

## Press Releases\*

June 2011

### RBI's Rajbhasha Shield Awards Ceremony

June 1, 2011

'In the past sixty years if banking has not reached to every nook and corner of the country and has not reached to every citizen of the country then one of the reasons is also that country's common man's language and banking language has been different. There is a gap between the two which does not allow the benefits of one to pass it on to the other. We have to reduce that gap and for this Hindi as well as other Indian languages can work as a bridge.'

Dr. D. Subbarao, Governor, Reserve Bank of India expressed these views while awarding the Rajbhasha Shields for the year 2009-2010. He added that today truly the Hindi has become the contact language of the country. Therefore, instead of bringing Hindi to Banking, by bringing banking to Hindi only we will achieve success in our efforts for financial inclusion.

The annual Reserve Bank Rajbhasha Shield was instituted in 1980 to encourage public sector banks to use Hindi in their day-to-day work. The Reserve Bank also conducts a competition for the house journals of banks and financial institutions. The Reserve Bank started an Inter-Bank Hindi Essay Competition from 2002-03. List of winners is enclosed.

On this occasion Dr. K.C. Chakrabarty, Deputy Governor, Reserve Bank of India while complimenting the prize winning banks and financial institutions said that today we are taking banking to the door-steps of the common persons and for this language or say the language that the bank customers understand plays an important role. Hindi is not only Government's official language but today it has become the contact language of the country. Encouraging the use of Hindi is not only our statutory responsibility but it is also necessary for taking banking to the common person.

The function was attended by chairmen and other senior executives of banks and financial institutions.

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\* Important Press Releases during June 2011.

### Challenges to Central Banking in the Context of Financial Crisis RBI releases Volume for the First International Research Conference

June 2, 2011

The Reserve Bank of India today released the Volume for the First International Research Conference (FIRC) on 'Challenges to Central Banking in the Context of Financial Crisis'. The Volume, edited by Dr. Subir Gokarn, Deputy Governor, brings together the papers and proceedings of the FIRC and gives a flavour of the issues and discussions on them. The key messages from the Conference are:

- National policies alone cannot prevent a crisis even if these are the most appropriate unless some of the global challenges are addressed collectively at the global level. The international monetary system has been found inadequate to tackle global imbalances, which had to manifest in the form of crisis or the other at some stage.
- The significance of the unprecedented and co-ordinated action led by G20 in avoiding another Great Depression needs to be recognised. In view of the difficult years expected, we must sustain the global approach despite domestic differences in policies.
- Self-regulation and vigilance by creditors do not represent effective substitutes for regulation and it has to be the responsibility of the public policy to provide regulatory systems. The need has arisen for both a new approach to regulatory oversight that includes macro-prudential regulations and a major reworking of the mandate of monetary policy to include financial stability.
- Flexible inflation targetting is important in the context of apprehensions expressed in some quarters about inflation-focussed monetary policy involving the possible neglect of asset price bubbles and the financial stability objective.

- Lender-of-last-resort facility and financial regulations were generally seen as necessary prudential instruments to safeguard financial stability, though they were not deemed to be sufficient.
- Fiscal problems of the industrial countries could be much larger than the official debt figures seemed to suggest.

The discussions and analyses in the Conference Volume are relevant for the events currently playing out in the global financial arena and would need to be heeded by all policymakers – present and future.

The publication is priced at ₹1,295.00. Copies of the publication can be obtained from:

Academic Foundation  
4772-73/23, Bharat Ram Road (23 Ansari Road)  
Darya Ganj  
New Delhi – 110002 India.  
Phones: +91-11-23245001/02/03/04  
Fax: +91-11-23245005.  
E-mail : books@academicfoundation.com  
www.academicfoundation.com

### **RBI releases Report on Securing Card Present Transaction for Public Comments**

**June 2, 2011**

The Reserve Bank of India today placed on its website the Report of the Working Group on Securing Card Present Transaction. Comments of the Report may please be emailed or forwarded by June 30, 2011 to the Chief General Manager, Department of Payment and Settlement System, Reserve Bank of India, Central Office, Mumbai-400001.

Card Present Transactions (at PoS and ATMs) constitute major proportion of card based transactions in the country. Currently, transactions using cards at PoS do not require additional authentication in majority of cards. Further most of the cards used in India, presently used magnetic stripe technology. Taking into account vulnerabilities involved, and to increase customer confidence many countries led by European Union have moved to Chip and Pin technology.

