



**REGIONAL STAFF TRAINING COLLEGES,
GURGAON & HYDERABAD**
rstccodel@canbank.co.in & rstccoahyd@canbank.co.in

CURRENT AFFAIRS

QUICK GLANCE

OCTOBER 2010

RBI News

RBI's Policy Rates: (8.10.2010)

- * Bank Rate – 6.00%
- * Repo – 6.00%
- * Reverse Repo – 5.00%

RBI – Reserve Ratios: (8.10.2010)

- * CRR – 6.00%
- * SLR – 25.00%

RBI Reference Rate (8.10.2010)

- * INR / 1 USD : 44.3800
- * INR / 1 Euro : 61.8000
- * INR / 100 Jap. YEN : 53.8700
- * INR / 1 Pound Sterling : 70.3711

Major Highlights: India's External Debt as at the end of June 2010 (Revised)

RBI Website 30.9.2010

- * As per the standard practice, India's external debt statistics for the quarters ending March and June are released by the Reserve Bank of India and those for the quarters ending September and December by the Ministry of Finance, Government of India.
- * The external debt data are released with a lag of one quarter.
- * India's external debt, as at end-June 2010, was placed at **US\$ 273.1 billion** recording an **increase of US\$ 10.8 billion or 4.1 per cent** over the level at end-March 2010 on account of significant increase in short-term trade credits, commercial borrowings and multilateral government borrowings.
- * Excluding the valuation effects due to appreciation of US dollar against other major international currencies and the Indian Rupee, the increase in external debt works out to US\$ 12.1 billion over the quarter.
- * The share of commercial borrowings stood highest at 27.3 per cent as at end-June 2010 followed by short-term debt (21.2 per cent), NRI deposits (17.6 per cent) and multilateral debt (16.4 per cent).
- * Based on residual maturity, **short-term debt accounted for 42.5 per cent** of the total external debt as at end-June 2010, while the share of short-term debt, by original maturity, was 21.2 per cent.
- * The **ratio** of short-term debt to foreign exchange reserves **rose to 21.0 per cent** as at end-June 2010 from 18.8 per cent as at end-March 2010.
- * External debt **in terms of US dollar** accounted for **59.8 per cent** of the total external debt stock as at end-June 2010 followed by the Indian rupee (13.2 per cent).
- * The **ratio** of **foreign exchange reserves to external debt** as at end June 2010 came down to **101.0 per cent** from 106.4 per cent as at end-March 2010.

Major Highlights of Developments in India's Balance of Payments during the First Quarter (April-June) of 2010-11
RBI Website 30.9.2010

- * Preliminary data on India's balance of payments (BoP) for the first quarter (Q1) *i.e.*, April-June 2010 of the financial year 2010-11, are now available.
- * **Exports** recorded a **growth of 37.2 per cent** during Q1 of 2010-11, on a year-on-year basis, as against a decline of 31.8 per cent during Q1 of 2009-10.
- * **Imports** registered a **growth of 35.7 per cent** during Q1 of 2010-11 as against a decline of 21.7 per cent during Q1 of 2009-10.
- * Despite higher growth in exports relative to imports, **the trade deficit widened** during Q1 of 2010-11.
- * **Services receipts** recorded a **growth of 22.5 per cent**, on a year-on-year basis, led by travel, transportation, software, business and financial services.
- * Private transfer receipts continued to be robust during Q1 of 2010-11.
- * **Net invisibles**, however, **declined** owing to relatively higher invisibles payments driven particularly by higher payments under investment income and also by larger payments on account of travel, transportation, business and financial services.
- * The higher trade deficit combined with the lower invisibles surplus resulted in the widening of current account deficit during Q1 of 2010-11.
- * The **capital account surplus increased** significantly, over the corresponding quarter of last year, mainly due to short-term credit, external commercial borrowings (ECBs), external assistance and banking capital.
- * **Net foreign investment**, however, was **much lower** than the corresponding quarter of last year mainly due to significant moderation in net inflows under foreign institutional investors (FIIs) investments. Net inflows under foreign direct investment (FDI) were also lower during the Q1 of 2010-11.
- * With capital account surplus being higher than the current account deficit, the overall balance was in surplus at US\$ 3.7 billion, which resulted in a net accretion to foreign exchange reserves of equivalent amount during the Q1 of 2010-11.

