

## *Survey on International Trade in Banking Services: 2011-12\**

*The Reserve Bank's annual survey on 'International trade in banking services' is intended to provide information on International trade in banking services (ITBS) for India in respect of the branches/subsidiaries of Indian banks operating abroad and branches/subsidiaries of foreign banks operating in India. Consistent and comparable data are captured on financial auxiliary services rendered by the banks based on explicit/implicit fee/commission charged to customers. The article presents the findings of the 2011-12 round of the Reserve Bank's survey on International Trade in Banking Services (ITBS).*

### **Introduction**

International trade in banking services (ITBS) refers to the banking services with non-residents that require a local presence by a foreign bank for functions such as lending to firms, mortgage lending, retail deposit-taking, consumer finance, and a host of so-called non-asset-based services such as securities underwriting, local currency bond trading, foreign exchange services for firms, brokering, custody services and funds collection and disbursement services. These services play an important role in fostering the international trade in goods and services among countries as all the international transactions are routed through banks directly or indirectly. For providing such banking services to resident of a country, an overseas bank would require ground presence in that country. The requirement for a local presence brings a foreign bank face to face with the domestic banking policies of the host country.

Globalisation of Indian economy has gone hand in hand with increase in external trade and more open financial market. Banks have started branches/

subsidiaries across borders to provide banking services in cost-effective manner. Foreign direct investments in banking in the form of branches, agencies, and subsidiaries, or by the means of cross-border mergers and acquisitions, have increased the cross-border presence of both domestic and foreign banks over the years. From the perspective of public policy in India, it is useful to assess the efficiency of banking services by Indian banks operating abroad and foreign banks operating in India. Also, the General Agreement on Trade in Services (GATS) under the World Trade Organisation (WTO) *inter alia*, necessitated the need of consistent and comparable statistics on ITBS for negotiations for the financial services sector liberalising.

The Reserve Bank's annual survey on 'International trade in banking services' is intended to provide information for India in respect of the overseas branches/subsidiaries of Indian banks and branches/subsidiaries of foreign banks operating in India. As per BoP Manual (BPM6) subsidiary is a direct investment enterprise (DIE) over which direct investor is able to exercise control, which is assumed to exist if the investor has more than 50 per cent equity in the enterprise investment. An associate is a DIE over which the direct investor does not have control but is able to exercise a significant degree of influence, which is assumed to exist if the direct investor owns from 10 to 50 per cent of the equity shares in the investment enterprise.

The earlier rounds of ITBS annual surveys were conducted since the year 2006-07. The details of the banking services covered under the survey are described in the Annex. The survey of 2011-12 covered 163 overseas branches and 158 overseas subsidiaries of Indian Banks and 309 branches of foreign banks operating in India.

### **Trends in International Trade in Banking Services**

The salient features of 2011-12 round of the ITBS survey and changes in the international trade in banking services in the last few years are analysed here.

\* Prepared in the External Liabilities and Assets Statistics Division, Department of Statistics & Information Management. The previous article in the series with reference period 2009-10 and 2010-11 was published in May 2012 issue of the Reserve Bank of India Bulletin.

## I. Branch Distribution of Indian Banks Operating Abroad and Foreign Banks Operating in India

As per balance sheet of scheduled commercial banks, the highest number of branches of Indian banks were in the United Kingdom (30), followed by Hong Kong (18), Singapore (17), Fiji (9), United Arab Emirates (11), Sri Lanka (9) and Mauritius (8). Among Indian banks, State Bank of India had the largest overseas presence with 52 branches in 21 countries, followed by Bank of Baroda (47 branches in 14 countries) and Bank of India (24 branches in 12 countries).

There was decreasing trend in the growth of number of employees employed in various branches, subsidiaries of Indian banks operating abroad and foreign banks operating in India after 2008-09. The y-o-y growth of the number of employees moderated in Indian branches operating abroad since 2009-10. For foreign banks operating in India, employment was contracted in 2008-09 and 2009-10. Although, some recovery was noticed in 2010-11, it showed contraction again in 2011-12.