The Reserve Bank of India constituted a Working Group consisting of banks and card companies in March 2011 to look into all the related issues implementing the security of card transactions in India and suggesting a road map for migration. The Working Group submitted its report on June 2, 2011.

### **Certificate of Registration of Sansun Leasing and Finance Private Ltd. – Cancelled**

**June 3, 2011**

The Reserve Bank of India has on May 2, 2011 cancelled the certificate of registration No.B-12.00270 granted on December 18, 2000 to Sansun Leasing and Finance Private Ltd., having its registered office at Hotel Kwaliti Complex, 19, Rajpur Road, Dehradun for carrying on the business of a non-banking financial institution as the company has voluntarily exited from the business. Following cancellation of the registration certificate the company cannot transact the business of a non-banking financial institution.

### **Certificate of Registration of S.K.Capsec Private Limited – Cancelled**

**June 3, 2011**

The Reserve Bank of India has on April 19, 2011 cancelled the certificate of registration No.B-12.00198 granted on July 26, 2000 to S.K.Capsec Private Limited having its registered office at Dr. Jai Singh Market, Maldahiya, Varanasi for carrying on the business of a non-banking financial institution as the company has voluntarily exited from the business. Following cancellation of the registration certificate the company cannot transact the business of a non-banking financial institution.

### **The Gandhinagar Nagrik Co-operative Bank Ltd., Gandhinagar – Penalised**

**June 8, 2011**

The Reserve Bank of India has imposed a monetary penalty of ₹1.00 lakh (Rupees one lakh only) on The Gandhinagar Nagrik Co-operative Bank Ltd.,

Gandhinagar in exercise of powers vested in it under the provisions of Section 47(A)(1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (AACS) for violations of allowing interest rebate in loan accounts of directors and non-adherence to Know Your Customer (KYC) norms.

The Reserve Bank of India had issued a show cause notice to the bank, in response to which the bank submitted a written reply. After considering the facts of the case, bank's reply and personal submissions in the matter, the Reserve Bank came to the conclusion that the violations were substantiated and warranted imposition of the penalty.

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### **Board of Directors of the Asian Clearing Union (ACU) meets in India**

**June 9, 2011**

The 40th meeting of the Board of Directors of the Asian Clearing Union (ACU) was held on June 9, 2011 at Kumarakom, Kerala, India. ACU is a multi-lateral institution comprising central banks of Bangladesh, Bhutan, Iran, India, Myanmar, Maldives, Nepal, Pakistan and Sri Lanka. The main objective of ACU is to provide an efficient mechanism for payment and settlement for intra-regional transactions on a multi-lateral basis.

The meeting was chaired by Dr. D. Subbarao, Governor, Reserve Bank of India and was attended by Governors/Deputy Governors/Executive Directors/Senior Officials of all member nations. While welcoming the delegates, Governor Dr. Subbarao drew attention to the major global issues which have implications for ACU member countries. In particular, he flagged the issues relating to the international monetary system and global reserve currency, protectionism which could affect trade and other linkages of the countries, management of capital flows and reforms in the financial sector regulations.

The Directors presented reports on macro-economic developments of their respective countries and discussed the recommendations made by the Technical Committee of the ACU for improving the settlement systems under the ACU. Among the other

issues on which the members exchanged views were regulation of the micro finance sector, reforms in the financial sector, fiscal-monetary coordination, buildup and possible use of foreign exchange reserves, management of capital flows and the implication of BASEL III on their respective banking systems.

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### **Issue of ₹100/- Denomination Banknotes with Inset Letter 'L' in both Numbering Panels in Mahatma Gandhi Series Bearing the Signature of Dr. D. Subbarao, Governor**

**June 10, 2011**

The Reserve Bank of India will shortly issue ₹100/- denomination banknotes with inset letter 'L' in both numbering panels in Mahatma Gandhi Series with the signature of Dr. D. Subbarao, Governor, Reserve Bank of India and the year 2011 printed on the back on the Bank note. Except for the change in the inset letter, the design of these notes to be issued now is similar in all respects to the banknotes in Mahatma Gandhi Series 2005 issued earlier. All banknotes in the denomination of ₹100/- issued by the Bank in the past will continue to be legal tender.

