

*International Trade in Banking Services: 2009-10 and 2010-11**

This article presents the findings of the 2009-10 and 2010-11 rounds of the Reserve Bank's survey on International Trade in Banking Services (ITBS) covering overseas branches/subsidiaries/associates of Indian banks and branches of foreign banks operating in India. Consistent and comparable data are captured on financial auxiliaries' services rendered by the banks based on explicit/implicit fee/commission charged to customers. It is found that Indian banks branches operating abroad generated major share of fee income by rendering services related to credit and trade finance, whereas foreign banks in India generated major share of fee income by rendering derivative, stock, securities, foreign exchange trading services and financial consultancy and advisory services. Foreign banks operating in India were ahead of overseas branches of Indian banks in respect of generating income from trade in banking services.

Introduction

International trade in banking services (ITBS) refers to the banking services with non-residents that require a local presence of a foreign bank for functions such as retail deposit-taking, lending to firms, mortgage lending, consumer finance, and a host of 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. As all international transactions are directly or indirectly routed through banks, these services foster international trade in goods and services. For providing such banking services to residents of a country, ground presence of an overseas bank in that country would be required, which brings it face to face with the domestic banking policies of the host country.

Globalisation of Indian economy has gone hand in hand with rise in external trade and more open

financial markets. Both Indian and foreign banks are opening branches/subsidiaries across borders to provide banking services in cost-effective manner. Over the years, 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 Indian and foreign banks. From the perspective of public policy in India, it is useful to assess the efficiency of banking services by Indian banks operating abroad *vis-à-vis* foreign banks operating in India and also to gauge the effectiveness of overseas expansion of Indian banks branches. Also, the General Agreement on Trade in Services (GATS) under the World Trade Organization (WTO) *inter alia* necessitated the need of consistent and comparable statistics on ITBS for negotiations for financial services sector liberalisation.

The Reserve Bank's ITBS survey is intended to provide information on ITBS in respect of the overseas branches/subsidiaries of Indian banks and branches/subsidiaries of foreign banks operating in India. The earlier rounds of ITBS surveys were conducted for the years 2006-07, 2007-08 and 2008-09.

This article covers 2009-10 and 2010-11 rounds of ITBS survey. 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, (x) derivative, stock, securities and foreign exchange trading services and (xi) other financial 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. The survey methodology is described in Annex.

* Prepared in the Balance of Payments Statistics Division, Department of Statistics and Information Management. The previous article in the series covering the findings of 2008-09 round of the survey on 'International Trade in Banking Services' along with the survey schedule, was published in October 2010 issue of the Reserve Bank of India Bulletin.

The remainder of the article is organised into six sections. The distribution of branches/subsidiaries/associates of Indian banks abroad and foreign banks operating in India is presented in Section I. Their business growth and trend in profitability are presented in Sections II and III, respectively. Section IV analyses the trade in banking services by Indian banks operating outside India. Section V presents disaggregated activity-wise/country-wise analysis and major findings are summarised in Section VI.

SECTION I

Branch Distribution of Indian Banks Operating Abroad and Foreign Banks Operating in India

Table 1 gives the distribution of overseas branches of Indian banks and foreign banks operating in India. The survey covered 97.9 per cent and 98.7 per cent of overseas branches of Indian banks as at end-March 2010 and end-March 2011 respectively whereas in the case of foreign banks operating in India, the coverage stood at 97.4 per cent and 96.9 per cent, respectively. The survey covered 309 out of 319 branches of foreign banks operating in India and 153 of the 155 branches/offices of Indian banks operating abroad in 29 countries as at end-March 2011. In addition, Indian banks operating abroad furnished data for their 150 overseas subsidiaries and 81 overseas associates. A 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 share 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 equity holding of direct investor in the investment enterprise is between 10 to 50 per cent. As per the balance sheets of scheduled commercial banks (SCBs) for March 2011, the highest number of branches of Indian banks were in the United Kingdom (28), followed by Hong Kong (18), Singapore (16), Fiji (9), United Arab Emirates (11), Mauritius (8), and Sri Lanka (8). Among Indian banks, Bank of Baroda had the largest overseas presence with 47 branches in 14 countries, followed by State Bank of India (45 branches in 19 countries) and Bank of India (24 branches in 12 countries).

