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IIBF VISION

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Mid-Quarter Monetary Policy Review - 18th June 2012

Monetary Measures and Liquidity Measures

- Cash Reserve Ratio (CRR) of scheduled banks remains unchanged at 4.75%.
- Policy repo rate under the Liquidity Adjustment Facility (LAF) remains unchanged at 8.0%.
- Reverse repo rate under the LAF remains unchanged at 7.0%.
- Marginal Standing Facility (MSF) rate and Bank Rate at 9.0%.

Growth

- Deceleration in industrial production from the supply side, and weak investment from the demand side have contributed majorly to the slowdown in growth. The Index of Industrial Production (IIP) increased by just 0.1% in April 2012.

Inflation

- As per the provisional data for 2012-13 so far, headline WPI inflation rate has inched up from 7.2% in April to 7.6% in May, driven mainly by food and fuel prices.
- Though international crude prices have fallen significantly in April 2012, the rupee depreciation has significantly offset its impact on wholesale prices.
- Consumer Price Index (CPI) inflation (as measured by the new series, base year 2010) rose from 8.8% in February to 9.4% in March to 10.4% in April.
- The widening Current Account Deficit (CAD), despite the slowdown in growth, is symptomatic of demand-supply imbalances and the urgent need to resolve the supply bottlenecks.

Liquidity Conditions

- Although money supply (M3) growth has been slightly under the projected trajectory, credit growth has moved above the projected rate. Open Market Operations (OMOs) have substantially eased liquidity conditions, as reflected in the stabilization of the overnight call money rate close to the policy repo rate. To further augment liquidity and encourage banks to increase credit flow to the export sector, RBI has increased the limit of export

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."

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credit refinance from 15% of outstanding export credit of banks to 50%, which will potentially release additional liquidity of over ₹300 billion, i.e. about 50 bps reduction in CRR.

External sector

- During 2011-12, the widening CAD, in face of worsening global economic and financial conditions, exerted downward pressure on the rupee. As capital inflows continue to remain muted, the rupee has further depreciated since April. Finally, acknowledging the turbulent global situation, RBI stands prepared to use all available instruments and measures to respond rapidly and appropriately to any adverse developments.



Top Stories

Government okays banks' entry into commodity futures trading

The government is set to legitimise the entry of banks into commodity futures trading. Presently, banks can trade in shares, bonds and currencies, but section 8 of the Banking Regulation Act prohibits them from trading in goods. The Finance Ministry has now supported the consumer affairs ministry's proposal to amend the law, to help provide a hedging tool for banks. The Forwards Contracts (Regulation) Act, 1952 allows all entities to participate in commodities futures trading. RBI has been against allowing banks to enter the area as there is no "autonomous and independent" commodity regulator in the country.

End pre-payment charges on Floating Rate home loans

RBI has notified banks to obliterate the foreclosure charges (prepayment charges) on floating rate home loans. This will lead to reduction in the discrimination between existing and new borrowers; and competition among banks will result in finer pricing of floating rate home loans.

Financial Inclusion net to cover more people

The government will shift the financial inclusion goalpost to accommodate a wider section of population under the banking net which is expected to curb leakages and generate more savings in a slowing economy. Banks have been asked to reach out to villages with a population of 1,600 and above (*vis-a-vis* the earlier 2000) through bank branches or Business Correspondents (BCs). Banks have been directed to complete implementation of the project latest by March 2013.

₹5000 crore corpus for Credit Guarantee fund on student loans

The Credit Guarantee Fund proposed by Finance Minister Mr. Pranab Mukherjee will have a corpus of ₹5000 crore. The fund will cover education loans up to ₹7.5 lakh without any collateral security and third party guarantee, and will offer 75% guarantee in case of default. Under the present Model Educational Loan Scheme developed by Indian Banks' Association (IBA) loans above ₹4 lakh are secured by way of third party guarantee.

E-payment compulsory for PSBs from July 1

The Finance Ministry has instructed the PSBs and RRBs to make all payments to customers, staff, vendors and suppliers, as well as disbursement of loans and payments towards investments only through the electronic mode. This is being done to popularize e-payments and bring down the number of transactions through cheques.

