

Annex

Banking Services Covered in the Survey

Banking services includes, acceptance of deposits and lending (the core banking services), and the other financial services (Para banking services) like payment services, securities trading, asset management, financial advice, settlement and clearing service, etc. With the improvements in economic integration of financial markets and activities, the international trade in banking services has significantly increased.

The GATS framework envisages that the delivery of any commercial services can be through four different modes viz. Mode 1 –Cross Border Service, Mode 2 – Consumption abroad, Mode 3 – Commercial presence and Mode 4 – movement of natural persons. In Mode 3, the bank has a commercial presence in the territory of the service importing country and the service is delivered therein. The commercial presence can be through various investment vehicles like representative offices, branches, subsidiaries, associates and correspondents.

Banking services covered in this survey includes financial auxiliary services such as (i) deposit account management services, (ii) credit related services, (iii) financial leasing services, (iv) trade finance related services, (v) payment and money transmission services, (vi) fund management services, (vii) financial consultancy and advisory services, (viii) underwriting services, (ix) clearing and settlement services, and (x) derivative, stock, securities and foreign exchange trading services. While carrying out the banking business, banks cater to the financial services need of the residents of the country of operation as well as non-residents of that country. Keeping this in view, the survey also collected the information with bifurcation of financial services rendered to residents and non-residents separately.

Details of Services Covered are:

- ❖ **Deposit Account Management services** include fees and commissions charged to or received from the deposit account holders, for maintaining deposit accounts such as fee for cheque book, fee for internet banking, commission on draft and other instrument provided, penalty for not maintaining minimum balance, etc and any other fees charged to deposit account holders.
- ❖ **Credit related services** include fees received for credit-related or lending related services like credit processing fees, late payment or default charges and early redemption charges. Charges for facility and management fees, fees for renegotiating debt terms, mortgage fees, etc also to be reported here.

- ❖ **Financial Leasing services** include fees or commission received for arranging or entering into financial lease contracts. This also includes fees received directly or deducted from the proceedings.
- ❖ **Trade Finance related services** include commission or fees charged for arranging trade finance like buyers' and suppliers' credit, fees for establishing/originating, maintaining or arranging standby letters of credit, letter of indemnity, lines of credit, fees for factoring services, bankers acceptance, issuing financial guaranty, commitment fees, handling charges for trade bills.
- ❖ **Payment and Money Transmission services** include fees or charges for electronic fund transfer services like SWIFT, TT, wire transfer, etc. ATM network Services, annual credit /debit card fees, Interchange charges, fees for point of services, etc also have to be reported here. Further, Charges on the customer for making remittances abroad or receiving remittances from abroad have to be reported here.
- ❖ **Fund Management services** include fee or income received for managing or administering financial portfolios, all forms of collective investment management, pension fund management, custodial, depository and trust services. Commission or fees for safe custody of shares/equities, transaction fee for custodian account, communication cost or any other fees/charges related to custodian account should also be reported.
- ❖ **Financial Consultancy and Advisory services** include fees for advisory, intermediation and other auxiliary financial services including credit reference and analysis, portfolio research and advice, advice on mergers and acquisitions and on corporate restructuring and strategy. Arrangement/management fees for Pvt. Placement of share/ equities are also to be included.
- ❖ **Underwriting services** include underwriting fees, earning from buying and reselling an entire or substantial portion of newly issued securities.
- ❖ **Clearing and Settlement services** include settlement and clearance services for financial assets, including securities, derivative products, and other negotiable instruments.
- ❖ **Derivative, Stock, Securities, Foreign Exchange trading services** include commissions, margin fees, etc received for carrying out financial derivative transactions, placement services, and redemption fees. Earnings received on banks' own account as well as on behalf of customers for carrying out foreign exchange trading has to be reported under this item. Explicit brokerage fees and commissions for foreign exchange brokerage services are also to be

reported. Earnings received on banks' own account for carrying out trading in derivative, stock, securities etc should not be reported.

A technical Group on Statistics for International Trade in Banking Services (TG-SITBS) was set up by the Reserve Bank of India including members from Ministry of Finance, Ministry of Commerce and various departments (Department of Economic and Policy Research, Department of Banking Operations & Development and Department of Statistics and Information Management) of the Bank.

The TG-SITBS, after examining the different data sources available in the Reserve Bank, recommended collection of activity-wise international trade in services through annual surveys and suggested that initially the data may be collected on banking services from foreign banks operating in India and Indian banks having operations abroad. The TG-SITBS also recommended that a suitable questionnaire with explanatory notes should be prepared/framed in consultation with the banks and suggested for conducting annual survey for the financial year 2006-07 by June 2007. Accordingly, a survey schedule was prepared after detailed discussions with the major foreign banks operating in India and Indian banks functioning abroad.