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### **Issue of ₹10/- Denomination Banknotes with Inset Letter 'B' in Both Numbering Panels in Mahatma Gandhi Series 2005 Bearing the Signature of Dr. D. Subbarao, Governor**

**June 10, 2011**

The Reserve Bank of India will shortly issue ₹10/- denomination banknotes with inset letter "B" in both numbering panels in Mahatma Gandhi Series 2005 bearing the signature of Dr. D. Subbarao, Governor, Reserve Bank of India. Except for the change in the inset letter, the design of these notes to be issued now is similar in all respects to the banknotes in Mahatma Gandhi Series 2005 issued earlier. All banknotes in the denomination of ₹10/- issued by the Bank in the past will continue to be legal tender.

## RBI to issue Non-Sequential Numbered Banknotes in Denomination of ₹500

June 13, 2011

With a view to enhancing operational efficiency and cost effectiveness in banknote printing at banknote presses, it has been decided to issue, to begin with, fresh banknotes of ₹500 denomination in packets, which may not necessarily all be sequentially numbered. This is consistent with international best practices. Packets of Banknotes in non-sequential number will, as usual, have 100 notes. The bands of the packets containing the banknotes in non-sequential number will clearly be superscribed with the legend, 'The packet contains 100 notes not numbered sequentially.'

## RBI releases monthly data on India's Trade in Services for the First Time for the Month of April 2011

June 15, 2011

As a follow up of the implementation of the recommendations of the Working Group on Balance of Payments Manual for India (Chairman: Shri Deepak Mohanty), provisional aggregate data on trade in services have been compiled for the first time for the month of April 2011 based on the data reported by the Authorised Dealers (ADs) under the Foreign Exchange Transactions Electronic Reporting System (FETERS) (Table).

Henceforth, the aggregate data on trade in services will be released on a monthly basis after a gap of about 45 days. These provisional data will undergo revision when the Balance of Payments (BoP) data are compiled on a quarterly basis which will be released with a lag of a quarter. The quarterly release will also provide disaggregated data on trade in services.

**Table: International Trade in Services**

(US\$ million)		
Month	Receipts (Exports)	Payments (Imports)
April 2011	11,469	6,889

Note: Data are provisional.

## Mid-Quarter Monetary Policy Review: June 2011

June 16, 2011

### Monetary Measures

On the basis of the current macroeconomic assessment, it has been decided to:

- increase the repo rate under the liquidity adjustment facility (LAF) by 25 basis points from 7.25 per cent to 7.5 per cent with immediate effect.

Consequent to the above increase in the repo rate, the reverse repo rate under the LAF will stand automatically adjusted to 6.5 per cent and the marginal standing facility (MSF) rate to 8.5 per cent with immediate effect.

### Introduction

Since the Reserve Bank's Annual Policy Statement of May 3, the global environment has changed for the worse, while domestic conditions are broadly consistent with the Statement's projections. Growth expectations in advanced economies are visibly moderating, even as inflationary pressures, primarily from commodity prices, have increased. The capacity for conventional policy responses appears limited, with many countries having already committed to fiscal consolidation amidst growing sovereign debt risks. From our monetary policy perspective, global commodity prices still remain the key external risk though some signs of moderation are becoming visible.

Domestically, inflation persists at uncomfortable levels. Moreover, the headline numbers understate the pressures because fuel prices have yet to reflect global crude oil prices. On the growth front, even as signs of moderation are visible in some sectors, broad indicators of activity – 2010-11 fourth quarter profit growth and margins and credit growth do not suggest a sharp or broad-based deceleration.

Going forward, notwithstanding both signs of moderation in commodity prices and some deceleration in growth, domestic inflation risks remain high. Against this backdrop, the monetary policy stance remains firmly anti-inflationary, recognising that, in

the current circumstances, some short-run deceleration in growth may be unavoidable in bringing inflation under control.

## Global Economy

The global economy weakened in Q2 of 2011. Lead indicators suggest that growth moderated in both advanced economies and emerging market economies (EMEs) under the impact of high oil and other commodity prices, the spillover from the Japanese natural disasters and monetary tightening in EMEs to contain inflationary pressures. Uncertainty about the resolution of the sovereign debt problem in the euro area has increased. These developments increase downside risks to global growth prospects.

International commodity and oil prices showed signs of moderation on weak economic data and unwinding of financial positions. However, on a year-on-year (y-o-y) basis, commodity price inflation is still high. Consequently, headline inflation rose in major advanced economies despite negative output gaps. As inflation in EMEs remained elevated due both to high commodity prices and strong domestic demand, many EMEs persisted with monetary tightening during Q2 of 2011 to contain inflation.