Highlights: RBI releases 'Quarterly Statistics on Deposits and Credit of SCBs: March 2010' (RBI release 29 Sep 2010)

- * The publication contains data relating to deposits and credit of SCBs including RRBs as on March 31, 2010.
- * The data are based on BSR-7 giving branch wise data, received from all SCBs (including RRBs).
- * A new Statement presenting the data on deposits and credit for all the Metropolitan and Urban Centres as on March 31, 2010 is also included (Statement 18).
- * **Number of banked centres:** The number of banked centres served by SCBs stood at 34,801. Of these centres, 27,946 were single office centres and 65 centers had 100 or more bank offices.
- * **Deposits and Credit of top 100/200 centres:** The top 100 centres, arranged according to the size of deposits accounted for 69.4 % of the total deposits and the top hundred centres arranged according to the size of bank credit accounted for 78.0 % of total bank credit. In March 2009, the corresponding share of top hundred centres in aggregate deposits and gross bank credit was 69.2 % and 78.5 %, respectively. Aggregate deposits of top hundred centres increased by 17.2 % in March 2010 over March 2009 compared to a growth of 21.0 % recorded a year ago. Growth rate of gross bank credit of top hundred

Canara Bank, RSTC, Gurgaon + Hyderabad
Current Affairs – Quick Glance (1.9.2010 -6.10.2010)

centres at 16.3 % in March 2010 was substantially lower than 20.5 % growth recorded in March 2009.

- * The top 200 centres in terms of aggregate deposits covered 32.1 % of reporting offices and 74.4 % of aggregate deposits. The top 200 centres in terms of gross bank credit, accounted for 81.5 % of gross bank credit and 31.7 % of reporting offices.
- * **Bank-group wise shares in deposits and credit:** Nationalised banks, as a group, accounted for 51.9 % of the aggregate deposits, while State Bank of India and its associates accounted for 22.5 %. The share of other SCBs, foreign banks and regional rural banks in aggregate deposits was 17.5 %, 5.0 % and 3.1 %, respectively. As regards gross bank credit, nationalised banks held the highest share of 52.0 % in the total bank credit followed by State Bank of India and its associates at 23.1 % and other SCBs at 17.4 %. Foreign banks and regional rural banks had relatively lower shares in the total bank credit at 4.9 % and 2.5 %, respectively.
- * **Credit-Deposit ratio:** At the all-India level, the credit-deposit (C-D) ratio of all SCBs (SCB) as on March 31, 2010 stood at 72.7 %. Among the states/union territories, the highest C-D ratio was observed in Chandigarh (131.7 %) followed by Tamil Nadu (112.6 %) and Andhra Pradesh (105.1 %). At the bank group level, the C-D ratio was above the all-India ratio in respect of state bank of India and its associates (74.7 %) and nationalised banks (72.8 %). The C-D ratio of foreign banks (72.7 %) was at the all-India ratio. The C-D ratio of other scheduled commercial (72.3 %), and regional rural banks (58.6 %) were lower than the all SCBs C-D ratio. C-D ratio of all SCBs in metropolitan centres was the highest (84.9 %) followed distantly by rural centres (59.0 %) and urban centres (58.8 %). The semi-urban centres recorded the lowest C-D ratio at 51.8 %.
- * **Distribution of bank offices:** It is observed from the distribution of scheduled commercial bank offices by size of deposits that the offices with deposits of Rs.10 crore or more, accounted for 66.0 % of the bank offices, 96.6 % in terms of aggregate deposits and 94.2 % in total bank credit. The offices, which extended credit of Rs.10 crore or more, accounted for 41.9 % in terms of total number of offices. These offices together accounted for 94.1 % of total bank credit whereas their share in aggregate deposits was 79.0 %.

