A Monthly Newsletter of Indian Institute of Banking & Finance (Rs. 40/- per annum)

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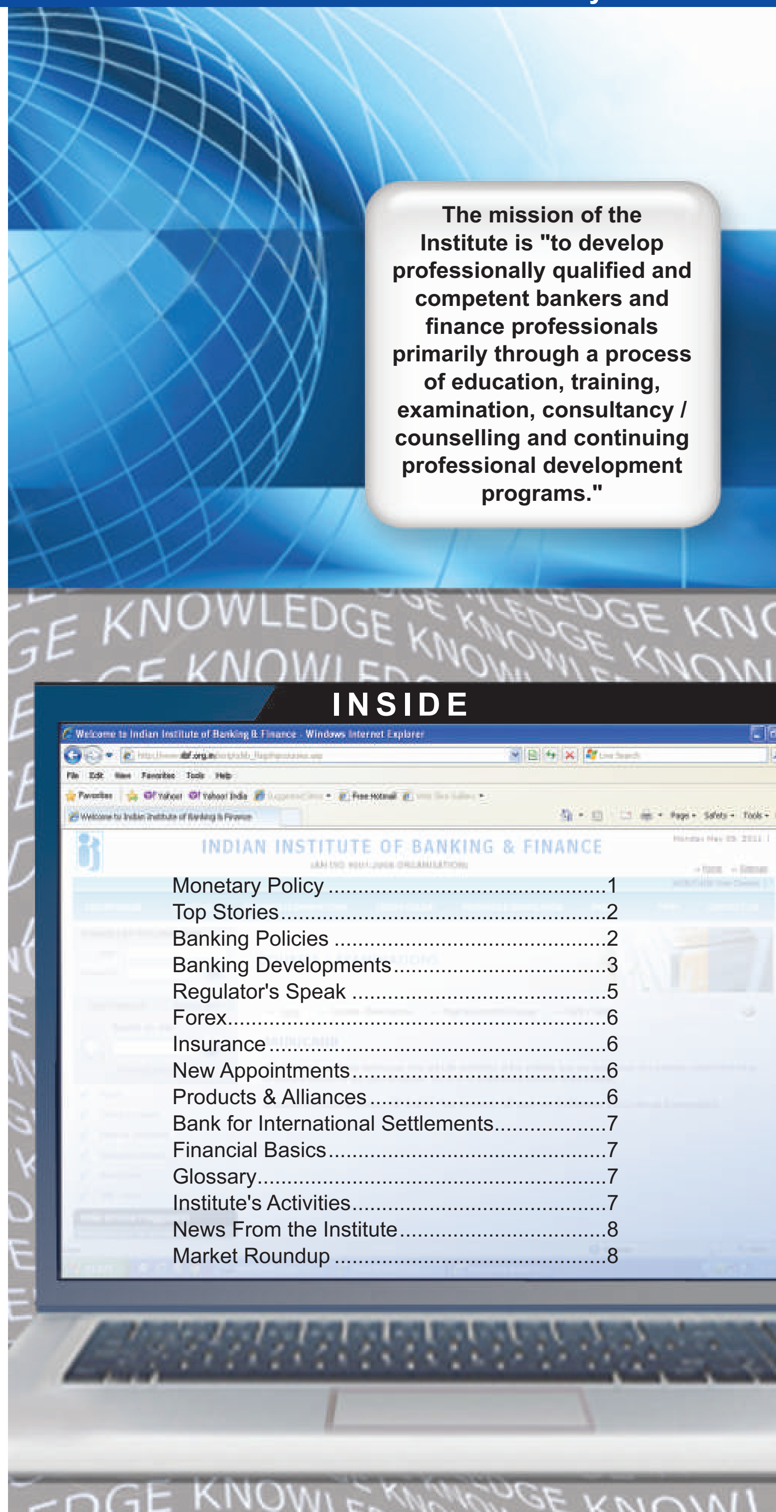
Committed to professional excellence