During 2011-12, Indian banks operating abroad employed 66.3 per cent of employees from local sources, 30.8 per cent from India and remaining 2.9 per cent from other countries. In case of foreign banks working in India, the share of local employees in total employees was much higher (99.6 per cent) in 2011-12.

The number of employees of Indian banks operating abroad increased by 6.1 per cent and the number of employees of the foreign banks operating in India decreased by 2.9 per cent during 2011-12 (Table 1).

## II. Banking Business of Indian Banks Operating Abroad and Foreign Banks Operating in India

The subdued level of activity in the business of overseas operations of Indian banks and Indian Bank's subsidiaries operating abroad was observed subsequent to 2008-09. The y-o-y growth of consolidated balance sheet of overseas branches of Indian banks moderated from 57.8 per cent in 2008-09 to 15.5 per cent in 2009-10. However, the growth regained during 2010-11 at 42.7 per cent with same moderation in 2011-12. The growth of consolidated balance sheet of foreign banks operating in India contracted by 3.1 per cent in 2009-10 and recovered in subsequent years. The growth in credit extended and deposit mobilised by Indian banks' branches operating abroad showed substantial moderation in 2009-10 and some recovery in the subsequent years. In case of foreign banks operating in India, the y-o-y credit growth registered very low growth of 3.0 per cent in 2008-09. Credit growth contracted by 1.5 per cent in 2009-10, which was recovered in 2010-11 and remained mostly unchanged in 2011-12. The growth in credit extended by the Indian banks' subsidiaries operating abroad also

**Table 1: Distribution of Employees of Indian Banks Operating Abroad and Foreign Banks Operating in India**

Per cent Growth

	Indian Banks operating abroad				Foreign Banks operating in India				Subsidiaries of Indian Banks operating abroad			
	2008-09	2009-10	2010-11	2011-12	2008-09	2009-10	2010-11	2011-12	2008-09	2009-10	2010-11	2011-12
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Number of Employees	11.0	5.7	6.6	6.1	-1.1	-6.3	0.8	-2.9	32.2	21.2	17.1	11.0
<i>of which:</i>												
Local	15.2	3.3	9.6	2.0	-1.1	-6.4	0.7	-2.9	35.1	25.7	20.8	8.6
Indians	11.8	8.0	4.3	13.4	NA	NA	NA	NA	25.9	6.6	0.8	22.5
Others	-46.0	43.2	-30.2	37.8	-14.4	16.9	5.2	4.9	-7.7	-16.7	0.0	35.0

NA – Not applicable

**Table 2: Balance Sheet Items of Indian Banks Operating Abroad and Foreign Banks Operating in India**

(Amount in ₹ billion)

Items	Amount in ₹ billion as at end-March					Growth (%)			
	2008	2009	2010	2011	2012	2008-09	2009-10	2010-11	2011-12
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
<b>Indian Banks' Branches Operating Abroad</b>									
Credit extended	1389.3	2188.3	2510.0	3501.2	4451.1	57.5	14.7	39.5	27.0
Deposits mobilised	770.3	1396.9	1629.0	2125.7	2700.9	81.3	16.6	30.5	27.1
<b>Total Assets/Liabilities</b>	<b>2199.0</b>	<b>3470.5</b>	<b>4009.0</b>	<b>5720.5</b>	<b>7399.2</b>	<b>57.8</b>	<b>15.5</b>	<b>42.7</b>	<b>29.3</b>
<b>Indian Banks' Subsidiaries Operating Abroad</b>									
Credit extended	212.6	430.6	481.9	459.0	536.5	102.5	11.9	-4.8	16.8
Deposits mobilised	378.0	497.9	551.8	512.1	491.8	31.7	10.8	-7.2	-4.0
<b>Total Assets/Liabilities</b>	<b>593.9</b>	<b>746.9</b>	<b>806.2</b>	<b>736.5</b>	<b>826.4</b>	<b>25.8</b>	<b>7.9</b>	<b>-8.6</b>	<b>12.2</b>
<b>Foreign Banks' Operating in India</b>									
Credit extended	1606.5	1654.1	1628.5	1980.7	2413.2	3.0	-1.5	21.6	21.8
Deposits mobilised	1910.2	2139.7	2377.3	2402.3	2706.0	12.0	11.1	1.1	14.3
<b>Total Assets/Liabilities</b>	<b>3640.0</b>	<b>4469.5</b>	<b>4329.4</b>	<b>4904.8</b>	<b>5764.5</b>	<b>22.8</b>	<b>-3.1</b>	<b>13.3</b>	<b>17.5</b>