Government Securities Market: (8.10.2010)

- * 6.90 GS 2019 :8.0907%-8.0907%
- * 91 day T-bills : 6.3977%
- * 182 day T-bills : 6.5655%
- * 364 day T-bills : 6.8564%
- * Call Rates : 4.00% - 6.15%

Our Bank News

Base Rates Hiked by various Banks from OCT 2010

- * **Canara Bank**, has revised its Base Rate to 8.50 per cent from 8.00 per cent with effect from October 1, 2010.
- * SBI : 7.5%
- * Bank of Baroda :8.5 per cent.
- * PNB, IDBI, Allahabad Bank: 8.5%
- * ICICI Bank : 7.75 per cent.
- * HDFC Bank : 7.5 per cent
- * Andhra Bank : 8.50 per cent.
- * Axis Bank : 7.75%

Some important points out of our CMD'S interview to press:

- * Canara Bank achieved 100% computerization in July 2010
- * Overseas Business at present is 3 to 4 percent. To make it 7-8 % in 2 years
- * Our market share at present is 5%. We want to open another 200 branches in 6 months
- * Our CASA composition now 30%, aim to grow to 35%
- * Slippages from restructured assets have been contained at five per cent. On provision coverage ratio, we are comfortable with 78 per cent as of now, as against the regulatory requirement of 70 per cent.
- * Canara Bank, ED Mr H S Upendra Kamath said though the bank had a CD portfolio of Rs 34,000 crore as of June, it paid 6-6.5% interest to raise this amount, as compared to the current 7%-plus rate.

Canara bank's Rs 1,000 crore bond issue:

- * Issue of upper tier-II bonds to raise Rs 1,000 crore to augment its capital resources.
- * The objective of the issue, the announcement said, was to strengthen the capital adequacy and for enhancing long-term resources of the bank.
- * The bonds will be issued at a coupon rate of 8.62% for the first 10 years, it added, and a step-up coupon rate of 0.5% payable annually for further life, which will be exercised only once during the lifetime of the instrument in conjunction with the call option after the lapse of 10 years from the date of issue.
- * The issue opened on September 27 and closed on September 28.

Awards for Canara Bank:

- * Second Best - Excellent performance in lending to Micro Enterprises at National Level for 2009-10. The award was instituted by Ministry of Micro, Small and Medium Enterprises, Govt. of India.
- * Outstanding performer at National level for implementation of Interest Subsidy Eligibility Scheme (ISEC) of KVIC in the country for 2009-10.
- * The awards were received by Sri H S Upendra Kamath, ED from Sri Dinshaw Patel, Hon'ble Union Minister of State, MSME at a function held at New Delhi on 31.8.2010. These honours are in recognition of Canara Bank's commitment to the MSME Sector.

Canara Bank Chair in Banking Finance at IIMB:

Canara Bank on Tuesday announced that it has taken one more important step forward in establishing "Canara Bank Chair in Banking Finance" at the Indian Institute of Management, Bangalore(IIMB). The bank has created a corpus in the institute towards the purpose.

Canara Bank's Ranking:

Canara Bank has been ranked **eleventh** in a list of **top fifty service brands** in the country and third among PSBs in a survey conducted by the Economic Times.