IIBF VISION

Volume No. : 4 Issue No. : 7 February 2012

3rd Quarter Review of Monetary Policy, 24th Jan. 2012

- Cash Reserve Ratio (CRR) of scheduled banks reduced by 50 basis points from 6.0% to 5.5% of their Net Demand and Time Liabilities (NDTL). This will be effective the fortnight beginning January 28, 2012.
- This reduction in the CRR will inject around ₹320 billion of primary liquidity into the system.
- There is no change in the policy interest rate. Accordingly, the repo rate under the Liquidity Adjustment Facility (LAF) remains at 8.5%.
- The reverse repo rate under the LAF, determined with a spread of 100 basis point below the repo rate, will continue at 7.5%, and the Marginal Standing Facility (MSF) rate, determined with a spread of 100 bps above the repo rate, at 9.5%.
- Liquidity management has been a major challenge for Reserve Bank of India during this year. Liquidity conditions, which have generally remained in deficit, tightened further beginning the second week of November 2011, partly reflecting RBI's forex market operations and advance tax outflows around mid-December. Reserve Bank of India on record having said that it would like the LAF window to be in modest deficit, in the range of +/- 1% of NDTL, which works out to around ₹600 billion. Current levels of access to LAF, at about ₹1,200 billion, are way beyond this band. To ease the tightness in liquidity, and consistent with its monetary policy stance, Reserve Bank of India conducted Open Market Operations (OMOs) aggregating to over ₹700 billion during November 2011-mid January 2012.
- While broad money supply growth during the current year has evolved along the projected trajectory of 15.5 %, non-food credit growth has now slipped below the indicative trajectory of 18%. Keeping in view the increased government borrowings and the slowdown in private credit demand, M3 growth projection for 2011-12 has been retained at 15.5%, while non-food credit growth has been scaled down to 16.0%. These numbers, as always, are indicative projections and not targets.



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

Switching banks without changing a/c numbers

Customers may soon be allowed to switch banks without changing account numbers, thus obliterating the inconvenience of opening / closing bank accounts or keeping multiple accounts for any reason. In a step towards this direction, all banks will be asked to follow common KYC (Know-Your-Customer) norms. Bank account number portability will allow shifting accounts by simply writing an application to the home branch. The banks may not need many preparations on the technology front, as already some services (like ATMs) are integrated and most banks are fully CBS-enabled.

Solar ATMs help banks penetrate rural areas

With banks aiming for a huge thrust into rural areas by opening more branches, the demand for solar ATMs is set to increase. Generally, high operation costs are the biggest impediment for banks to expand their services into rural areas. Given the fact that there are about 15,000 branches in the rural areas out of total 70,000 branches spread over 6 lakh villages, solar-based rural ATMs could be the magic bullet in reversing this situation. Mr. V. Vijay Babu, CEO of Vortex, says, “Solar-based ATMs in off-grid regions could be geared up to be a holistic banking kiosk, performing basic banking functions like dispensing and receiving of cash without human interface of an account holder. There is no need to remember the pin number as biometric authentication allows instant access to your account. We have interactive voice-over that instructs users how to insert the debit card and choose the right options to withdraw cash. Plus, we're also enhancing the technology to prevent frauds.”

Banks to operate One-Man Branch in rural areas

The finance ministry will treat a bank representative offering basic services in villages using a net-enabled laptop as a 'branch', thus widening the reach of the government's financial inclusion plan and doing away with the need to spend on infrastructure. The Government aims to complete its target of providing basic banking facilities to the earmarked 73,000 villages, by 31st March 2012. Simultaneously, it wants to minimize the cost of financial inclusion and see that the cost has a relationship to the growth in business. The representative, or "Business Correspondent" (BC) will work from this 'ultra small branch' and will deal with all cash transactions and other routine work in that area. A bank officer will visit this branch once a week and connect the BC to the banks' Core Banking Solution (CBS) through a secured network enabling data access and transfer between the small branch and the bank. The officer will also clear applications for new account openings, loans, recovery follow-up and other business development on the spot. Banks will now have to generate a business plan via which the branch would generate profits within a maximum period of two years.

Banking Policies

RBI relaxes overseas borrowing guidelines

RBI has relaxed overseas borrowing norms by revising the average maturity to avoid asset liability mismatch in banks. External Commercial Borrowings (ECBs) of up to $20 million in a financial year will now require a minimum average maturity of 3 years. ECBs above $20 million and up to $750 million will need a minimum maturity of 5 years. Currently, corporates can raise Foreign Currency Convertible Bonds (FCCBs) of up to $750 million without RBI's prior approval. Companies in the service sectors, including hotels, hospitals and software firms, can raise FCCBs of up to $200 million in a financial year. RBI has emphasized that the proceeds from ECBs cannot be used for land acquisition. Further, the ECB / FCCB availed for refinancing existing outstanding FCCBs will be reckoned as a part of the limit of $750 million available under the automatic route as per the extent norms.

