward movement of the rupee. Dr. Subir Gokarn, Deputy Governor, RBI asserts "as the CAD corrects, be it due to lower oil prices, increased exports or lower imports; it will have the reverse effect. RBI is continuously focusing on maintaining liquidity within the comfort zone, and that will continue to be the benchmark."

Microfinance

MFIs banking on credit bureaus for loan sanctions

MFIs are now increasingly routing loan applications through credit bureaus and many of these applications are being rejected on the grounds of defaults / higher outstanding and multiple loans. The general rate of rejection of loan applications is 8-14 %, as revealed by Mr. S. Dilli Raj, CFO, SKS Microfinance Ltd.

New breed of micro lenders changing the rules of the game

Amid the regulatory upheaval and scramble for fresh capital that defines India's microfinance sector, a new breed of micro lenders are quietly challenging the conventional norms with an internet-based funding model and low-cost loans. By charging significantly lower interest rates, made possible through crowd sourcing or a peer-to-peer approach of raising money from socially conscious individuals, these fledgling ventures are aiming to reach communities where traditional microfinance has failed to make an impact, while also providing returns to investors. While the microfinance sector in India took baby steps via grants from global philanthropic foundations and marquee investors, the peer-to-peer model based on internet and social media networking is creating a wholly different pool of capital *aka* the socially conscious small investor. The online access to a widespread pool of small investors has helped these micro lenders bypass the traditional source of capital for microfinance *viz.* banks.

Insurance

IRDA guidelines for micro-insurance sector

Insurance Regulatory and Development Authority (IRDA) is carving out new guidelines for the micro insurance industry. IRDA considers micro-insurance to be important for financial inclusion and wants insurance companies to come up with new products to address the demands of the micro insurance sector. Moreover, IRDA also feels that a better awareness - especially among the rural masses - will help them penetrate deeper in those areas.

IRDA proposes broader micro insurance product

To boost the micro insurance sector, the Insurance Regulatory and Development Authority (IRDA) has proposed to allow broadening of the product portfolio and distribution network, by allowing more entities to sell the products. It has proposed to allow co-operative banks, Regional Rural Banks (RRBs), Primary Agricultural Co-operative Societies and individuals (shopkeepers, medical store owners, petrol pump owners, public telephone operators) to act as micro insurance agents. The Micro Insurance Regulations (MIR) prescribe a framework within which insurers can offer affordable products in this regard.

Rural Banking

Farm loan NPAs on the rise

Within five years of the announcement of the government's debt relief package for farmers, distress in the agricultural loan segment is building up once again with NPAs seeing a sharp uptrend. Gross NPAs in the agriculture loan segment are inching up towards 5% compared with close to 3% for non-agriculture loans. The situation could worsen if the monsoons are weak leading to lower crop yields and agricultural incomes.

New Appointments

- Mr. B. P. Sharma has been appointed as the Executive Director of Bank of India.
- Mr. Nagendra Murthy has been appointed as Managing Director of Tamilnad Mercantile Bank.
- Mr. Ravneet Gill has been appointed as CEO of Deutsche Bank India.

Forex

RBI sold $7billion in forward market to stem Rupee fall

RBI is selling dollars in the forward market to meet dollar demand without any drain in its forex reserves kitty. In May, it sold $6.85 billion in the forward market. One of the advantages of intervening in the forward market is that there is a commitment of dollar supplies if required; that too without depleting the forex reserves. One can also roll over such contracts. Such a strategy also helps contain the premium on forward cover because importers had also rushed for cover to hedge against high volatility of the rupee.

Forex reserves rise by $589 million

India's foreign exchange reserves rise by $589 million to $287.33 billion in the week ended July 20, RBI data showed. The reserves rose due to an increase of $565.5 million in the bank's foreign currency assets. RBI's reserve position with the International Monetary Fund was $2.131 billion.

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

LIBOR / SWAP For FCNR(B) Deposits

	LIBOR	SWAPS			
Currency	1 Year	2 Years	3 Years	4 Years	5 Years
USD	1.05350	0.422	0.480	0.625	0.787
GBP	1.48838	0.7950	0.8211	0.9150	1.0570
EUR	0.90393	0.603	0.698	0.855	1.050
JPY	0.55229	0.301	0.300	0.325	0.368
CAD	2.05050	1.363	1.446	1.540	1.635
AUD	4.54600	3.220	3.280	3.470	3.550
CHF	0.37140	0.083	0.100	0.190	0.298
DKK	0.82500	0.5250	0.6290	0.8020	1.0110
NZD	3.47000	2.780	2.950	3.095	3.235
SEK	2.71000	1.830	1.838	1.889	1.963

Source : FEDAI

Foreign Exchange Reserves

Item	As on July 20, 2012	
	₹Bn.	US$ Mn.
	1	2
Total Reserves	15,876.6	2,87,338.7
(a) Foreign Currency Assets	14,068.9	2,55,102.2
(b) Gold	1,450.6	25,760.2
(c) SDRs	239.6	4,345.0
(d) Reserve Position in the IMF	117.5	2,131.3

Source : Reserve Bank of India (RBI)

Products & Alliances

Organisation	Organisation tied up with	Purpose
Canara Bank	CRISIL	To rate existing and prospective customers of the bank in the Micro, Small and Medium Enterprises (MSMEs)
IndusInd Bank	Suzuki Motor Cycle	The bank will extend retail finance to Suzuki's two-wheeler customers across its 250 dealerships.