Canara Bank launches retail loan festival:

Canara Bank has launched a five-month-long retail loan festival for home loans and vehicle loans from September 1 to January 31, 2011. The bank has come up with special interest rates for home loans and vehicle loans. According to a press release from the bank, housing loans up to Rs.30 lakh would be available at an interest of about 8.5 per cent per annum, and there would be an interest concession of 0.5 per cent per annum for all slabs up to Rs.1 crore. The bank also announced a waiver of processing charges up to 75 per cent. Home improvement loans would also be offered at home loan interest rates during the offer period. Vehicle loans are offered at 10 per cent per annum, with nominal processing charges. (BL dt. 8.9.2010 p. 6)

Have a smart card, get royal treatment at Canara Bank

'Select' customers across segments, who the bank feels require special attention, such as professionals and youngsters with time constraints, will soon have bank staff greeting them as they walk into their lobbies to ensure personalised service. The sensors fitted in the branches will alert the staff whenever these customers walk in with chip-based smart cards provided by the bank. "The minute the customer walks in, his/her details with photo will pop up on the screens of at least three staff in the branch. The staff will receive the customer and make him/her feel important and take care of the needs

New campus inauguration & scheme launch:

A glittering function was organised at Muddenahalli Village, Chickballapur on 15.09.2010 to commemorate the 150th Birth anniversary of Bharat Ratna Sir M Visvesvaraya. On this occasion, Sri M Veerappa Moily, Hon'ble Union Minister for Law and Justice laid the foundation stone for the new campus of Canara Bank Rural Self Employment Training Institute (CBRSETI), Chickballapur.

Sri S Raman, C&MD formally launched the Central Interest Subsidy scheme for Education Loans. As part of this scheme, interest on Education Loans availed by students from economically weaker sections during 2009-10 will be fully reimbursed by the Central Government. Canara Bank has been designated as the Nodal Bank for implementing the scheme. Sri S Raman, C&MD highlighted the various initiatives of the Bank in mitigating the unemployment problem through its network of 52 Self Employment Training Institutes established across the country.

Banks to tap farm business as corporate interest takes root:

Canara Bank, which operates a chain of 10 specialized agriculture finance branches, is looking at setting up agriculture marketing cells across its branches. "We have recruited 15 students from Irma Anand and Manage Hyderabad who would look at tapping agri corporates, said **Mr. Narasa Reddy**, priority sector GM of the bank.

Honour for Canara Bank:

In recognition of the bank's continued commitment in helping the Senior Citizens, the Governor of Karnataka H.E. Sri **H R Bhardwaj** honoured **Canara Bank** on 1st October 2010 the "International Day of Older Persons" at Rajbhavan, Bangalore. Sri **N Narasa Reddy**, GM, PC Wing, HO received the trophy on behalf of the bank. The programme was sponsored by HelpAge India, an NGO working for the poor and the needy. The noteworthy feature was that Canara Bank was the only corporate to be bestowed this honour.

Dividend handed over:

Our C&MD, Sri S Raman handed over the dividend cheque for Rs 300 crore to Sri Pranab Mukherjee, Hon'ble Union Finance Minister on 30-09-2010

Banking & Finance

Bank Deposit, Credit Growth in current year:

Bank deposits grew at 14.8 per cent year on year in the fortnight ended Sep 10, while loans grew at 19.8 per cent. The central bank targets a loan growth of 20 per cent in 2010-11 (Apr-Mar). Statement of Mrs Usha Thorat, Dy Governor, RBI

Entire interest income on PF to be tax exempt:

The finance ministry has assured the Employees Provident Fund Organisation, or EPFO, that the entire 9.5 per cent interest on the accumulated corpus of account holders for the current fiscal will not be taxed.

Banks against freeing savings account rate:

Bankers, especially from the public sector, are against deregulation of savings bank (SB) deposit rates. Depositors have been compensated by the daily calculation of savings bank rate and the deregulation would not serve any additional purpose," said Dr K Ramakrishnan, Chief Executive, IBA.

Decision on HR panel proposals in 2 months:

The centre is examining the recommendations suggested by the Khandelwal Committee under the chairmanship of Dr A K Khandelwal, former Chairman, Bank of Baroda on human resource practices in public sector banks (PSBs). The government is likely to take a decision within two months after studying the recommendations. The Khandelwal Committee had proposed some changes in the way PSBs recruit, compensate, provide incentives and plan for succession of employees under their fold. The recommendations were submitted in June.