RBI asks banks to issue fund transfer receipts

In view of non-adherence by some banks to rules on sending confirmation of payments made through the National Electronic Fund Transfer (NEFT) system, RBI has directed lenders to put in place a system for issue of such receipts. While it is expected that such confirmation messages are sent as soon as the beneficiary account is credited, it should not exceed beyond the end-of-the-day under any circumstance. Further, RBI has also asked banks to submit a copy of their plan within 15 days.

RBI allows revision of G-secs price band

RBI has allowed relaxation of price band limits of Government securities (G-secs) that were traded. Following this, the Fixed-Income Money Markets and Derivatives Association (FIMMDA) revised the price band thereby preventing reversal of ₹5,000 crore worth of deals struck on the first trading day of the year.

A rally in bond prices on hopes that RBI may opt for rate cuts sooner than expected had led to breach of the price band. According to the code of conduct on RBI's Negotiated Dealing System-Order Matching (NDS-OM) platform, the permitted price range of bids and offers for a liquid security is within 1% of its previous close. For an illiquid security the limit is at 1.25% of its previous close. This was introduced in October 2011 in order to prevent any "big figure" mistakes.

RBI releases draft guidelines on Basel-III capital needs

RBI has proposed banks in India to maintain a capital conservation buffer in the form of common equity at 2.5% of their risk weighted assets, in addition to the minimum Capital Adequacy Ratio (CAR) of 9%. In other words, banks' minimum capital ratio should be 11.5%. In the draft guidelines on Basel-III capital regulations, RBI has suggested that common equity in Tier-I capital be 5.5% of risk weighted assets. It has also proposed that the minimum Tier-I CAR be increased from 6% to 7%. The banking regulator aims to implement minimum capital requirements and deductions from common equity from January 1, 2013 and complete the entire implementation by March 31, 2017.The capital conservation buffer requirement is expected to be implemented between March 31, 2014 and March 31, 2017. According to the RBI, 'if Tier-I capital consists predominantly of common equity, it would improve the quality of banks' capital. Ideally, the common equity should comprise of paid-up equity capital, share premium, statutory reserves, capital reserves, balance in profit and loss account at the end of the previous financial year, and any other disclosed free reserves.'

Banking Developments

RBI to issue ₹100 note with Rupee symbol

RBI will shortly issue ₹100 notes with a Rupee symbol. The design of the notes to be issued is similar in all respects to the existing ₹100 in Mahatma Gandhi Series - 2005 issued earlier, except for the rupee symbol.

Bond yields end up as hopes of rate-cut fade

The government bond yields settled higher on shrinking market expectations of a rate cut by RBI. The 10-year benchmark bond yield settled at 8.22%, 3 bps up from 8.19%. The yield had climbed despite the decline in wholesale prices for the month of December. The manufacturing inflation, which is core inflation without the food and fuel component, has remained stubbornly high. Finance Minister Mr. Pranab Mukherjee, expressed concern on the marginal fall in manufacturing inflation.

Increase in electronic payments

Electronic transactions are making rapid strides, with increasing number of people abandoning cheques and cash in favour of Internet banking and cards. Electronic payments involve money transfers into other accounts; direct debits for payment of utility bills, insurance premia; direct credits into your account for dividends; and payments made through debit and credit card swipes. Banks have been trying to route routine transactions away from their branches, exhorting customers to adopt Internet banking. The ATM too has graduated from a cash-dispensing machine to a mini-bank, where electronic payments can be made. Online transfers through NEFT have been doubling each year for the past four years. Debit card growth has overtaken the growth in credit cards - recording over 40% growth rates over the past four years. However, credit cards still remain popular for making big-ticket purchases. Though the gap in the number of swipes is narrowing, the total amount spent through credit cards is still well above that in debit cards.