Bank for International Settlements (Continued...)

Performance of stress testing during the crisis

The financial crisis has highlighted weaknesses in stress testing practices employed prior to the start of the turmoil in four broad areas: (i) use of stress testing and integration in risk governance; (ii) stress testing methodologies; (iii) scenario selection; and (iv) stress testing of specific risks and products.

Use of stress testing and integration in risk governance

Board and senior management involvement is critical in ensuring the appropriate use of stress testing in banks' risk governance and capital planning. This includes setting stress testing objectives, defining scenarios, discussing the results of stress tests, assessing potential actions and decision making. At banks that were highly exposed to the financial crisis and fared comparatively well, senior management as a whole took an active interest in the development and operation of stress testing, with the results of stress tests serving as an input into strategic decision making which benefited the bank. Stress testing practices at most banks, however, did not foster internal debate nor challenge prior assumptions such as the cost, risk and speed with which new capital could be raised or that positions could be hedged or sold.

The financial crisis has also revealed weaknesses in organisational aspects of stress testing programmes. Prior to the crisis, stress testing at some banks was performed mainly as an isolated exercise by the risk function with little interaction with business areas. This meant that, amongst other things, business areas often believed that the analysis was not credible. Moreover, at some banks, the stress testing programme was a mechanical exercise. While there is room for routinely operated stress tests within a comprehensive stress testing programme (e.g. for background monitoring), they do not provide a complete picture because mechanical approaches can neither fully take account of changing business conditions nor incorporate qualitative judgments from across the different areas of a bank. Furthermore, in many banks, stress tests were carried out by separate units focusing on particular business lines or risk types. This led to organisational barriers when aiming to integrate quantitative and qualitative stress testing results across a bank.

Prior to the crisis, many banks did not have an overarching stress testing programme in place but ran separate stress tests for particular risks or portfolios with limited firm-level integration. Risk- specific stress testing was usually conducted within business lines. While stress testing for market and interest rate risk had been practiced for several years, stress testing for credit risk in the banking book has only emerged more recently. Other stress tests are still in their infancy. As a result, there was insufficient ability to identify correlated tail exposures and risk concentrations across the bank.

Stress testing frameworks were usually not flexible enough to respond quickly as the crisis evolved (e.g. inability to aggregate exposures quickly, apply new scenarios or modify models). Further investments in IT infrastructure may be necessary to enhance the availability and granularity of risk information that will enable timely analysis and assessment of the impact of new stress scenarios designed to address a rapidly changing environment. For example, investing in liquidity risk management information systems that would enhance the ability of a bank to automate end-of-day information, obtain more granularity as to unencumbered assets, and forecast balance sheet needs of business units.

(Source : BIS)

Financial Basics

Y-Share

A class of mutual fund shares that often has a high minimum investment, such as $500,000 per lot, and the added benefit of waived or limited load charges and fees. Due to the high minimum investment required, Y-shares are often only accessible by large institutional investors.

Glossary

Structured Financial Messaging System

Structured Financial Messaging System (SFMS) is a secure messaging standard developed to serve as a platform for intra-bank and inter-bank applications. It is an Indian standard similar to SWIFT (Society for World wide Interbank Financial Telecommunications) which is the international messaging system used for financial messaging globally. The SFMS was launched on December 14, 2001 at IDRBT. SFMS has a number of special features and it is a modularized and web enabled software, with a flexible architecture facilitating centralized or distributed deployment.

Institute's Activities

Training activities planned at IIBF, Leadership Centre for the month of August-September, 2012

Sr. No.	Program	Date
1.	Compliance Function workshop	24th August
2.	Trade Finance	3rd to 7th September
3.	Wealth Management	10th to 12th September

News From the Institute

Sending IIBF Vision by e-mail

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

Registration for Ordinary Membership Online

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

Inclusion of Service Tax in Membership fees

An Ordinary Life Membership fee has increased by ₹185 due to service tax. The revised ordinary membership fees is ₹1,685/-.

Master Circulars

Institute has uploaded extracts of important Master Circulars on its portal. Candidates are advised to refer to relevant Master circulars, while preparing for the ensuing examination.