Banking Policies

New policy road map for banking sector

The finance ministry is working on a new policy framework for India's banking sector to enable Regional Rural Banks (RRBs), co-operative banks and other regional banks to grow to the next level. The ministry and RBI are discussing the framework that will prescribe profit, capital adequacy, size and other conditions it deems fit for such entities to graduate into full-fledged banks. Such a policy can ensure that these entities have clear performance benchmarks fitted well into their own growth plan.

RBI on Infra Finance Companies

RBI has declared that all Infrastructure Finance Companies (IFCs) can assign a risk weight of 50% on bonds covering PPP and projects. The move is aimed at bringing IFCs on a par with Infrastructure Debt Fund-Non-Banking Financial Companies (IDF-NBFC) *vis-a-vis* risk weight.

Co-op banks can frame FD conversion norms

RBI has allowed co-operative banks to frame policies to check the practice of premature conversion of Fixed Deposits (FDs) into other deposit schemes by customers to obtain higher interest rates. This has been done to facilitate better Asset Liability Management (ALM).

Frame policies on unclaimed accounts

RBI has asked co-operative banks and Regional Rural Banks (RRBs) to frame policies to locate customers with unclaimed deposits or inoperative accounts, to strengthen the regulatory framework for the same. The policies will focus on classification of unclaimed deposits, grievance

redressal mechanism for quick resolution of complaints, record keeping, and periodic review of such accounts.

RBI to banks on unique ID codes

RBI has made it mandatory for banks to assign unique customer Identification Codes to their new as well as existing clients by May 31, 2013. The code will help in stronger enforcement of Know-Your-Customer (KYC) norms, and aid banks in identifying customers, tracking the facilities availed, etc.

RBI guidelines on White Label ATMs

RBI has released guidelines on White Label Automated Teller Machines (WLATM) in India. A WLA can be set up by non-bank entities and would provide banking services to the customers of banks in India, based on the cards (debit / credit / prepaid) issued by banks. The WLA operator's role would be confined to acquisition of transactions of all banks' customers and hence they would need to establish technical connectivity with the existing ATM network operators.

RBI directive on loan collaterals to hit companies

RBI directive created to protect banks from erosion of loan collaterals, is threatening to worsen credit flow to slowdown-hit companies that are lagging in payment of salaries and statutory dues. RBI has instructed banks to ensure that borrowers have no outstanding statutory dues, such as Employees' Provident Fund (EPF) contributions, by seeking an auditor's certificate for such compliance in their credit appraisal process. Such checks will be in the interest of banks.

RBI ups limits on inward remittances

RBI has raised the limit on the number of foreign remittances an individual can receive, from 12 to 30 per calendar year. However, the cap on the amount of each transaction has been kept unchanged at \$2,500 per person. The measure is expected to benefit senders who remit money frequently and also, people who have multiple sources of receiving money from abroad.

Banking Developments

PSBs on 'USB' drive

Opening Ultra-Small Branches aka USBs is the new mantra for PSBs in the country. Over 900 villages where PSBs have implemented financial inclusion programme, have USBs. For the past few years, banks have been trying to reach unbanked villages as part of a regulatory mandate. Opening of USBs is hoped to lead to efficiency in cash management, documentation, redressal of customer grievances and close supervision of Business Correspondent (BC) operations.

Uniform grievance redressal system in banks soon

The Finance Ministry has asked PSBs to employ a uniform III-tier public grievance redress system within three months. This is to ensure that all customer complaints are resolved within 21 days. Banks have been asked to look at grievances as an opportunity to improve the internal systems, thereby retaining customers and improving profitability.

Electronic fund transfer might become free

The government has asked RBI to work out a framework under which funds could be transferred electronically free of charge from one account to the other. At present, banks charge between ₹5 to ₹55 for electronic transfer of funds through National Electronic Fund Transfer (NEFT) and Real Time Gross Settlement (RTGS). Cost free electronic transaction would encourage customers to use this medium for inter-bank as well as intra-bank fund transfer across the country. It would also help reduce cash movement and cash transaction.