decreased sharply in 2009-10 and has recorded a 4.8 per cent contraction in 2010-11, which was recovered in 2011-12. However, the deposit growth of overseas subsidiaries continued to be in the contraction mode since 2010-11 (Table 2).

### III. Income and Expenditure of Indian Banks Operating Abroad and Foreign Banks Operating in India

Due to credit slow down and subsequent turn down in interest income, the total income of Indian

banks' branches operating abroad and foreign banks operating in India contracted during 2009-10, before recovering in 2010-11 (Table 3). As a result, the Indian banks operating abroad and foreign banks operating in India abridged their expenses in 2009-10. However, their expenses increased during 2010-11 and 2011-12 mainly due to increase in interest expenses.

The income and expenditure of the subsidiaries of Indian banks operating outside India recorded a contraction in 2009-10 and 2010-11 which recovered in 2011-12 (Table 3).

**Table 3: Income and Expenditure of Indian Banks' Overseas Branches, Subsidiaries of Indian Banks operating abroad and Foreign Banks' branches in India**

Items	Indian Banks' Overseas Branches				Subsidiaries of Indian Banks operating abroad				Foreign Banks' branches in India			
	2008-09	2009-10	2010-11	2011-12	2008-09	2009-10	2010-11	2011-12	2008-09	2009-10	2010-11	2011-12
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Income	167.4 (27.7)	161.8 (-3.3)	196.6 (21.5)	285.3 (45.1)	47.3 (61.1)	40.6 (-14.2)	38.1 (-6.2)	57.6 (51.2)	452.0 (29.4)	363.2 (-19.6)	394.3 (8.6)	467.3 (18.5)
<i>Of which: Interest Income</i>	170.6 (35.4)	140.7 (-17.5)	188.4 (33.9)	230.5 (22.3)	39.2 (40.2)	33.5 (-14.5)	32.9 (-1.8)	37.1 (12.9)	303.1 (23.3)	263.2 (-13.2)	285.9 (8.6)	361.2 (26.3)
Expenditure	165.1 (57.5)	121.6 (-26.3)	134.0 (10.2)	206.2 (53.9)	42.8 (53.7)	34.5 (-19.4)	29.7 (-13.9)	45.8 (54.2)	326.2 (32.1)	200.1 (-38.7)	281.3 (40.6)	327.9 (16.5)
<i>Of which: Interest Expenses</i>	130.3	104.5 (-19.8)	129.3 (23.7)	160.0 (23.7)	30.1	26.4 (-12.3)	20.8 (-21.2)	22.8 (9.6)	128.1	85.9 (-32.9)	107.3 (24.9)	151.6 (41.3)

Figures in the parentheses indicate annual growth in the respective items

**Table 4: Profitability Ratios for Branches and Subsidiaries of Indian Banks Operating Abroad and Foreign Banks Operating in India**

(per cent)