## Domestic Economy

### *Growth*

GDP growth decelerated to 7.8 per cent in Q4 of 2010-11 from 8.3 per cent in the previous quarter and 9.4 per cent in the corresponding quarter a year ago. For the year as a whole, GDP growth in 2010-11 was 8.5 per cent. While private consumption was robust, investment activity moderated in Q4 of 2010-11. The Central Statistical Organisation (CSO) released the new series of industrial production with 2004-05 as the base. The new series represents a better coverage of the industrial structure in the country. The trend in industrial production as revealed by the new series is significantly different from that indicated by the old series (base: 1993-94). While the old series suggested a sharp deceleration from 10.4 per cent in the first half of 2010-11 to 5.5 per cent in the second half, the new series suggested broadly the same growth of a little over 8 per cent in both halves of the year. While

the y-o-y IIP growth moderated to 6.3 per cent in April 2011, growth in capital goods production at 14.5 per cent was buoyant. During April-May 2011, both exports and imports increased sharply and the trade deficit widened. The progress of south west monsoon 2011 has so far been satisfactory, which augurs well for agricultural production.

Overall, even as there is deceleration in some important sectors, notably interest-sensitive ones such as automobiles, there is no evidence of any sharp or broad-based slowdown. Corporate earnings growth and profit margins in the fourth quarter of 2010-11 were broadly in line with the performance over the past three quarters, suggesting that demand remained steady, and in the face of sharp increases in input costs, pricing power remained intact. Credit grew steadily (see below), while the composite Purchasing Managers' Index (PMI) for May 2011 suggests reasonably good conditions.

### *Inflation*

The headline WPI inflation rate was 9.7 per cent in March 2011. In April 2011, it was 8.7 per cent and rose to 9.1 per cent in May 2011. The numbers for April and May 2011 are as yet provisional and, given the recent pattern, these numbers are likely to be revised upwards. Thus, the headline WPI inflation rate remains elevated, consistent with the projections made in the Annual Policy Statement of May 3. The main drivers of WPI inflation in April-May 2011 were non-food primary articles, fuel group and non-food manufactured products. The consumer price inflation for industrial workers (CPI - IW) rose from 8.8 per cent in March 2011 to 9.4 per cent in April 2011.

Non-food manufactured products inflation was 8.5 per cent in March 2011. Provisional data indicate that it increased from 6.3 per cent in April to 7.3 per cent in May 2011, numbers much above its medium-term trend of 4.0 per cent. This pattern in non-food manufactured products inflation is a matter of particular concern. Besides reflecting high commodity prices, it also suggests more generalised inflationary pressures; rising wages and costs of service inputs are apparently being passed on by producers along the entire supply chain.

### ***Credit Conditions***

Year-on-year non-food credit growth moderated from 21.3 per cent in March 2011 to 20.6 per cent in early June 2011, but remained above the indicative projection of 19 per cent. The y-o-y deposit growth increased to 18.2 per cent in early June 2011 from 17.0 per cent in March 2011. Consequently, the incremental non-food credit-deposit ratio moderated to 80.5 per cent (y-o-y) in early June 2011 from 95.3 per cent in March 2011. The y-o-y increase in money supply (M3) was at 17.3 per cent in early June 2011 as compared with 16.0 per cent in March 2011.

Monetary transmission has been quite strong with 45 scheduled commercial banks raising their Base Rates by 25-100 basis points after the May 3 Policy Statement. Cumulatively, 47 banks raised their Base Rates by 150-300 basis points during July 2010-May 2011. The higher cost of credit is restraining credit growth, but it still remains fairly high, suggesting that economic activity is holding course.

### ***Liquidity Conditions***

During the current fiscal year so far, liquidity conditions have remained consistent with the anti-inflationary stance of monetary policy. The Government's cash balances moved from a surplus of ₹ 89,000 crore on an average during Q4 of 2010-11 to a deficit of ₹ 29,000 crore during Q1 of 2011-12 (up to June 15, 2011). Consequently, net injection of liquidity through LAF repos declined from an average of ₹ 84,000 crore during Q4 of 2010-11 to ₹ 41,000 crore in 2011-12 (up to June 15, 2011). The net liquidity injection by the Reserve Bank was higher at ₹ 60,000 crore as on June 15, 2011. As articulated in the May 3 Policy Statement, the Reserve Bank will continue to maintain liquidity conditions such that neither surplus liquidity dilutes the monetary policy stance nor large deficit chokes off fund flows to productive sectors of the economy.