Govt. may compensate banks on no-frills accounts expenses:

The Finance Ministry is considering a proposal to compensate around "50-60 per cent" of the expenses that banks incur on opening and maintaining each 'no-frills account.

Q2 monetary policy review on Nov2

In September 16 review, RBI increased repo rate-rate at which it lends to banks - by 25 basis points from 5.75% to 6%, and reverse repo-rate at which it absorbs funds from banks - by 50 basis points from 4.50% to 5%.

SC sets aside order banning transfer of debt between banks

The case relates to the transfer of a basket of NPAs by ICICI Bank to Kotak Mahindra Bank, along with underlying security interest. The Supreme Court on Thursday set aside a Gujarat High Court order that prohibited banks from transferring debts, including non-performing assets (NPAs), among each other

Traditional banking still the preferred way - Accenture:

Traditional banking still finds favour with most Indians, said a study. Most customers prefer visiting a branch or accessing automated teller machines (ATM) for their regular banking needs and are yet to feel at ease with the emerging trend of mobile or internet banking. "Customers' preference for traditional banking channels, that is branch and ATM, come across prominently in our study. Over 78 per cent respondents mentioned the branch and ATM as the preferred channel for priorities such as accessibility, quality of service and speed of problem resolution," said a survey conducted by consulting firm Accenture. There are around 65,000 branches and nearly 44,000 commercial banks' ATMs in the country

Rights to help bank expand its loan book:

Central Bank of India, one of the latest to augment its statutory capital requirements, is planning to come out with a Rs 2,500 crore rights issue. Although the bank meets the existing capital adequacy norms, this additional dose of capital will enable it to expand its loan book by over 25% this year. This is an important step for the aggressive growth plans of the state-owned bank, which has outpaced the industry levels in terms of advances growth in the first half of 2010.

SBI files papers for Rs 1k-cr bond sale:

State Bank of India on Monday filed an offer document with the Securities and Exchange Board of India to raise Rs.1,000 crore for boosting capital. The retail bond sale will also include a greenshoe option of Rs 5 billion, India's largest lender said in the offer document. It did not indicate a coupon for the bonds. SBI bonds are rated 'AAA/Stable' by CRISIL Ltd., reflecting "the bank's dominant position in the banking industry."

Private-sector banks pip PSB peers in profit per employee:

The productivity of (profit per employee) private banks was higher than nationalised banks and SBI and associates during 2009-10 and 2008-09. However, productivity for all the three group of banks rose during 2009-10. The average profit per employee of private banks was Rs 7.19 lakh against Rs 5.74 lakh and Rs 4.65 lakh for nationalised banks and SBI & associates, respectively during 2009-10. On the other hand wages to total expenses ratio of SBI & associates was the highest at 17.03% as against 13.65% and 12.76% for PSBs and private banks, respectively during the above period. But the number of employees (4.67 lakh) and number of branches (43,187) was highest in nationalised banks compared to SBI & associates and private banks during 2009-10.

ICICI Bank raises Rs 1,480 cr in bonds:

ICICI Bank, the country's largest private lender, raised Rs 1,480 crore from the sale of bonds maturing in 2025. The notes, which will add to the Mumbai based lender's capital base, will pay 8.9%. ICICI Bank and ICICI Securities Primary Dealership managed the sale.

Govt. banks to have a common admission test:

Public Sector Banks (PSBs) will introduce a common banking entrance test. The government has accepted the recommendations of the A K Khandelwal Committee and the Indian Banks' Association (IBA) has agreed to a Common Recruitment Programme for public sector banks that would be conducted by the Institute of Banking Personnel Selection (IBPS).