Profitability Ratio	Indian Banks' Branches Operating Abroad				Indian Banks' Subsidiaries Operating Abroad				Foreign Banks' Branches Operating in India			
	2008-09	2009-10	2010-11	2011-12	2008-09	2009-10	2010-11	2011-12	2008-09	2009-10	2010-11	2011-12
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Income to Total Assets	4.8	4.0	3.4	3.9	6.3	5.0	5.2	7.0	10.1	8.4	8.0	8.1
Profit to Total Assets	0.1	1.0	1.1	0.7	0.6	0.8	1.1	1.4	2.8	3.8	2.3	2.4

The income to total asset of branches of Indian banks operating abroad and foreign banks operating in India showed a downwards trend starting from 2008-09. Further, the profitability ratio, profit to total assets of branches and subsidiaries of Indian banks operating got impacted considerably in the crisis year 2008-09, which improved afterwards (Table 4).

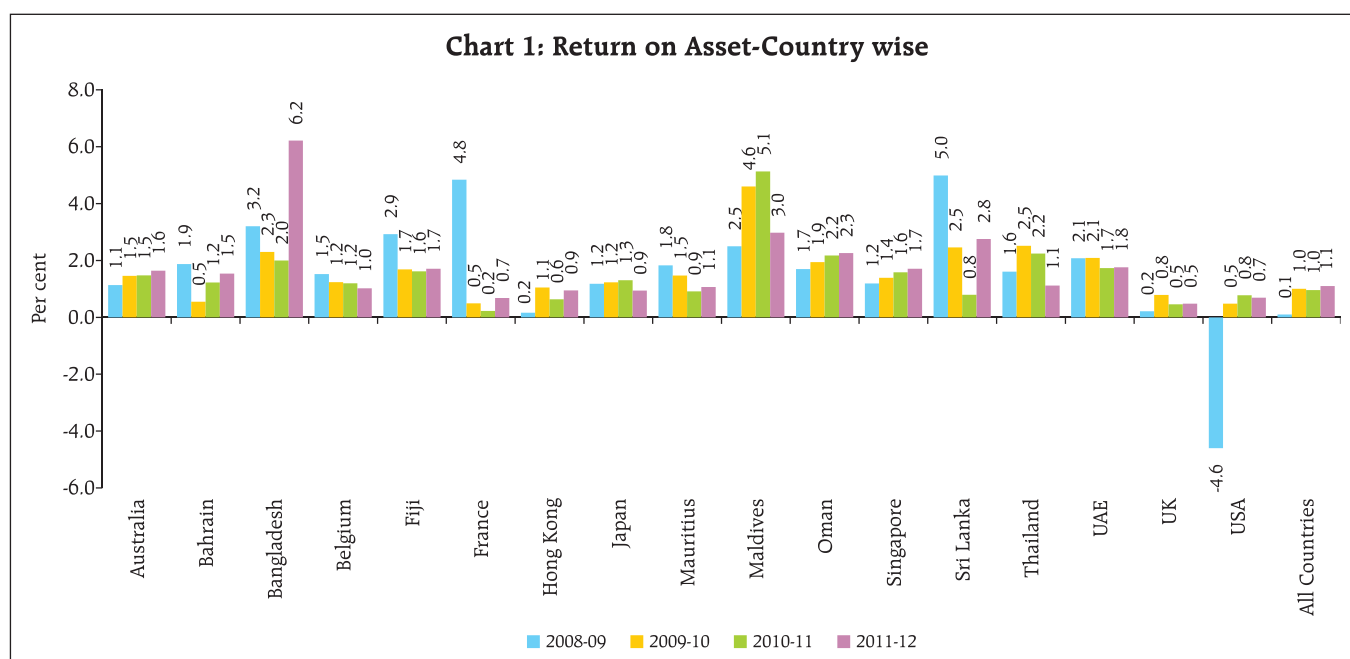
#### IV. Country-wise Profitability of Indian Banks' Branches Operating Abroad

It was observed that return on assets of Indian banks' overseas branches was affected the most in the year 2008-09. It was especially true for Indian Banks' branches located in USA (Chart 1).