### ***Summing Up***

To sum up, the domestic growth outlook as indicated in the Annual Monetary Statement of May 3 remains unchanged. However, given the high degree of integration with the global economy, recent global macroeconomic developments pose some risks to

domestic growth. Domestic inflation remains high and much above the comfort zone of the Reserve Bank. Particularly, non-food manufactured products inflation rose in May 2011 after showing some moderation in April 2011. Domestic fuel prices do not yet reflect the current trends of global prices. Although global commodity prices moderated in recent weeks, it is too early to downgrade this as a risk factor. Monetary transmission has strengthened. The impact of the Reserve Bank's recent monetary policy actions is still unfolding. The challenge of containing inflation and anchoring inflation expectations persists. Thus, while the Reserve Bank needs to continue with its anti-inflationary stance, the extent of policy action needs to balance the adverse movements in inflation with recent global developments and their likely impact on the domestic growth trajectory.

### **Expected Outcomes**

The policy action in this Review is expected to:

- contain inflation and anchor inflationary expectations by reining in demand side pressures; and
- mitigate the risk to growth from potentially adverse global developments.

### **Guidance**

Based on the current and evolving growth and inflation scenario, the Reserve Bank will need to persist with its anti-inflationary stance of monetary policy.

## **The Jivan Commercial Co-operative Bank Ltd., Rajkot – Penalised**

**June 16, 2011**

The Reserve Bank of India has imposed a monetary penalty of ₹ 5.00 lakh (Rupees five lakh only) on The Jivan Commercial Co-operative Bank Ltd., Rajkot, Gujarat in exercise of powers vested in it under the provisions of Section 47A (1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (AACS) for violating Know Your Customers (KYC) norms, guidelines on advances to builders and contractors against security of land, Anti Money Laundering (AML) guidelines, individual and group exposure ceiling,

norms for unsecured financial guarantees and for persisting irregularities pointed out in previous inspection report.

The Reserve Bank of India had issued a show cause notice to the bank, in response to which the bank submitted a written reply. After considering the facts of the case, bank's reply and personal submissions in the matter, the Reserve Bank came to the conclusion that the violations were substantiated and warranted imposition of the penalty.

### **The Pij People's Co-operative Bank Ltd., Pij, Dist. Kheda – Penalised**

**June 16, 2011**

The Reserve Bank of India has imposed a monetary penalty of ₹1.00 lakh (Rupees one lakh only) on The Pij People's Co-operative Bank Limited, Pij Dist. Kheda, Gujarat, in exercise of powers vested in it under the provisions of Section 47(A)(1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (AACS) for not reporting cash transactions in excess of ₹10.00 lakh to Financial Intelligence Unit-India (FIU-IND), as required under the Anti-Money Laundering (AML) guidelines.

The Reserve Bank of India had issued a show cause notice to the bank, in response to which the bank submitted a written reply. After considering the facts of the case and the bank's reply and also personal submissions in the matter, the Reserve Bank of India came to the conclusion that the violations were substantiated and warranted imposition of the penalty.

### **Shri P. Vijaya Bhaskar and Shri B. Mahapatra take charge as New EDs at RBI**

**June 16, 2011**

Shri P. Vijaya Bhaskar assumed charge as Executive Director of the Reserve Bank of India on June 13, 2011. As Executive Director, Shri Bhaskar will look after Central Security Cell, Department of Banking Supervision and Department of Non-Banking Supervision.

Shri B. Mahapatra assumed charge as Executive Director of the Reserve Bank of India on June 13, 2011. As Executive Director, Shri Mahapatra will look after Department of Banking Operations and Development, Department of Government and Bank Accounts, Inspection Department and Legal Department.