Central Bank plans Rs 2,500-cr rights issue this fiscal:

Public sector Central Bank of India will come out with a rights issue to raise around Rs 2,500 crore in this financial year. "We are coming out with a rights issue during the current financial year. We are looking to raise tentatively about Rs 2,500 crore. The funds will be used for normal operations," the bank's C&MD, Mr. S Sridhar

States asked not to give fresh business to private banks:

The RBI has told several state governments not to give new businesses, that could generate thousands of crores of income, to private sector banks. At least four state governments have received letters from the banking regulator in the last few months with the specific instruction. The RBI has not spelt out the reason for its decision, but private banks think it is driven by their comparatively lower lending in government sponsored programmes schemes that carry a slice of subsidy and, are aimed at job creation and poverty reduction.

SBI employees at bottom: RBI:

Country's largest lender SBI has over 2 lakh employees but when it comes to bringing business, the staff is ranked at the bottom among the public sector banks, according to the RBI data on profile of banks 2009-10. As per the data, average business brought by each employee of SBI stood at Rs 6.36 crore, against the industry average of Rs 8.73 crore. However, their wages accounted for 18.86% of the bank's total expenses, while the industry average was 14.83% last fiscal. In comparison, PNB's business generated by each employee was Rs 8.07 crore, while **Canara Bank's** individual staff contribution to business was Rs 9.82 crore.

FM - MFIs can set up banks:

The RBI may soon allow micro-finance institutions (MFIs) to set up banks, according to Union Finance Minister Mr. Pranab Mukherjee.

RBI raises risk weight on restructured airline loans:

The RBI has increased the risk weight on restructured loans for the airline industry, requiring lenders to set aside additional capital to reflect the state of a sector that is weighed down by losses and debt. The central bank has directed a consortium of banks, led by SBI, the nation's largest lender, to assign the loans a risk weight of 150%, increasing it from 100%. The order has significant implications for the banks. Under current norms, banks in India have to maintain a capital adequacy ratio, expressed as the ratio of capital to risk-weighted assets, of 9%, meaning they have to set aside Rs.9 for every Rs.100 they lend.

Indian Bank to raise Rs 1,000 cr capital:

Indian Bank plans to raise Tier-II capital of about Rs 1,000 crore in order to fund its growth needs during the second half of this fiscal. Bank already raised Rs 1,000 crore (Rs 500 crore each during the first two quarters of current fiscal) and another Rs 1,000 crore we will raise during the second half of this year.

Pvt. banks pip public peers on return on assets:

Private sector banks' average return on assets (RoA) is higher compared to that of nationalised banks and SBI and associate banks during 2009-10.. RoA is an indicator of how profitable a bank is relative to its total assets. RoA of nationalised banks decreased from 1.03% in 2008-09 to 1.00% in 2009-10, but the net NPA ratio increased from 0.68% to 0.91% in the same period. For SBI and associate group, RoA also decreased from 1.02% to 0.91% during 2009-10 while the net NPA ratio of the SBI group increased from 1.45% to 1.50%.

Banks need Rs.6-lakh-cr capital to meet Basel III norms - ICRA:

Indian banks in the public and private sector will need to raise Rs.6 lakh crore in external capital over the next nine years, to comply with the proposed Basel III guidelines on capital adequacy levels, according to credit rating agency ICRA. The agency cautioned that the higher level of core capital projected by the guidelines could dilute the return on equity for banks, besides lowering their leveraging capacity. Nevertheless, Indian banks may still find it easier to make the transition to a stricter capital requirement regime than some of their international counterparts, since the regulatory norms on capital adequacy in India are already more stringent.

RBI calls bankers' meet to test NatGrid efficiency:

The Reserve Bank of India wants to know how equipped banks are to support the proposed National Intelligence Grid (NatGrid) - a project proposed by the home ministry which will house data based intelligence report to counter terrorism

Banks may find it tough to ensure MFIs don't charge higher:

The finance ministry has asked banks to ensure that MFIs, whom banks are financing, do not lend at rates more than 24% - all inclusive rates – to the ultimate borrowers.