Banks must acknowledge, streamline small units' loan applications

RBI has asked banks to mandatorily acknowledge all loan applications, submitted either manually or online, by Micro, Small and Medium Enterprise (MSME) borrowers. This directive follows complaints from industry associations/ chambers about banks not acknowledging their loan applications. Banks have been asked to ensure that a running serial number is recorded on the loan application form as well as the acknowledgement receipt. Further, banks have been encouraged to start a central registration for loan applications. The same technology may be used for online submission of loan applications to enable online tracking. RBI emphasized that loan application forms have to be so designed that all documents required to be executed by the borrower on sanction of the loan form a part of it. For micro enterprises, simplified application-cum-sanction form, printed in regional language, should be introduced for loans up to ₹1 crore. Banks need to submit an 'action taken report' on compliance with these directives by the end of January 2012.

Priority sector lending target slips

The government has informed PSBs that it'll infuse more capital by March 31 but has also asked them to refrain from investing in low-yielding assets, like the RIDF, just to meet the shortfall in priority sector targets. According to RBI norms, 40% of banks' adjusted net bank credit has to go to the priority sector, of which 18% should be direct lending to agriculture. In 2010-11, 7 of the 26 PSBs could not achieve their priority sector lending target and 18 could not meet the target set for agricultural advances. Though the priority sector lending saw a growth of 18% in 2010-11; that in agricultural advances decelerated to 9% *vis-a-vis* 23% in the previous year. The government has also asked banks to furnish a detailed plan on how they would be achieving these targets in the months ahead. The capital infusion would enable the government to have a minimum 58% stake in its banks and also ensure that PSBs have Tier-I capital of 8%.

Cash retraction system in ATMs may be removed

The cash retraction system in ATM machines may soon become a relic. RBI has agreed to the National Payments Corporation of India's proposal to remove this functionality from all machines after a pilot proved extremely effective in curbing misuse. The move comes in the wake of some people forcibly trying to defraud the banking system by holding on to a few pieces of notes in ATM machines that has cash retraction system (i.e., cash getting sucked back by the machine, if not removed within a specified time), and then claiming non-receipt of cash.

Yields down a tad ahead of bond buybacks

The government bond yields have settled slightly lower as traders bought on the expectation that RBI will continue debt buybacks until March even if policy interest rates are not cut immediately. The 10-year benchmark bond yield ended 2 bps lower at 8.17%. Yields were little changed most of the day as traders were reluctant to commit ahead of debt buyback by RBI and a government bond auction. RBI will buy back 8.07% 2017, 7.80% 2021, 8.08% 2022 and 8.28% 2032 bonds worth ₹12,000 crore. The government plans raise ₹14,000 crore by auctioning ₹4,000 crore of 7.83% 2018 bonds, ₹7,000 crore of 8.79% 2021 bonds and ₹3,000 crore of 8.83% 2041 bonds. “There might well be regular buybacks even if the CRR is not cut” said Mr. Anoop Verma, Associate Vice President, Development Credit Bank.

Credit Cards: RBI keen on 'zero liability' to customer

RBI has indicated that it would introduce a system under which a credit card holder is not liable for transactions done fraudulently using his / her card. Mr G. Padmanabhan, Executive Director, RBI opines that the time is ripe to implement a “zero liability policy” given that countries like US have already adopted the same. However, in India, the liability is on customers. Generally the credit card issuers are not liable for fraudulent transactions unless the customer reports the unauthorized transactions immediately. So the shift in liability from customers to banks becomes effectual only after the customer informs the bank. Banks argue that they take adequate steps to ensure safety of card transactions and the least they expect from the customer is to report the card loss immediately.

RBI worried over rising bad loans in priority sector

Bad loans in banks' priority sector lending portfolio have caught RBI's eye. The possibility that the banks' exposure to the agriculture, MSE, and housing segments could be under stress, has prompted RBI to ask them for the relevant data. Specifically, RBI wants banks to reveal their bad loans position in respect of their direct advances to small and marginal farmers; MSE; education; housing; and other priority sectors (manufacturing, services, micro-credit, export credit and weaker sections). With the global as well as domestic economies experiencing a slowdown, borrowers in the MSE category have been impacted adversely as demand for their goods and services has fallen even as they face delays in realization of their dues from large vendors. All this has made them lag behind on loan repayments. Banks' Priority Sector Lending (PSL) portfolio has grown marginally in the financial year so far. PSL portfolio stood at ₹12, 53,947 crore as on November 18, 2011; against ₹12, 39,386 crore as at March-end 2011.