### **RBI opens Urban Banks Department at its Panaji Office**

**June 17, 2011**

With a view to bestowing focussed attention to urban co-operative banking sector in the state of Goa, the Reserve Bank of India has decided to open an Urban Banks Department in Goa. The Department has started functioning at the Reserve Bank of India, Panaji, Goa from June 17, 2011. Its functional jurisdiction will cover the entire State of Goa. The address and contact details of the department are:

The General Manager & Officer-in-Charge  
Reserve Bank of India  
Urban Banks Department  
3A/3B, Third Floor, Sesa Ghor  
Patto, Panaji 403 001  
Tel. No.: 0832-2438656, 0832-2437693  
Fax No.: 0832-2438657

The Goa office of the Reserve Bank started functioning in 1983 with only Foreign Exchange Department. The department catered to the need of exporters, foreign tourists, non-residents and others in Goa. A Rural Planning and Credit Department was added to the office on April 1, 2011, to facilitate rural credit and achievement of annual credit plan by banks as well as to achieve financial inclusion in the State, by better co-ordination with State Government, banks and others. However, the supervision of Urban Co-operative banks in Goa was being carried out by the Reserve Bank's Mumbai Office.

The Reserve Bank of India is entrusted with the responsibility of regulation and supervision of Urban Co-operative Banks under the regulatory provisions contained in the Banking Regulation Act, 1949 (As applicable to Co-operative Societies), the Reserve Bank of India Act, 1934 and other related statutes.

## **The Padra Nagar Nagarik Sahakari Bank Ltd., Vadodara – Penalised**

**June 17, 2011**

The Reserve Bank of India has imposed a monetary penalty of ₹ 1.00 lakh (Rupees one lakh only) on The Padra Nagar Nagarik Sahakari Bank Limited, Vadodara, Gujarat, in exercise of powers vested in it under the provisions of Section 47(A)(1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (AACS) for not reporting of cash transactions above ₹ 10.00 lakh to Financial Intelligence Unit-India (FIU-IND), as required under the Anti Money Laundering (AML) guidelines.

The Reserve Bank of India had issued a show cause notice to the bank, in response to which the bank submitted a written reply. After considering the facts of the case and the bank's replies in the matter, the Reserve Bank of India came to the conclusion that the violations were substantiated and warranted imposition of the penalty.

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## **Smt. Shyamala Gopinath lays down office as Deputy Governor**

**June 20, 2011**

Smt. Shyamala Gopinath, Deputy Governor relinquished the office of Deputy Governor of the Reserve Bank of India in the forenoon today. Smt. Gopinath was appointed Deputy Governor of the Reserve Bank of India on September 21, 2004 for a period of five years. On completion of her term, she was re-appointed for a further period up to June 20, 2011.

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## **Professor Suresh Tendulkar, Member on RBI's Central Board, expires**

**June 21, 2011**

Professor Suresh D. Tendulkar (72) a noted economist and a member of the Central Board of Directors of the Reserve Bank of India expired this morning in Pune as a result of cardiac arrest. Professor Tendulkar is survived by his wife and two daughters.

Most known for his extensive work on poverty, Prof. Tendulkar was Professor of Economics at the Delhi School of Economics, University of Delhi, India,

from 1978 until 2004, where he also served a term as the Executive Director of the Centre for Development Economics. He was Head of the Department of Economics (1986-89) and Director of the School (1995-98). Before joining the Delhi School, he taught at the Delhi Centre of the Indian Statistical Institute (1968-78). He has written extensively on Indian development issues and policies, including liberalisation and globalisation.

Prof. Tendulkar was Member of the Economic Advisory Council to the Prime Minister from 2004 to 2008 and Chairperson of the Council from 2008 to 2009. He was closely associated with the Indian Statistical System including the National Sample Survey Organisation and the Advisory Committee on National Accounts of which he was the chairperson. He was also part-time member of the National Statistical Commission (2000-01), the first Disinvestment Commission (1996-99), and the Fifth Central Pay Commission (1994-97) appointed by the Government of India.

Prof. Tendulkar contributed significantly to the Central Board's deliberations, also serving as Chairperson of the Eastern Region Local Board and Chairperson of the Human Resources Sub-Committee. The Reserve Bank mourns the sad demise of Professor Tendulkar and expresses its heartfelt condolences to his family.

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## **RBI to put the Data on Overseas Direct Investment in the Public Domain**

**June 22, 2011**

The Reserve Bank of India has decided to put on its website on a monthly basis from July 2011 onwards the outflows on account of Overseas Direct Investment by Indian Companies/Parties as reported by the Authorized Dealers in Form ODI. The report will consist of the following fields, *viz.*, the name of the Indian Company/Party, name of the Joint Venture/Wholly Owned Subsidiary (JV/WOS), name of the country where the investment is made, major activity of the JV/WOS, financial commitment of the parent company in the JV/WOS comprising equity, loan and guarantee issued in USD million. The data in respect of previous period from July 2007 till May 2011 is also being released.