Employment

The details of employees in various branches, subsidiaries and associates of Indian banks operating abroad and foreign banks operating in India are given in Tables 1, 2 and 3, respectively. The number of employees of Indian banks operating abroad increased successively by 5.7 per cent in 2009-10 and 6.6 per cent in 2010-11. On the other hand, the impact of global financial turbulence on foreign banks was visible on their Indian operations too as their employee strength in India contracted by 6.3 per cent in 2009-10 before recovering marginally by 0.8 per cent during 2010-11.

The share of local employees in foreign banks' total employees in India was 99.6 per cent in 2010-11

Table 1: Survey Coverage of Indian Banks Operating Abroad and Foreign Banks Operating in India

	Indian Banks operating abroad					Foreign Banks operating in India				
	Number (March)			% Growth		Number (March)			% Growth	
	2009	2010	2011	2009-10	2010-11	2009	2010	2011	2009-10	2010-11
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Number of responding Branches	134 (138)	144 (147)	153 (155)	7.5	6.2	289 (295)	302 (310)	309 (319)	4.5	2.3
Number of Employees	2,919	3,084	3,289	5.7	6.6	29,824	27,945	28,158	-6.3	0.8
<i>of which:</i>										
Local	2,004	2,070	2,268	3.3	9.6	29,741	27,848	28,056	-6.4	0.7
Indians	841	908	947	8.0	4.3	NA	NA	NA	NA	NA
Others	74	106	74	43.2	-30.2	83	97	102	16.9	5.1

Note: Figures in parentheses indicate the total number of operating branches as reported in the RBI's annual publication Statistical Tables relating to Banks in India for 2008-09, 2009-10 and 2010-11 (Tables 1.1 and 1.5).
NA – Not applicable.

Table 2: Details of Employees in Subsidiaries of Indian Banks Operating Abroad

	Number (March)			Growth (%)	
	2009	2010	2011	2009-10	2010-11
	1	2	3	4	5
Number of Subsidiaries	99	123	150	24.2	22.0
Number of Employees	1,638	1,986	2,325	21.2	17.1
<i>of which:</i>					
Local	1,283	1,613	1,949	25.7	20.8
Indians	331	353	356	6.6	0.8
Others	24	20	20	-16.7	0.0

Table 3: Details of Employees in Associates of Indian Banks Operating Abroad

	Number (March)			Growth (%)	
	2009	2010	2011	2009-10	2010-11
	1	2	3	4	5
Number of Associates	73	76	81	4.1	6.6
Number of Employees	1,433	1,456	1,453	1.6	-0.2
<i>of which:</i>					
Local	1,400	1,419	1,416	1.4	-0.2
Indians	33	37	37	12.1	0
Others	0	0	0	0	0

whereas Indian banks operating abroad employed 69.0 per cent of employees from local sources, 28.8 per cent from India and remaining 2.2 per cent from other countries. The number of employees in Indian banks' subsidiaries operating abroad increased substantially during the reference period mainly due to increase in number of subsidiaries from 99 in 2008-09 to 150 in 2010-11 (Table 2). In March 2011, the overseas subsidiaries of Indian banks deployed 83.8 per cent employees from local sources, 15.3 per cent from India and remaining 0.9 per cent from other countries whereas, in the case of associates of Indian banks, 97.5 per cent employees were local and 2.5 per cent were from India. Salient features of ITBS operations of overseas branches and subsidiaries of Indian banks and foreign bank branches in India are given below.

SECTION II

Indian Banks' Overseas Business

The consolidated balance sheet of overseas branches of Indian banks amounted to 8.5 per cent of consolidated balance sheet of scheduled commercial banks (SCBs) (other than foreign banks) in India as at

end-March 2011. The subdued level of activity in the global financial sector during 2009-10 was visible in the overseas operations of Indian banks. The consolidated balance sheet of overseas branches of Indian banks increased by 15.5 per cent and 42.7 per cent in 2009-10 and 2010-11, respectively (Table 4). Total asset/liabilities of branches and subsidiaries of Indian banks operating outside India increased by 34.1 per cent during 2010-11 to ₹ 6,457 billion as at end-March 2011.