#### V. Activity-wise Trade in Banking Services

The trade in banking services extended was collected based on explicit and implicit fees or commission charged to the customers for various services rendered by the branches and subsidiaries of Indian banks operating abroad. In this survey the financial services provided by the banks were classified into eleven major groups. Details are explained in Annex. Disaggregated data on services rendered by overseas branches and subsidiaries of Indian banks are presented in this section as per the Manual on Statistics of International Trade in Services 2010.

The growth in fee income generated by rendering banking services by the Indian banks branches



**Table 5: Activity-wise Composition of Trade in Banking Services for Overseas Branches of Indian Banks and Subsidiaries of Indian Banks**

(Amount in ₹ billion)

Banking Service	Overseas Branches of Indian Banks				Subsidiaries of Indian banks Operating Abroad			
	2008-09	2009-10	2010-11	2011-12	2008-09	2009-10	2010-11	2011-12
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Deposit Account Management Services	0.8	0.6	0.9	1.8	0.1	0.1	0.3	0.2
Credit Related Services	11.8	15.6	23.9	25.6	2.1	2.5	1.3	1.4
Financial Leasing Services	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Trade Finance Related Services	12.1	10.9	10.6	18.2	1.6	0.9	0.4	0.5
Payment and Money Transmission Services	2.7	3.1	2.6	10.1	1.1	1.0	0.3	0.4
Fund Management Services	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.3
Financial Consultancy and Advisory Services	0.7	0.4	0.9	0.3	1.3	0.6	0.5	0.2
Underwriting Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Clearing and Settlement Services	0.2	0.0	0.0	1.9	0.0	0.0	0.0	0.0
Derivative, Stock, Securities, Foreign Exchange trading Services	1.3	1.9	4.5	9.6	-7.4	0.5	0.3	0.4
Other Financial Services	0.4	0.3	0.5	0.6	13.7	0.1	0.1	0.7
<b>Total</b>	<b>30.1</b>	<b>33.0</b> (9.7)	<b>44.0</b> (33.2)	<b>68.0</b> (54.5)	<b>12.4</b>	<b>5.6</b> (-54.6)	<b>3.3</b> (-40.9)	<b>4.1</b> (23.2)

Figures in the parentheses indicate annual growth

operating abroad, improved in the subsequent years after the crisis, mainly due to substantial increase in fee income in 'Credit Related services', Trade Finance Related Services, 'Payment and Money Transmission Services' and 'Derivative, Stock, Securities, Foreign Exchange trading Services' for overseas branches of Indian banks (Table 5).

Overseas subsidiaries of Indian banks registered a significant contraction in the fee income generated from rendering banking services in 2009-10 (-54.6 per cent) and 2010-11 (-40.9 per cent) respectively, which was recovered in 2011-12.

## VI. Country-wise Profitability of Indian Banks' Branches Operating Abroad

Bahrain, Belgium, Hong Kong, Japan, Singapore, Sri Lanka, UAE, UK and USA were the major countries which accounted together for nearly 90.8 per cent to total trade in banking services of the branches of Indian banks operating abroad.

Botswana, Canada, Russia and United Kingdom were the major countries in banking services of the subsidiaries of the Indian banks operating abroad (Table 6).

**Table 6: Trade in Banking Services – Country-wise Classification**

(Amount in ₹ billion)