### Outward FDI from India for the period April 2007 to May 31, 2011

(Figures in USD Million)

Period	Financial Commitment			
	Equity	Loan	Guarantee Issued	Total
2007-2008	11269.18	2718.02	6959.96	20947.16
2008-2009	10732.26	3329.00	3104.88	17166.14
2009-2010	6763.27	3620.19	7603.79	17987.25
2010-2011	9351.77	7346.89	27230.52	43929.18
April to May 2011	731.41	3193.24	1166.23	5090.88

As reported by Authorised Dealers in Form ODI

The initiative has been taken as part of the endeavour of the RBI and the Govt. for wider dissemination of information and bringing about more transparency as the JV/WOS have been perceived as an effective medium of economic co-operation between India and other countries. Such overseas investments catalyze growth in our exports, transfer of technology and skill, sharing of results of R & D, access to wider global market, promotion of brand image, generation of employment and utilization of raw materials available in India and in the host country.

Indian overseas investment policies have been progressively liberalised and simplified to meet the changing needs of a growing economy in a globalized environment. The policy which was evolved as one of the strategies for export promotion and strengthening economic linkages with other countries, has been streamlined significantly in scope and size, especially after the introduction of FEMA in June 2000. In the post 2003 period, the policy has enabled corporate entities and registered partnerships to invest in bonafide businesses abroad, currently to the extent of 400 per cent of their net worth, under the automatic route. The aggregate data of overseas investments for the last four years is furnished below:

### Reserve Bank Cancels the Licence of Siddharth Sahakari Bank Ltd., Pune (Maharashtra)

June 23, 2011

In view of the fact that Siddharth Sahakari Bank Ltd, Pune, Maharashtra had ceased to be solvent, all efforts to revive it in close consultation with the

Government of Maharashtra had failed and the depositors were being inconvenienced by continued uncertainty, the Reserve Bank of India delivered the order cancelling its licence to the bank before commencement of business on June 14, 2011. The Registrar of Co-operative Societies, Maharashtra has also been requested to issue an order for winding up the bank and appoint a liquidator for the bank. It may be highlighted that on liquidation, every depositor is entitled to repayment of his/her deposits up to a monetary ceiling of ₹1,00,000/- (Rupees One lakh only) from the Deposit Insurance and Credit Guarantee Corporation (DICGC) under usual terms and conditions.

The bank was granted a licence by Reserve Bank on November 29, 1996 to commence banking business. The statutory inspection of the bank with reference to its financial position as on March 31, 2010 had revealed that the financial parameters of the bank had deteriorated sharply. CRAR was assessed at (-) 86.8 per cent as compared to (-) 19.2 per cent as on March 31, 2009. Assessed Networth was (-) ₹375.17 lakh compared to (-) ₹415.12 lakh as on March 31, 2009. Erosion in deposits was to the extent of 33.6 per cent compared to 10.8 per cent as on March 31, 2009. The bank had also defaulted in maintenance of CRR and SLR. The bank was advised by Reserve Bank at a meeting held on July 09, 2010 that it had a time of three months to show progress in the financial health of the bank, failing which Reserve Bank would be constrained to initiate the process to cancel the licence issued to the bank. The bank was also advised at the above meeting, to explore the possibility of merger with a sound UCB.

A scrutiny conducted with reference to the bank's financial position as on September 30, 2010 had revealed further deterioration in its financial parameters. CRAR was (-) 90.3 per cent, Net Worth was assessed at (-) ₹1463.41 lakh and Net Loss was assessed at ₹1723.70 lakh as on that date. Additionally, the bank had apprised that it was facing severe liquidity problems due to heavy withdrawals from deposit accounts during September 2010. The sponsorship of sub-membership of the bank to Pune Bankers' Clearing House was withdrawn by Cosmos Co-operative Bank Ltd, Pune with effect from October 30, 2010 as the bank had failed to meet its clearing liability.

Due to precarious financial position and liquidity crunch faced by the bank, it was placed under directions under Section 35 A of the Banking Regulation Act, 1949 (AACS) vide Directive UBD CO BSD-I No. D-25/12.22.382/2010-11 dated December 15, 2010 effective from close of business as on December 20, 2010.

Serious deficiencies as mentioned above revealed that the affairs of the bank were being conducted in a manner detrimental to the interests of the depositors. The bank did not comply with the provisions of Sections 11(1), 18, 22(3)(a) & (b) and 24 of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies).