Credit slows on risk aversion by banks

RBI, in its “Macroeconomic and Monetary Developments : Third Quarter Review 2011-12”, has stated that overall slowdown in economic activity, risk aversion by banks and monetary policy actions taken so far have led to a general deceleration in credit growth. The outstanding credit flow from SCBs as on December 31, 2011 was ₹43,65,600 crore - up 16% over the year-ago period. Against this, in December 2010, the y-o-y growth in credit was 24%. The deceleration in credit growth of the PSBs was particularly sharp. This reflects a rising aversion of banks, that is leading to a portfolio switch to investments in risk-free G-secs on the back of large government borrowing. Private sector banks, which registered a strong credit growth in the post-crisis period, have, however, witnessed a moderation in recent times.

Basel-III norms may hit banks' credit growth

While implementation of Basel-III norms will help in improving the capital base of the banks in the country, the credit growth of some lenders may suffer. The stringent norms by RBI to implement BASEL-III standards will bridge the gap between India and its Asian peers for the risk-adjusted capital criterion. But, it will also pose a challenge of constant capital infusion. The draft guidelines may negatively affect the credit growth of a few banks. But overall, the guidelines - if implemented - will benefit Indian banks' stand-alone credit profiles.

Banking system needs strong workforce

Mr. Pranab Mukherjee ,Finance Minister, has stated that "The Indian banking system needs a committed workforce to realize its true potential. There is a need for a paradigm shift in recruitment, training, mentoring, assigning responsibilities and rewarding bank staff. Indian banking today has the necessary strength, confidence and momentum to induce great changes in the economy and society; provided it gets a committed workforce led by dedicated management."

Regulator's Speak...

RBI happy with liquidity situation

Dr K.C. Chakrabarty, Deputy Governor, RBI has stated that the apex bank is happy with the prevailing liquidity situation. After hiking key policy rates consecutively for 13 times since March 2010, RBI softened its stance last month and took a pause from hiking policy rates as inflation started decreasing. On the global economic scenario, he said the cost of capital and the savings of the rich to facilitate borrowings by the poor should be properly handled for financial stability. He further says "We can be alert and flexible to evolving risks. In India, an early intervention system based on monitoring of capital adequacy, NPAs and return on assets have existed for a long time."

Interest rates may have peaked; inflation a factor

Interest rates in India appear to have peaked, but rate cuts in the near-term would depend on the level of inflation, says Dr. Subir Gokarn, Deputy Governor, RBI, adding "the slowing growth of the economy would help bring down inflation by the end of the current financial year. Growth momentum is moderating and we expect that it will translate into lower inflation momentum. Once reversal in the rate cycle starts, we may use instruments such as the CRR to improve liquidity. But till then, the Open Market Operations (OMO) provides that sort of a tactical instrument by which we can infuse liquidity to ease pressure in the money markets, without signaling a very explicit change in the monetary policy stance."

Curbing inflation tough without fiscal consolidation

Dr. D. Subbarao, Governor, RBI has stated that the government needs a credible plan and a clear strategy on fiscal consolidation since inflation management is challenging in the absence of fiscal consolidation. Dr. Subbarao has pointed out that "demand pressures from the fiscal deficit are high." We (RBI) were mindful of the limited options before the government *vis-a-vis* non-discretionary expenditure, but there needed to be focus on expenditure. RBI will now soon issue guidelines to banks to evolve board-determined policies relating to foreign currency exposures of their clients. We'll discuss NPAs with banks and devise measures to keep profitability and viability of banks intact.

Rupee curbs, OMOs to continue

Dr. Subir Gokarn, Deputy Governor, RBI has affirmed that RBI will not roll back any of its currency-saving measures in the near future as the recent rupee appreciation may turn out to be temporary. It will also continue with Open Market Operations (OMOs) to ease the liquidity pressure. "It's a relief that the currency has regained some stability. But the appreciation itself has been the result of some capital flows. Risks are still prevalent and we don't want to call a premature reversal of measures." The rupee has appreciated 7.7% since its lifetime low of 54.30 after RBI imposed curbs it last used during the 1997 Asian crisis. However, RBI's intervention also siphoned out liquidity from the system.