Overseas branches of Indian Banks																					
Country	Trade in Banking Services																		Total		
	DAM			CRS			TFR			PMT			DER			Other Services			All Services		
	2009-10	2010-11	2011-12	2009-10	2010-11	2011-12	2009-10	2010-11	2011-12	2009-10	2010-11	2011-12	2009-10	2010-11	2011-12	2009-10	2010-11	2011-12	2009-10	2010-11	2011-12
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
Bahrain	0.0	0.0	0.0	2.2	2.1	1.8	0.5	0.3	0.3	0.0	0.0	0.0	0.3	0.3	0.1	0.1	1.0	0.3	3.1	3.7	2.5
Belgium	0.0	0.0	0.0	0.5	0.3	0.2	0.4	0.2	0.4	0.2	0.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0	1.1	0.8	0.9
Hong Kong	0.0	0.0	0.6	2.3	3.5	5.3	1.2	1.3	2.0	0.1	0.1	0.6	0.3	0.7	0.7	0.3	0.0	0.2	4.2	5.7	9.5
Japan	0.0	0.2	0.1	0.0	0.7	0.2	3.6	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.1	3.6	1.0	0.9
Singapore	0.0	0.0	0.0	4.3	3.6	5.6	0.6	2.6	1.5	0.1	0.2	0.1	0.7	1.1	1.4	0.3	0.1	0.4	6.0	7.6	8.9
Sri Lanka	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.1
UAE	0.3	0.5	0.6	0.3	1.8	2.5	1.3	2.5	2.4	0.0	0.1	0.1	0.2	0.3	0.4	0.0	0.0	0.0	2.2	5.2	5.9
UK	0.1	0.1	0.3	4.1	7.9	4.5	1.2	2.1	8.2	0.2	0.3	6.7	0.1	0.1	6.2	0.0	0.0	1.8	5.7	10.5	27.8
USA	0.0	0.0	0.0	1.0	2.8	2.4	0.7	0.7	1.6	1.7	0.8	1.2	0.0	0.0	0.1	0.0	0.0	0.0	3.5	4.4	5.2
Other Countries	0.1	0.1	0.1	0.7	1.2	3.1	1.5	0.8	1.6	0.8	0.9	1.0	0.3	1.8	0.3	0.3	0.2	0.0	3.6	5.1	6.3
<b>Total</b>	<b>0.6</b>	<b>0.9</b>	<b>1.8</b>	<b>15.6</b>	<b>23.9</b>	<b>25.6</b>	<b>10.9</b>	<b>10.6</b>	<b>18.2</b>	<b>3.1</b>	<b>2.6</b>	<b>10.1</b>	<b>1.9</b>	<b>4.5</b>	<b>9.6</b>	<b>0.9</b>	<b>1.4</b>	<b>2.8</b>	<b>33.0</b>	<b>44.0</b>	<b>68.0</b>

Overseas Subsidiaries of Indian Banks																					
Country	DAM			CRS			TFR			PMT			DER			Other Services			All Services		
	2008-09	2009-10	2010-11	2008-09	2009-10	2010-11	2008-09	2009-10	2010-11	2008-09	2009-10	2010-11	2008-09	2009-10	2010-11	2008-09	2009-10	2010-11	2008-09	2009-10	2010-11
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
Botswana	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.1	0.3
Canada	0.0	0.0	0.1	0.4	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.1	0.4	0.1	0.0	1.1	0.7	0.6
Russia	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.1
UK	0.0	0.0	0.0	1.7	0.5	0.3	0.7	0.2	0.2	0.9	0.0	0.0	0.1	0.0	0.0	0.1	0.4	0.3	3.5	1.2	0.8
Other Countries	0.1	0.2	0.1	0.3	0.4	0.6	0.1	0.2	0.3	0.0	0.2	0.3	0.2	0.2	0.3	0.1	0.1	0.6	0.8	1.3	2.2
<b>Total</b>	<b>0.1</b>	<b>0.3</b>	<b>0.2</b>	<b>2.5</b>	<b>1.3</b>	<b>1.4</b>	<b>0.9</b>	<b>0.4</b>	<b>0.5</b>	<b>1.0</b>	<b>0.3</b>	<b>0.4</b>	<b>0.5</b>	<b>0.3</b>	<b>0.4</b>	<b>0.7</b>	<b>0.6</b>	<b>1.2</b>	<b>5.6</b>	<b>3.3</b>	<b>4.1</b>