Banks face competition on mobile wallets

A host of banks, technology companies and telecommunications providers are exploring mobile wallets. Banks make big money by moving money from buyers to sellers through credit and debit card networks; but smart phone payments may well undermine that business. A survey of more than 600 consumers found that 48% were interested in "mobile wallets," or technology that transforms smart phones into payment tools. Of them, 53% preferred an alternate provider over their primary bank. The competitive threat to the payments business comes as banks adopt new regulations that crimp the "interchange fees" they charge merchants when consumers swipe debit cards.

Banks recovering loans by auctioning mortgaged property

Banks are now increasingly resorting to the use of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act 2002 to recover their dues. The Act empowers banks and financial institutions to auction the mortgaged residential / commercial property when borrowers fail to repay their loans. Enacted when the economy was booming, the Act has been rarely used to recover smaller dues; it can be applied to any loans / dues over ₹1 lakh.

PSBs may be exempted from paying dividend

The government may exempt PSBs from paying a dividend, as part of its move to set up a single holding company to meet the capital requirements of PSBs. The

retained earnings of all banks will be ploughed back to service the debt and the interest rate on debt, which this holding structure will raise for banks.

Banks allowed to undertake notional short sale in gilts

Banks can now take short positions in the G-secs they hold under the Held-for-Trading (HFT) category. In view of various scenarios under which a participant may end up with simultaneous 'long' and 'short' position in specific securities in the HFT portfolio, a 'notional' short sale from the HFT portfolio will now be permitted. Banks cannot use existing bonds under Held-for-Trading portfolio for delivery against short positions. They had already been allowed to take short positions in government bonds held in the Available-for-Sale (AFS) and Held-to-Maturity (HTM) category.

RBI on AADHAAR-enabled accounts

In order to facilitate electronic transfers, RBI has directed Regional Rural Banks (RRBs) to open AADHAAR-enabled bank accounts for beneficiaries of the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA) and other social security schemes. Further, RBI wants such accounts opened for residents of villages with less than 2000 population for promoting financial inclusion.

Financial inclusion progresses amid viability challenges

The Government's ambitious financial inclusion plan is gathering momentum. The number of no-frills accounts have more than doubled to 10.32 crore in 2012 from 4.93 crore in 2010. Banks have opened 3,171 rural branches in the last two years. The number of BCs / BC agents deployed by banks jumped nearly three-fold to 96,828 in 2012 from 33,042 in 2010. The number of Electronic Beneficiary Transfer (EBT) accounts rose from 74.8 lakh in 2010 to 2.17 crore in 2012. However, the viability of no-frills accounts has been a concern for most banks as a large number of accounts are non-operational. Also, some accounts have high volume of small-value transactions which has cost implications for bank.

RBI broadens scope of prepaid payment instruments

RBI has stated that **semi-closed system payment instruments** can also be used for paying college fees, school fees, and government taxes up to a limit of ₹10,000. These can be issued without separate Know-Your-Customer (KYC) due diligence procedures being undertaken by the issuer. Semi-closed system payment instruments are redeemable at a group of clearly identified merchant locations or establishments which contract specifically with the issuer to accept the payment instrument.

At least one bank account per family in next six months

In an ambitious move, the Finance Ministry has asked banks to ensure that at least one person per family across the country has a bank account in the next six months. Mr. Sunil Soni, Additional Secretary, Department of Financial Services says, "This will help the Government and its agencies to make electronic fund transfer of wages, salaries or payments to suppliers. All the payments from the Government will be done electronically directly into the account to reduce leakage. The decision, coupled with a recent move to make all electronic fund transfers under ₹1 lakh through NEFT, will make it possible for cheap movement of funds."

Regulator's Speak...

Large government borrowing may crowd out credit to private sector

According to Dr. D. Subbarao, Governor, RBI, the Union Government's large borrowing could crowd out credit to the private sector. "The market borrowings by state government have also gone up attaining a critical mass alongside huge and rising market borrowing by the centre. Therefore, there is need for co-ordinated debt management to avoid pressure on liquidity and crowding out."