Green Initiative

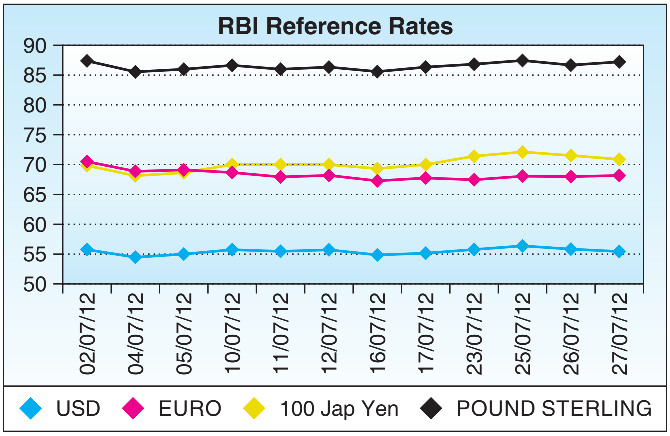
Kindly update your e-mail addresses with the Institute to enable it to send the Annual Report by e-mail in future.

Micro / Macro Research

Micro / Macro Research proposal for the year 2012-13 are invited by the Institute. For details visit www.iibf.org.in.

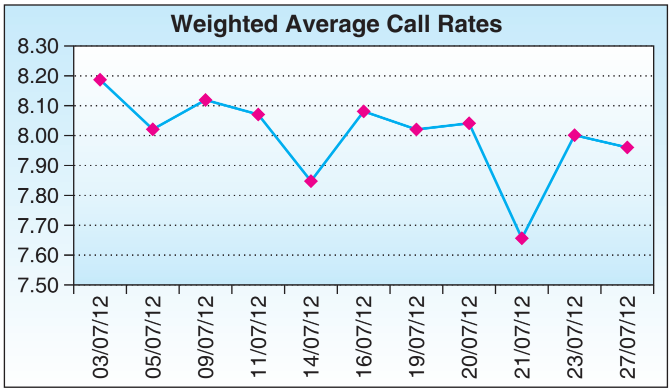
Registered with the Registrar of Newspapers for India under No. : 69228 / 98 ● Regn. No. : MH / MR / South - 42 / 2010 - 12
Post at Mumbai Patrika Channel Sorting Office Mumbai - 1 on 25th to 30th of every month.

Market Roundup



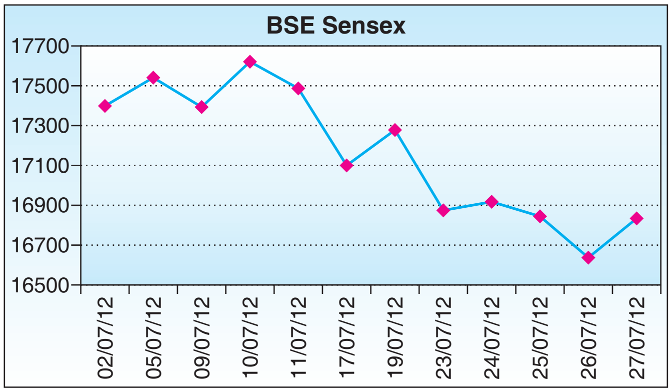
Source : Reserve Bank of India (RBI)

- After being battered since March, rupee finally reversed direction. Over the last two weeks INR gained 2.9% against US dollar to close at 54.37 and was up 3.1% against Euro at 68.46.
- The Rupee reversed on 10th, its four day string of losses by gaining 53 paise to close at 55.39 as dollar supply outstripped demand in view of US currency's weakness with European Union Leaders agreeing on term for bail out of Spanish Banks.
- Positive sentiment on account of lower trade deficit led exporters to sell dollars which strengthened rupee to close at 55.15 on 13th.
- Heavy dollar buying by nationalized banks and a weaker euro led the rupee to close at an intraday low of 55.33 on 20th against the greenback.
- Due to global risk aversion, the rupee recorded steepest fall during the month and closed at 55.98 on 23rd.
- The rupee rose the most in almost two weeks on speculation that central banks in the world's largest economies will take more steps to support growth, bolstering demand for higher yielding assets. The rupee advanced 1.2% to 55.52 per dollar, the biggest jump since July 13.



Source : CCIL Newsletter, July 2012

- Call money rate improved on the overnight call money market on good demand from borrowing banks and finished at 8% on 5th.
- Call rates were hovering between 8.20% to 8% and lowered on 14th to 7.85% due to lack of demand from borrowing banks amidst ample liquidity in the system.
- The inter bank call rates eased to 7.66% on 21st from a close of 8.04% on 20th July.
- The call rates remained range bound and moved between 7.66% to 8.20%.



Source : Reserve Bank of India (RBI)

Printed by Dr. R. Bhaskaran, **published by** Dr.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, Kohinoor City, Commercial-II, Tower-I, 2nd Floor, Kirol Road, Kurla (W), Mumbai - 400 070.

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