Falling food prices will influence monetary policy

Dr. Subir Gokarn, Deputy Governor, RBI said, "Food inflation as a phenomenon is something to be treated as a persistent source of inflation. The role of food inflation essentially is on expectations. There is no direct link between monetary policy action and food prices per se. Nevertheless, the prices of essential edible items do impact inflationary expectations in the economy. Increasing affluence is significantly increasing the demand; and the fact that inflation or prices are rising sharply, suggests that the supply response is relatively weak."

RBI to seek feedback from banks on Basel-III

Mr. Anand Sinha, Deputy Governor, RBI has stated that RBI will be seeking feedback from several banks on capital requirements before deciding the actual schedule and range of implementation of Basel-III in the country. "The private sector estimates run into few lakh crore (of rupees). Under the Basel-III norms, banks need to have enhanced quality and quantity of capital requirements to ensure that transactions remain smooth." He further cautions that "Governments in Emerging Market Economies (EMEs) will have to contribute high additional equity capital in PSBs to meet the Basel-III requirement. This may impact the fiscal positions and, in some cases, delay the achievements of fiscal prudence targets already set by them under the fiscal management programs. A close coordination is required between monetary policy and macro prudential authorities to decide the appropriate mix. Central banks are better positioned to manage the conflicts between monetary and macro prudential policies."

Forex

Forex reserves drop $1.01billion to $292.5 billion

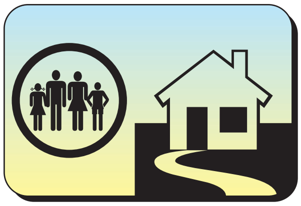
The country's foreign exchange reserves declined by $1.01 billion to $292.5 billion the sixth consecutive such drop in recent times. In the week ended January 13, reserves fell by a whopping $3.15 billion to $293.5 billion. Reserves dipped below $300 billion for the first time since February taking them to a 15-month low.

Benchmark Rates for FCNR (B) Deposits applicable for the month of February 2012					
LIBOR / SWAP For NRE Deposits					
Currency	LIBOR	SWAPS			
	1 Year	2 Years	3 Years		
USD	1.09570	0.533	0.621		
LIBOR / SWAP For FCNR(B) Deposits					
	LIBOR	SWAPS			
Currency	1 Year	2 Years	3 Years	4 Years	5 Years
USD	1.09570	0.533	0.621	0.808	1.053
GBP	1.89331	1.2370	1.2620	1.3769	1.4980
EUR	1.72857	1.174	1.248	1.409	1.602
JPY	0.55429	0.368	0.384	0.415	0.469
CAD	1.87200	1.193	1.249	1.358	1.500
AUD	4.88400	3.835	3.878	4.120	4.245
CHF	0.34117	0.123	0.168	0.318	0.473
DKK	1.58000	1.1295	1.2060	1.3805	1.5790
NZD	3.51000	2.775	2.945	3.158	3.370
SEK	2.89200	1.865	1.860	1.891	2.002

Source : FEDAI

Foreign Exchange Reserves		
Item	As on Jan. 20, 2012	
	₹Bn.	US$ Mn.
	1	2
Total Reserves	**14,837.9**	**293,256.7**
(a) Foreign Currency Assets	13,060.9	259,505.5
(b) Gold	1,418.1	26,620.3
(c) SDRs	222.8	4,426.4
(d) Reserve Position in the IMF	136.1	2,704.5

Source : RBI



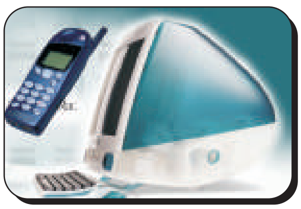
Insurance

IRDA relief to general insurers

Yielding to the general insurers' demand, Insurance Regulatory Development Authority (IRDA) has agreed to reduce the solvency ratio threshold limit from 150% to 135% to enable them to pay bonus and dividend to their employees. Earlier, IRDA had directed insurers to make higher provisioning on the portfolio and put restriction on the general insurers to pay any bonus and dividend if their solvency ratio is below 150%. However, the general insurers had resisted this stating that it would discourage the existing as well as fresh promoters; since any restrictions on bonus and performance incentives would drastically cut down the talent attraction to the industry.