Finmin working on separate dates for bank fund-raising, PSU sell-off this year:

The finance ministry is preparing a roadmap for state-run banks seeking to raise capital to meet regulatory requirements without disturbing the government's plans to raise Rs 40,000 crore this fiscal year from sale of shares in public sector firms

MFs not to accept 3rd party cheques:

To stop fraudulent activity arising from third-party cheque payments, the Association of Mutual Funds in India (Amfi) has asked mutual fund houses not to accept such cheques

Prepaid card potential of \$93 bn per year - Study:

While the use of prepaid cards is yet to take off in India, the size of the potential market is estimated at \$93 billion (Rs.4,27,800 crore) per year, according to payment firm Visa.

Oriental Bank raises Rs.500-crore capital:

Oriental Bank of Commerce has raised capital of Rs.500 crore to fund business growth and strengthen its capital adequacy. This is the first time in the current fiscal that the bank has mobilised capital. Of the Rs.500-crore capital raised, the Tier-I capital component stood at Rs.300 crore and the Tier-II capital was Rs.200 crore.

Narrowing repo rate gap will reduce volatility: Gokarn:

Narrowing the gap between the repo and reverse repo rates would reduce volatility in the overnight lending rate system, according to the Reserve Bank of India Deputy Governor, Dr Subir Gokarn

Bank of India raises Rs 300 cr:

Bank of India on Friday said it has raised Rs 300 crore tier-I capital via issue of perpetual debt instruments and bond series VI. The bank said the annual coupon rate for the bonds is 9.05%.

RBI opposes FinMin's efforts to re-script financial laws:

The RBI has disputed the contention of the government that domestic financial sector regulations were archaic, signalling its resistance to the attempt by the finance ministry to rewrite laws governing this sector. Finance Minister Mr. Pranab Mukherjee had announced in February this year of his government's plan to rewrite financial sector laws through a Financial Sector Legislative Reforms Commission (FSLRC). The aim was to simplify and streamline the legal framework to possibly suggest a completely new regulatory structure. The trigger for this was the turf war between securities market regulator, Sebi, and insurance watchdog, Irda, over the regulation of Unit Linked Insurance Plans (Ulips), an insurance-cum-investment product. The lack of clarity in the laws which are administered by these regulators and also the RBI was one of the reasons cited by the government as to its inability to pronounce its judgement on the turf war. To address this issue, the government announced the creation of the FSLRC. (ET dt. 18.9.2010 p. 1

Banks raise Rs. 51,000 cr through repo window:

With the Reserve Bank of India (RBI) hiking key rates—repo rate by 25 basis points from 5.75 % to 6.0 % and the reverse repo rate by 50 basis points from 4.5 % to 5% with immediate effect—the money market has seen demands for resources from various sources on Thursday. Volumes in the certificate of deposits (CDs) market crossed the Rs.11,400 crore mark on Thursday while banks borrowed close to Rs. 51,000 crore from the RBI's repo window. Money market players said there is a tightness in the liquidity conditions on account of advance tax outflows, which has sucked out nearly Rs.40,000 crore from the banking system. (FE dt.17.09.2010 p.19)

ATM transactions cross 10-crore a month mark:

ATMs in India appear to be humming with activity, what with the cumulative monthly transaction volumes recorded by the National Payments Corporation of India's (NPCI) National Financial Switch (NFS), to which 61,702 ATMs are linked, crossing the 10-crore mark for the first time in August 2010.

Mobile banks to cover every village by 2015:

RBI Deputy Governor, Dr. K C Chakrabarty has said that there is a plan to cover all villages through mobile banks by 2015. Every villager would be financially included in the next five years, he said. A mobile bank is a facility under which an authorized vehicle, with officials of a particular bank, reaches a particular villages at a specified time. It provides limited services like deposit or withdrawal to villagers. RBI had prepared a roadmap to open a bank branch in villages with appropriate space, he said. It has been decided that all the areas having a population of 2,000 should get access to banking facility by 2012, he added.