Can't arrest Rupee fall if driven by weak fundamentals

Dr. K. C. Chakrabarty, Deputy Governor, RBI has asserted that "if the rupee fall is due to the economy's fundamental weakness, or due to global factors, then RBI cannot support it. The government must address trade deficit issues if the fall of the rupee is due to weak fundamentals. If the rupee is depreciating due to real sector issues, financial sector measures will not solve it." The rupee has been losing value against all the major currencies, especially the American dollar, since April and hit an all-time low of ₹56.52 on 1st June, 2012. It has shed nearly 24% year-to-date. He also hinted at opening a separate window for oil companies in order to contain dollar demand and help support the rupee.

Impact of policy rate hikes on GDP growth being 'overplayed'

Dr. K. C. Chakrabarty, Deputy Governor, RBI has asserted that "the slowdown in GDP growth cannot be attributed only to high policy rates. There are other factors too. I don't think that our interest rates or policy rates are so high that they should significantly affect growth. Growth is being affected by variety of reasons apart from policy rate. The impact of policy rate hike on growth is being overplayed. Majority of the people are

borrowing at 13-14% to do business. Cutting interest rate by 1-2% is not going to spur growth if the investment climate is not conducive.”

Retails credit boom could lower savings rate

A working group led by Dr. Subir Gokarn, Deputy Governor, RBI has warned that the retail credit boom can derail the country's steady savings rate despite a higher economic growth. There will be the downside risk of a stagnant or even lower savings rate due to rising retail credit penetration, which makes consumers spend in anticipation of future income.

Capital Markets

New investment route for NRIs possible

Securities and Exchange Board of India (SEBI) is planning to make clarifications in the Qualified Foreign Investor (QFI) framework that will enable NRIs to make investments in Indian stock markets. The idea is to tap new NRIs looking to invest. However, those already having investments through existing provisions and wanting to shift to the QFI route, may have to close existing accounts. The clarification would be part of a broader document aimed at making the provisions lucid and more investor-friendly.

SEBI to derecognize exchanges with sub-₹1000 crore turnover

SEBI has declared that stock exchanges with an annual turnover of less than ₹1000 crore are eligible for a voluntary exit. Derecognised exchanges will need to file for exit within two months. Failure to do so would result in their compulsory exit.

SEBI to strengthen corporate governance framework

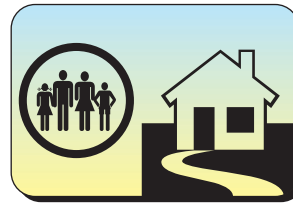
In order to make India's corporate governance standards more robust, SEBI aligning the domestic norms with that approved by the Organisation for Economic Co-operation and Development (OECD). There have been bilateral talks amidst the two for keeping the Indian corporate governance norms aligned with the 6 principles ratified by OECD. These include, ensuring the basis for an effective corporate governance framework; the rights of shareholders; the equitable treatment of shareholders; the role of stakeholders in corporate governance; disclosure and transparency; and the responsibilities of the board.

International News

BRIC nations' currencies depreciate most since 1998

The largest emerging markets, whose economies grew more than four-fold in the past decade, are making losers out of

everyone as their currencies posted the biggest declines since at least 1998. For the first time in 13 years, the rial, ruble and rupee are weakening the most among developing-nation currencies, while the yuan has depreciated more than in any other period since 1994.



Insurance

IRDA issues norms on 'orphan' policies

IRDA has said that insurance companies are allowed to allot any of the lapsed 'orphan' life insurance policies to other individual insurance agents with valid licence for rendering effective service to the policy holders. Life insurers should notify the particulars of the newly-allotted agent to the policyholders concerned. All policy services will be rendered by the 'allotee agent' similar to what the insurance agent was rendering. 'Orphan' life insurance policies refer to the policies initially effected by an individual insurance agent whose services are subsequently terminated, removed or deleted from the rolls of the insurer.

Annuity, a must in all pension plans

Mr. J. Hari Narayan, Chairman, IRDA has stated that life insurers will have to provide an immediate or deferred annuity, even in cases where pension products are surrendered before vesting date. At the time of surrender or vesting, the policyholder shall have to buy a single-premium, deferred annuity or an immediate annuity product from the same insurer who sold the original pension policy.