New Appointments

- Mr. Narendra Singh has been appointed as Chairman and Managing Director of Bank of Maharashtra (BoM).
- Mr. A. D. M. Chavali has joined as the Executive Director at Indian Overseas Bank.
- Mr. Madan Mohan has been appointed as Head of International Banking for Asia-Pasific at Royal Bank of Scotland.



Products & Alliances

Organization	Organization tied up with	Purpose
IIFCL	IDBI Bank	To launch Infrastructure Debt Fund (IDF) schemes.
Yes Bank	India Bulls	To offer premium security and capital market services to the customers of bank & banking services for India Bulls Securities who will have multiple options for trading in equity shares, online or off-line.
SBI	Mahindra Reva	Vehicle financing.
UCO Bank	NCMSL	For collateral management and warehousing services to assist

Organization	Organization tied up with	Purpose
		industries, traders, farmers in financing their capital requirements at all stages ranging from pre-harvesting to the marketing and export stages.
IDBI Bank	Credit Analysis & Research Ltd (CARE)	For utilizing CARE's ratings to evaluate its existing and potential MSME (Micro, Small and Medium Enterprises) clients, to help the bank in expediting credit decision.
SIDBI	Indian Overseas Bank	For providing growth capital to MSMEs

Bank for International Settlements (Continued...)

Continuing with our summary of core principles for effective bank supervision of BIS, we provide some more information to our readers :-

1. Important enhancements have been introduced into the individual Core Principles, particularly in those areas that are necessary to strengthen supervisory practices and risk management. Various additional criteria have been upgraded to essential criteria as a result, while new assessment criteria were warranted in other instances. Close attention was given to addressing many of the significant risk management weaknesses and other vulnerabilities highlighted in the last crisis. In addition, the review has taken account of several key trends and developments that emerged during the last few years of market turmoil: the need for greater intensity and resources to deal effectively with systemically important banks; the importance of applying a system-wide, macro perspective to the micro prudential supervision of banks to assist in identifying, analyzing and taking pre-emptive action to address systemic risk; and the increasing focus on effective crisis management, recovery and resolution measures in reducing both the probability and impact of a bank failure. The Committee has sought to give appropriate emphasis to these emerging issues by embedding them into the Core Principles, as appropriate, and including specific references under each relevant Principle.
2. In addition, sound corporate governance underpins effective risk management and public confidence in individual banks and the banking system. Given fundamental deficiencies in banks' corporate governance that were exposed in the last crisis, a new Core Principle on corporate governance has been added in this review by bringing together existing corporate governance criteria in the assessment methodology and giving greater emphasis to sound corporate governance practices. Similarly, the Committee reiterated the key role of robust market discipline in fostering a safe and sound banking system by expanding an existing Core Principle into two new ones dedicated respectively to greater public disclosure and transparency, and enhanced financial reporting and external audit.

Source : BIS

Financial Basics

Subprime Credit card

A type of credit card issued to people with substandard credit scores or limited credit histories. These cards will typically carry much higher interest rates than credit cards granted to prime borrowers; they also come with extra fees and lower credit limits. Subprime credit cards are issued by both major issuers and smaller financial institutions that focus only on subprime lending.

Glossary

Emerging Market Economies

A nation's economy that is progressing toward becoming advanced, as shown by some liquidity in local debt and equity markets and the existence of some form of market exchange and regulatory body. Emerging markets generally do not have the level of market efficiency and strict standards in accounting and securities regulation to be on par with advanced economies, but emerging markets will typically have a physical financial infrastructure including banks, a stock exchange and a unified currency.

Institute's Activities

Training Activities at Leadership Centre, IIBF, Kurla

Trainers' Training Programme :

The Institute had organized a 6 day International Trainers' Training Programme(TTP) from 23rd to 28th January 2012. The programme was attended by 23 trainers.

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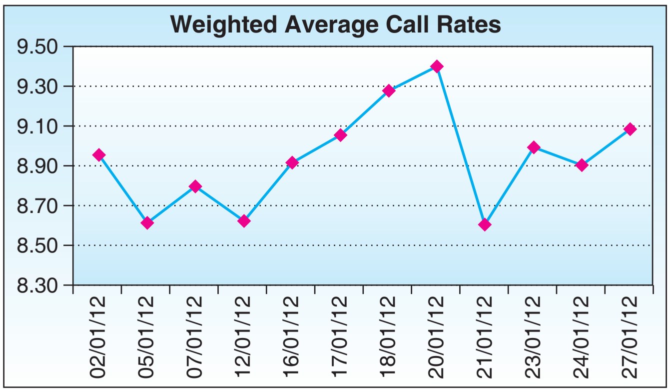
TOPSIM - Universal Banking :
The Institute has announced a two day program on TOPSIM - Universal Banking on 27th and 28th February 2012 in collaboration with Tata Interactive Systems. For details please visit www.iibf.org.in.