In view of the aforesaid serious deficiencies/irregularities and the deteriorating financial position of the bank, it was issued a notice on April 06, 2011 to show cause (SCN) as to why the licence granted to the bank on November 29, 1996 to conduct banking business should not be cancelled. The bank submitted its reply to the SCN vide its letter dated April 28, 2011. The reply to the SCN was considered and examined but not found satisfactory. Further, no concrete proposal was received from the bank for merger.

Therefore, Reserve Bank of India took the extreme measure of cancelling licence of the bank in the interest of bank's depositors. With the cancellation of licence and commencement of liquidation proceedings, the process of paying the depositors of the Siddharth Sahakari Bank Ltd, Pune, Maharashtra will be set in motion subject to the terms and conditions of the Deposit Insurance Scheme.

Consequent to the cancellation of its licence, Siddharth Sahakari Bank Ltd, Pune, Maharashtra is prohibited from carrying on 'banking business' as defined in Section 5(b) of the Banking Regulation Act, 1949 (AACS).

For any clarifications, depositors may approach Smt. K.S. Jyotsna, Deputy General Manager, Urban Banks Department, Mumbai Regional Office, Reserve Bank of India, Mumbai, whose contact details are as below:

Postal Address: Urban Banks Department, Mumbai Regional Office, Reserve Bank of India, 2nd

Floor, Garment House, Dr. A.B. Road, Worli, Mumbai – 400 018; Telephone Number: (022) 24824203, 24939930, Fax Number: (022) 24935495.

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### **The Prerana Co-operative Bank Ltd., Pune – Penalised**

**June 23, 2011**

The Reserve Bank of India has imposed a monetary penalty of ₹1.00 lakh (Rupees one lakh only) on The Prerana Co-operative Bank Ltd., Pune, Maharashtra in exercise of powers vested in it under the provisions of Section 47(A)(1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (AACS) for violation of Reserve Bank of India's directives on unsecured advances.

The Reserve Bank of India had issued a show cause notice to the bank, in response to which the bank submitted a written reply. The bank was also called for a personal hearing. Based on the reply and submissions made by the bank during the personal hearing, the Reserve Bank came to the conclusion that the violations were substantiated and warranted imposition of the penalty.

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### **Computation and Dissemination of RBI Reference Rate – Revised Methodology**

**June 24, 2011**

The Reserve Bank of India compiles and publishes on a daily basis reference rates for Spot USD-INR and Spot EUR-INR. Under the existing methodology, the rates are arrived at by averaging the mean of the bid/offer rates polled from a few select banks around 12 noon every week-day (excluding Saturdays). The contributing banks are selected on the basis of their standing, market-share in the domestic foreign exchange market and representative character. The Reserve Bank periodically reviews the procedure for selecting the banks and the methodology of polling so as to ensure that the reference rate is a true reflection of the market activity. Accordingly, it has been decided to revise the existing methodology, the details of which are as under:

- The rates will be polled from the select list of contributing banks at a randomly chosen five minute window between 10.30 a.m. and 12.30 p.m. every week-day (excluding Saturdays).
- The reference rates for spot US Dollar and Euro against Rupee shall be disseminated up to the fourth decimal place.
- The daily press release on RBI Reference Rate for US Dollar and Euro will be issued every week-day (excluding Saturdays) at 1.00 p.m.

These changes shall be effective from July 1, 2011.

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### **First Quarter Review of Monetary Policy 2011-12 on July 26, 2011**

**June 27, 2011**

Dr. D. Subbarao, Governor, Reserve Bank of India will announce the First Quarter Review of Monetary Policy 2011-12 on Tuesday, July 26, 2011. This will be done in a meeting with the chief executives of major

scheduled commercial banks at 11.00 a.m. on July 26, 2011 at the Central Office, Reserve Bank of India, Mumbai.

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### **Computation and Dissemination of RBI Reference Rate – Revised Methodology**

**June 30, 2011**

In partial modification of press release dated June 24, 2011, it has been decided that the rates will be polled from the select list of contributing banks at a randomly chosen five minute window between 11.45 AM and 12.15 PM every week-day (excluding Saturdays) and the daily press release on RBI Reference Rate for US Dollar and Euro will be issued every week-day (excluding Saturdays) at around 12.30 PM.

The other elements of the revised methodology as stated in the press release dated June 24, 2011 remain unchanged.