Forex

Benchmark Rates for FCNR(B) Deposits applicable for the month of July 2012					
LIBOR / SWAP For FCNR(B) Deposits					
	LIBOR	SWAPS			
Currency	1 Year	2 Years	3 Years	4 Years	5 Years
USD	1.06800	0.548	0.630	0.781	0.970
GBP	1.68025	0.9971	1.0276	1.1320	1.2821
EUR	1.18679	0.878	0.982	1.146	1.336
JPY	0.55229	0.344	0.349	0.370	0.410
CAD	2.03950	1.252	1.339	1.431	1.542
AUD	4.55200	3.213	3.285	3.515	3.620
CHF	0.38200	0.135	0.145	0.232	0.351
DKK	1.15250	0.7830	0.9120	1.0950	1.3120
NZD	3.44800	2.760	2.930	3.095	3.255
SEK	2.80000	1.890	1.939	2.005	2.102

Source : FEDAI

Foreign Exchange Reserves		
Item	As on June 22, 2012	
	₹Bn.	US\$ Mn.
	1	2
Total Reserves	16,434.2	288,627.7
(a) Foreign Currency Assets	14,577.0	255,783.1
(b) Gold	1,443.5	25,585.0
(c) SDRs	249.1	4,370.7
(d) Reserve Position in the IMF	164.6	2,888.9

Source : RBI

RBI intervening in Rupee forwards frequently

Traders aver that RBI has been increasingly intervening in the rupee forward markets, alongside its defence of the spot rupee, possibly to replenish its forex reserves and to replace domestic rupee liquidity. That intervention in forwards, coupled with the heavy demand for short-term hedging by importers and foreign investors, has led to a steep inversion of the dollar / rupee forward curves, both offshore and onshore.



Products & Alliances

Organization	Organization tied up with	Purpose
ICICI & Yes Bank	Malaysia Exim Bank	To enhance trade especially for palm oil between the two countries.
RBI	Central Bank of Bahrain	To promote greater co-operation and sharing of supervisory information between two regulators.
State Bank of Mysore	SBI General Insurance	For selling insurance policies
Geojit BNP Paribas Financial Services	State Bank of India (SBI)	To offer portfolio investment services to NRIs.
Central Bank of India	National Payments Commission of India (NPCI)	Issuance of RuPay cards and make payment of all RuPay cards by other banks in the country

Rural Banking

Cabinet okays ₹632-crore capital infusion in RRBs

In order to improve the capital adequacy and lending capacity for the agriculture sector, the Union Cabinet has approved ₹632 crore capital infusion (50% share of the central government) in cash-starved RRBs. The

release of central government share is subject to the release of state government and sponsor bank share. The capital of RRBs is shared by Central & State Government and the sponsor banks in the ratio of 50%, 15% and 35% respectively.

New Appointments

- Mr. Alok Misra has been appointed as Chairman of Indian Banks' Association.
- Mr. S. R. Bansal has been appointed as the Executive Director of Punjab National Bank.
- Mr. P. Srinivas has been appointed as Executive Director at Bank of Baroda.
- Mr. Sudhir K. Jain has been appointed as Executive Director at Bank of Baroda.
- Mr. A. Tiwari has been appointed as Executive Director at Allahabad Bank.
- Mr. B. P. Sharma has been appointed as Executive Director of Bank of India.
- Mr. S. D. Arya has been appointed as Executive Director at United Bank of India.
- Mr. K. Ramdas Shenoy has been appointed as Executive Director at Vijaya Bank.
- Mr. Shrinath Bolloju has been appointed as the CEO of Deutsche Bank India.
- Mr. Dinesh Kumar Mehrotra has taken over as the Chairman of the Life Insurance Corporation of India.

Bank for International Settlements (Continued...)