RBI panel to study freeing of savings bank rate:

The Reserve Bank of India will soon set up a working group to look into the issue of deregulation of savings bank interest rate, said Ms Usha Thorat, Deputy Governor, Reserve Bank of India. Ms Thorat said, "The deregulation of savings bank interest rate that is currently set at 3.5 per cent by the Reserve Bank of India is an issue which is on our radar. A working group is being set up to debate the issues and draw conclusions." Totally freeing rates could lead to lowering rates in some areas while leading to increase in other areas, It would need to be ensured that there is no discrimination between different customers of the same bank.

RBI confident of banks meeting Basel III rules:

Indian banks are not likely to be significantly impacted by the proposed new capital (Basel III) rules, according to RBI Governor, Dr. D Subbarao. As on June 30, 2010, the aggregate capital to risk weighted assets ratio of the Indian banking system stood at 13.4 per cent of which Tier I capital constituted 9.3 per cent. The Governor pointed out that although the Basel III norms are yet to be calibrated, it is unlikely that they will be higher than these figures. As such, we do not expect our banking system to be significantly stretched in meeting the proposed new capital rules both in terms of the overall capital requirement and the quality of capital," said Dr. Subbarao. (BL dt. 8.9.2010 p. 6)

Loan waiver to come under tax net in new regime:

Corporates going in for debt restructuring may face rough weather on the income-tax front when the Direct Taxes Code (DTC) comes into play from April, 2012. This is because the DTC provides that loans waived by lenders will be treated as income in the hands of the borrowers and taxed accordingly

Indian Bank signs MoU with UIDAI:

Indian Bank has signed a Memorandum of Understanding (MoU) with Unique Identification Authority of India (UIDAI), to act as registrar for 'Aadhaar' project. The MoU was signed in the presence of C&MD Mr. T M Bhasin and Chairman of UIDAI Mr. Nandan Nilekani. Indian Bank is the seventh bank to enter into such an MoU by which it shall provide Aadhaar (UID No) to its existing customers as well as future customers by collecting biometric and demographic details as per UID norms. According to the bank's release, provision will be made to use real-time online authentication of identities to be provided by the UIDAI for satisfying KYC norms required for opening of the 'no frills' SB accounts and further factoring the same for making payments in various government schemes. (BS dt. 4.9.2010 p. 7)

At this SBI branch, it takes Rs.1 crore to open an account:

After wooing the urban poor with its 'One Rupee Bank' account, State Bank of India (SBI) is now aggressively targeting the crorepatists. The government lender has inaugurated first-of-its-kind branch for high networth individuals (HNIs), where it takes minimum Rs. 1 crore to open an account, and that too on an invitation only. Kohinoor Banjara Premium Banking Centre (named after the famed Kohinoor diamond that was discovered here), spread over 4,000 sq. ft. offers specialized banking facilities like relationship managers, 24/7 lockers, extended banking hours, doorstep pick-up and drop facilities, in addition to pampering customers with five-star amenities at the branch. (FE dt. 4.9.2010 p. 13)

NHB, CIBIL plan registry of mortgaged houses:

Home loan frauds are expected to drop sharply with the National Housing Bank and the Credit Information Bureau of India Ltd. joining hands to set up a central registry of mortgaged houses. The biggest reason behind bad loans in mortgages are frauds where the borrower takes a loan from more than one lender using duplicate/forged documents and this will soon end. On Thursday, Cibil launched the country's first mortgage repository in consultation with the National Housing Bank (NHB). The repository set up with a database on about 6 lakh borrowal accounts compiled 25 entities - commercial banks and housing finance companies, is expected to help lenders take an informed lending decision. The database accounts for a significant chunk of loan accounts in the country. According to the RBI database, there were around 5.7 million borrowal accounts with the commercial banks in the country as of March 2009. (ET dt. 3.9.2010)