DAM: Deposit Account Management Services; CRS: Credit Related Services; TFR: Trade Finance Related Services; PMT: Payment & Money Transmission Services; DER: Derivative, Stock, Securities, Foreign Exchange Trading services; NA Bank/Branch is not operating

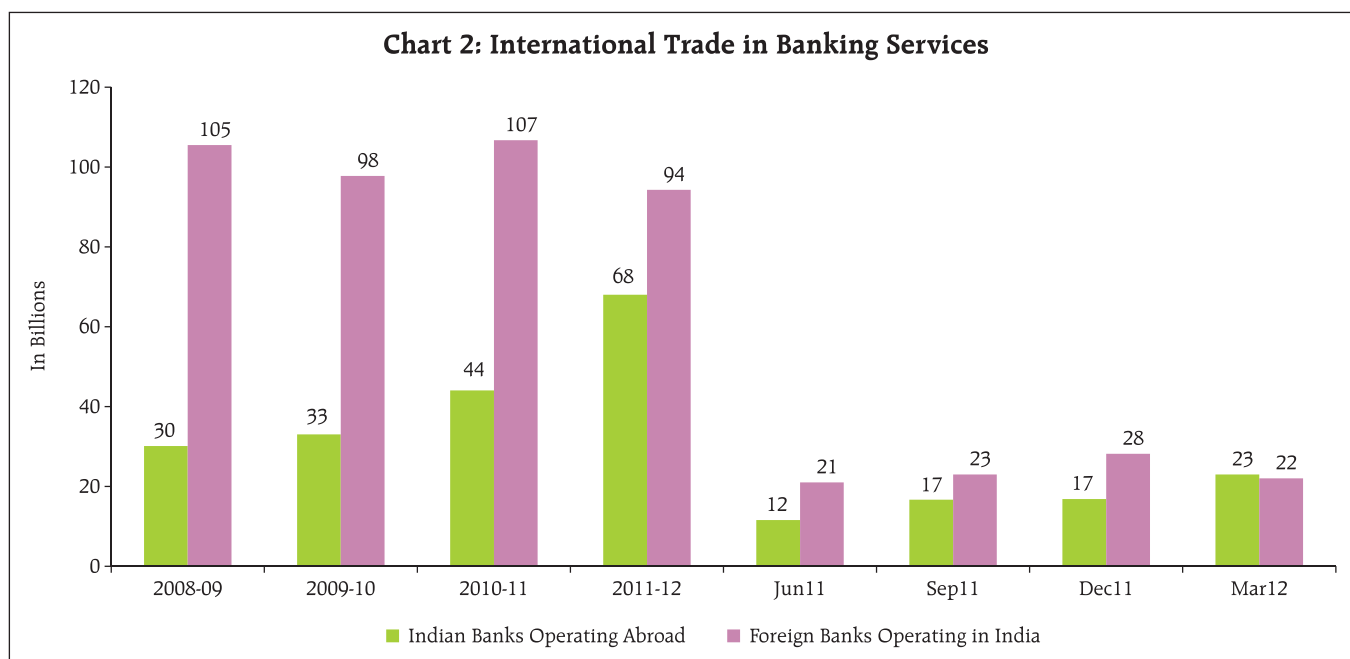
## VII. International trade in Banking services rendered to Residents and Non-Residents

A dominant portion of fee income of Indian Banks overseas branches came from non-residents. Major portion of fee income for Indian banks subsidiaries abroad came from residents (Table 7).