Stress Testing (*continued from the previous issue*)

While stress tests provide an indication of the appropriate level of capital necessary to endure deteriorating economic conditions, a bank alternatively may employ other actions in order to help mitigate increasing levels of risk. Stress testing is a tool that supplements other risk management approaches and measures. It plays a particularly important role in :

- providing forward-looking assessments of risk;
- overcoming limitations of models and historical data;
- supporting internal and external communication;
- feeding into capital and liquidity planning procedures;
- informing the setting of a banks' risk tolerance; and
- facilitating the development of risk mitigation or contingency plans across a range of stressed conditions.

Stress testing is especially important after long periods of benign economic and financial conditions, when fading memory of negative conditions can lead to complacency and the under-pricing of risk. It is also a key risk management tool during periods of expansion, when innovation leads to new products that grow rapidly and for which limited or no loss data is available.

Pillar-1 (minimum capital requirements) of the Basel-II framework requires banks using the Internal Models Approach to determine market risk capital to have in place a rigorous programme of stress testing. Similarly, banks using the advanced and foundation Internal Ratings-Based (IRB) approaches for credit risk are required to conduct credit risk stress tests to assess the robustness of their internal capital assessments and the capital cushions above the regulatory minimum. Basel-II also requires that, at a minimum, banks subject their credit portfolios in the banking book to stress tests. Recent analysis has concluded that banks' stress tests did not produce large loss numbers in relation to their capital buffers going into the crisis or their actual loss experience. Further, banks' firm-wide stress tests should have included more severe scenarios than the ones used in order to produce results more in line with the actual stresses that were observed.

The Basel Committee has engaged with the industry in examining stress testing practices over this period and this paper is the result of that examination. Notwithstanding the ongoing evolution of the crisis and future lessons that may emerge, this paper assesses stress testing practices during the crisis. Based on that assessment and in an effort to improve practices, it develops sound principles for banks and supervisors. The principles cover the overall objectives, governance, design and implementation of stress testing programmes as well as issues related to stress testing of individual risks and products.

The recommendations are aimed at deepening and strengthening banks' stress testing practices and supervisory assessment of these practices. By itself, stress testing cannot address all risk management weaknesses, but as part of a comprehensive approach, it has a leading role to play in strengthening bank corporate governance and the resilience of individual banks and the financial system.

A stress test is commonly described as the evaluation of a bank's financial position under a severe but plausible scenario to assist in decision making within the bank. The term "stress testing" is also used to refer not only to the mechanics of applying specific individual tests, but also to the wider environment within which the tests are developed, evaluated and used within the decision-making

process. In this paper, we use the term "stress testing" in this wider sense.

(Source :BIS)

Financial Basics

XBRL- 'eXtensible Business Reporting Language

A standard that was developed to improve the way in which financial data is communicated, making it easier to compile and share this data. XBRL is a type of XML (eXtensible Markup Language), which is a specification that is used for organizing and defining data. XBRL uses tags to identify each piece of financial data, which then allows it to be used programmatically by an XBRL compatible program.

Glossary

Semi-Closed System Payment Instruments

These are payment instruments which are redeemable at a group of clearly identified merchant locations / establishments which contract specifically with the issuer to accept the payment instrument. These instruments do not permit cash withdrawal or redemption by the holder.

Institute's Activities

Training activities planned at IIBF, Leadership Centre for the quarter July-September, 2012

Sr. No.	Program	Date
1.	Treasury & Risk Management for Co-operative Banks	16 th to 18 th July
2.	Financing SMEs	23 rd to 27 th July
3.	IT & Cyber Security - Workshop	4 th August
4.	Financing and Marketing of Retail Banking Products	6 th to 10 th August
5.	Compliance Function - Workshop	24 th August
6.	Trade Finance	3 rd to 7 th September
7.	Wealth Management	10 th to 12 th September