News From the Institute

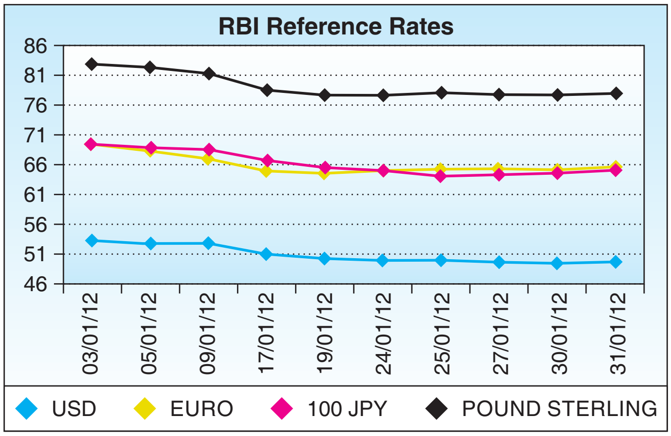
Additional Reading Material for IIBF examinations : The Institute has put in its portal additional reading material for candidates taking various examinations culled out from the Master Circulars of RBI. (For details please visit www.iibf.org.in).

Green Initiative : The Institute requests all its members to update their E-mail ID in the Institute's records as Annual Report from the year ending 31st March 2012, will be sent via E-mail only.

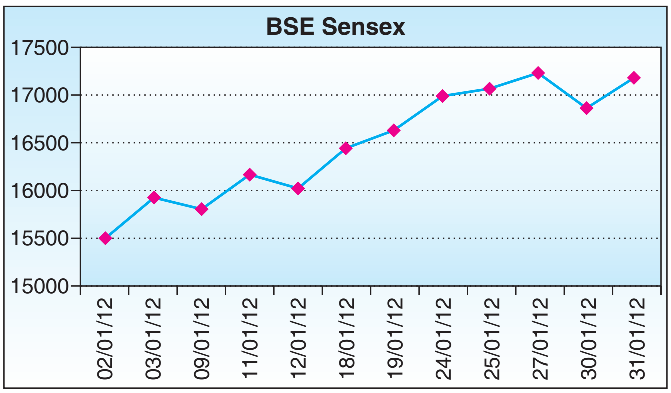
Market Roundup



Source : CCIL Newsletter, January 2012
- Call money rates remained tight reflecting tight liquidity conditions.
- Most of the time ruled above 9%.
- The money markets have been grappling with a liquidity shortage of the order of ₹1.5 lakh crore on a daily basis and call rates may not ease significantly and we should see rates sticky at 9%, according to Head of Treasury of a private bank.



Source : Reserve Bank of India (RBI)
- Rupee settled at 53.30/31 to the dollar on 3rd January, 0.4% down from 30th close of 53.08 / 09. Rupee falls on importer demand.
- On 6th Rupee ended at 52.7150 / 7250 to the dollar, 0.5% stronger than 5th close of 52.98/99 as foreign investors bought local debt.
- The range for dollar-rupee should be between 51.80 and 53.50 during the week as on all upticks nationalized banks (at the behest of RBI) will support the rupee-according to an analysis by Mecklai.
- Rupee rises to 2-month high on 17th as Dollars come in droves. The currency rose 1.2% to close at 50.70 to the dollar. It is up 6% in 2012 and 6.6% from its life low of 54.30 touched on December 15th.
- On 24th the Rupee rose past 50 a dollar for the first time since November as the Central Bank left borrowing costs unchanged on 24th to support economic growth.
- Overall during the month Rupee appreciated 6.77% against the green back.
- Rupee continued to appreciate against other currencies like EUR (4.92%), Pound (5.43%), JPY (5.87%).



Source : Reserve Bank of India (RBI)

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