**Table 7: Fee Income on Trade in Banking Services by Indian Banks Branches Abroad and Indian Banks Subsidiaries Abroad – Residents and Non-Residents**

(Amount in ₹ billion)

Item	Indian Banks Branches abroad				Indian Banks subsidiaries abroad			
	2008-09	2009-10	2010-11	2011-12	2008-09	2009-10	2010-11	2011-12
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Residents	11.31	11.11	15.92	28.8	8.08	2.6	1.95	3.2
Non-Residents	18.81	21.92	28.09	39.2	4.35	3.04	1.38	0.9
<i>of which:</i>								
In India	11.13	11.32	15.39	20.3	0.75	1.25	0.3	0.3
In Other Countries	7.68	10.6	12.7	18.9	3.6	1.79	1.08	0.6
<b>Total Trade in Banking Services (Fee Income)</b>	<b>30.12</b>	<b>33.03</b>	<b>44.01</b>	<b>68.0</b>	<b>12.43</b>	<b>5.64</b>	<b>3.33</b>	<b>4.1</b>



### VIII. Trade in Banking Services-Indian Banks' Branches Operating Abroad and Foreign Bank Branches Operating in India

Total fee income of ₹68.0 billion in 2011-12 were generated by 163 branches of Indian banks operating outside India. In case of foreign banks operating in India, total fee income of ₹94.3 billion were generated by 309 branches (Chart 2).

Indian banks' branches operating abroad generated major share of fee income by rendering 'credit related

services' and 'trade finance related services'. In case of the foreign banks operating in India 'Derivative, stock, securities, foreign exchange trading services' and 'Financial Consultancy and Advisory Services' were the major source of fee income (Table 8).

### IX. Conclusion

The y-o-y growth of consolidated balance sheet of overseas branches of Indian banks moderated significantly in 2009-10. Also, the y-o-y growth of consolidated balance sheet of foreign banks operating

**Table 8: Activity wise share of Trade in Banking Services**

(per cent)

Activity	Indian Banks operating Abroad				Foreign Banks operating in India			
	2008-09	2009-10	2010-11	2011-12	2008-09	2009-10	2010-11	2011-12
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Deposit Account Management Services	2.7	1.7	2.1	2.7	2.8	4.1	3.8	5.4
Credit Related Services	39.2	47.2	54.4	37.6	8.4	7.2	9.0	10.9
Financial Leasing Services	0.0	0.2	0.0	0.0	0.9	0.0	0.0	0.0
Trade Finance Related Services	40.3	33.1	24.2	26.8	17.7	14.0	11.1	19.0
Payment and Money Transmission Services	9.1	9.2	6.0	14.8	7.0	7.0	17.5	9.2
Fund Management Services	0.1	0.5	0.0	0.0	3.1	4.7	5.2	5.9
Financial Consultancy and Advisory Services	2.4	1.3	2.1	0.4	9.6	19.5	14.1	14.4
Underwriting Services	0.0	0.0	0.0	0.0	0.8	0.4	0.4	0.4
Clearing and Settlement Services	0.6	0.0	0.0	2.8	3.4	2.2	2.0	3.7
Derivative, Stock, Securities, Foreign Exchange trading Services	4.4	5.9	10.2	14.1	35.2	18.7	27.1	21.5
Other Financial Services	1.2	0.9	1.0	0.9	11.1	22.1	9.8	9.6
<b>All activities</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

in India showed contraction in 2009-10. However, after 2009-10, some improvement was observed in operations of foreign banks operating in India as well as overseas branches/subsidiaries of Indian banks operating abroad. Thus global financial crisis had some adverse impact on international trade in banking services of India.

A dominant portion of fee income of the Indian banks branches operating abroad came from rendering services to the non-residents. On the other hand, the major portion of fee income for the Indian Banks

overseas subsidiaries came from rendering services to the residents.

'Derivative, stock, securities, foreign exchange trading services' and 'financial consultancy and advisory services' were the major sources of fee income for the foreign banks' operating in India. However in case of Indian banks' branches operating abroad, major share of the fee income was generated by rendering 'credit related services' and 'trade finance related services'.



### 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.

**Annex (Contd.)****Banking Services Covered in the Survey**

- **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 Economics 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.