Sending IIBF VISION by e-mail

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



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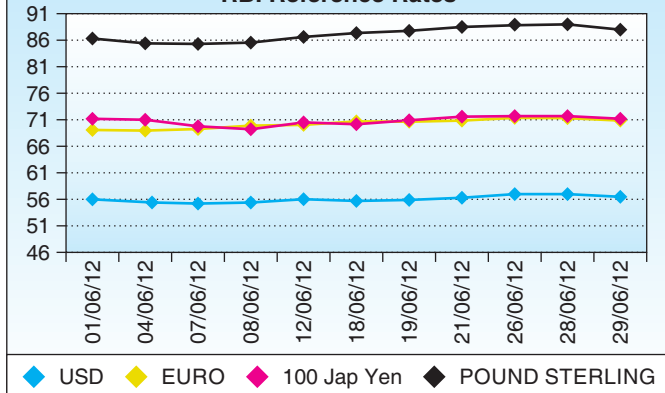
Registration for Ordinary Membership Online

The Institute has started Online registration for Ordinary membership from 18th June, 2012. Institute will not be accepting hereafter membership form and DD for registration. Candidates are requested to visit www.iibf.org.in for details on online registration.

Further candidates are requested to use online payment mode for remitting examination fees.

Market Roundup

RBI Reference Rates



Source : Reserve Bank of India (RBI)

- Rupee moved wildly in a shallow market touching a new low of 56.52 to US dollar on 31st May.
- On 7th Rupee closed at more than the two-week high of 54.95 against the dollar.
- The Rupee touched a nearly one-week low of 56.08 intraday on 12th as dollar demand from companies rose before settling at 55.80. The day saw some RBI action helping Rupee recoup some losses.
- The Rupee, on 13th, snapped a three-day losing streak by ending 12 paise higher at 55.68 on fag end selling of dollars amid Euro gaining strength.
- The Rupee fell on 27th, staying near record lows, as oil importers stepped up their dollar purchases at the end of the month. Rupee nears all-time low of 57.15
- During the month, Rupee depreciated 0.7% against dollar, 2.35% against Sterling and 2.5% against Euro while appreciating 0.5% against JPY.

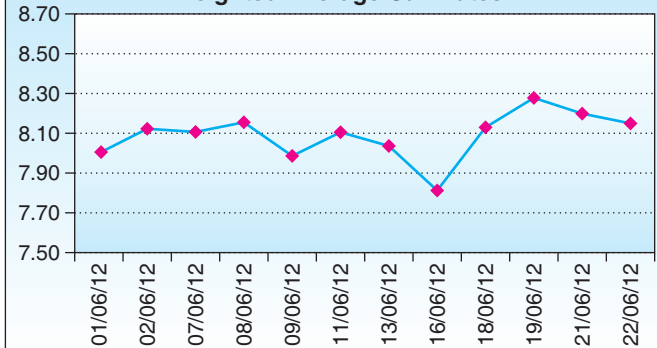
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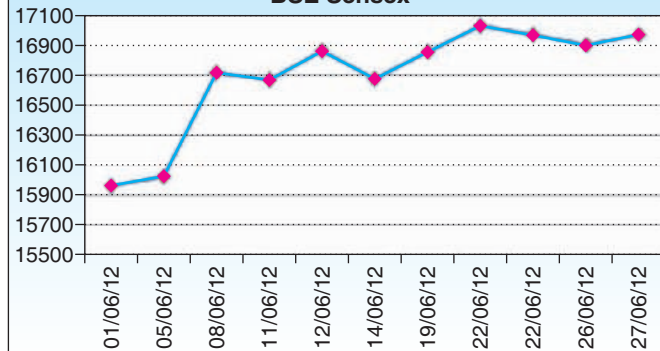
Weighted Average Call Rates



Source : CCIL Newsletter, June 2012

- Call rates dropped sharply on 31st May on excess liquidity in the banking system amid lack of demand from the borrowing banks. The call rate concluded at 7.8% lower from 8.2% on 30th.
- Call money rates improved further on 5th on sustained shortage of funds in the banking system.
- Call rates also gained at the overnight money market on 7th on fresh demand from borrowing banks amid scarcity of liquidity in the banking system.
- Call rates eased at the overnight call money market and ended slightly lower at 8.05% from 8.10% close on 11th.
- Rates firmed up at overnight call money market on good demand and closed at 8.15% as compared to 8% on 15th.
- By and large the call rates remained range bound and moved between 7.82% and 8.28%.

BSE Sensex



Source : Reserve Bank of India (RBI)