The share of credit in total assets of overseas branches of Indian banks stood at 61.2 per cent at end-March 2011, which was comparable with the corresponding share of 62.3 per cent in case of subsidiaries of Indian banks operating abroad. However, the share of deposits in total liabilities of Indian banks' overseas branches at 37.2 per cent was much lower than the corresponding share of 69.5 per cent for their subsidiaries.

Credit extended by Indian banks' overseas branches increased by 57.5 per cent, 14.7 per cent and 39.5 per cent whereas their deposit mobilisation recorded 81.4 per cent, 16.6 per cent and 30.5 per cent

Table 4: Balance Sheet Items of Indian Banks' Overseas Branches

Items	As at end-March						Growth (%)	
	2009		2010		2011		2009-10	2010-11
	Amount	% share in total Liabilities/Assets	Amount	% share in total Liabilities/Assets	Amount	% share in total Liabilities/Assets		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Credit extended	2188.3	63.1	2510.0	62.6	3501.2	61.2	14.7	39.5
Deposits mobilised	1396.9	40.3	1629.0	40.6	2125.7	37.2	16.6	30.5
Total Assets/Liabilities	3470.5		4009.0		5720.5		15.5	42.7

(Amount in ₹ billion)

Table 5: Balance Sheet Items of Indian Banks' Subsidiaries Operating Abroad

(Amount in ` billion)

Items	As at end-March						Growth (%)	
	2009		2010		2011		2009-10	2010-11
	Amount	% share in total Liabilities/Assets	Amount	% share in total Liabilities/Assets	Amount	% share in total Liabilities/Assets		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
Credit extended	430.6	57.6	481.9	59.8	459.0	62.3	11.9	-4.8
Deposits mobilised	497.9	66.7	551.8	68.4	512.1	69.5	10.8	-7.2
Total Assets/Liabilities	746.9		806.2		736.5		7.9	-8.7

growth during 2008-09, 2009-10 and 2010-11, respectively. The balance sheet of overseas subsidiaries of Indian banks increased by 7.9 per cent during 2009-10 but contracted by 8.7 per cent in 2010-11 (Table 5). Credit extended and deposits mobilised by the Indian banks' overseas subsidiaries increased by 11.9 per cent and 10.8 per cent, respectively, during 2009-10 but declined by 4.8 per cent and 7.2 per cent in next year.

Foreign Banks' Share in Indian Banking Business

The balance sheet size of foreign banks operating in India contracted by 3.1 per cent during 2009-10, but increased subsequently by 13.3 per cent in the next

year (Table 6). Credit extended by them recorded a marginal decline during 2009-10 before recovering by 21.6 per cent in 2010-11. On the other hand, deposit growth which was 11.1 per cent in 2009-10 moderated to 1.1 per cent in 2010-11.

The share of foreign banks in total assets/liabilities of SCB in India declined from 8.5 per cent in March 2009 to 6.8 per cent in March 2011 due to their lower business growth (deposit and credit) *vis-à-vis* other banks. Their share in credit declined from 5.5 per cent in March 2009 to 4.6 per cent in March 2011 whereas share in deposits declined from 5.3 per cent to 4.3 per cent over the same period.

Table 6: Foreign Banks' Share in Indian Banking Business

(Amount in ` billion)

Items	All Scheduled Commercial Banks*			Foreign Banks covered in present survey			Foreign banks' share in Indian banking business (per cent)		
	2008-09	2009-10	2010-11	2008-09	2009-10	2010-11	2008-09	2009-10	2010-11
Reporting Banks (No.)	80	81	81	29	30	31	29 (Total No.)	30 (Total No.)	31 (Total No.)
Assets/Liabilities@	52,413.3 (21.2)	60,269.3 (15.0)	71,835.2 (19.2)	4,469.5 (22.8)	4,329.4 (-3.1)	4,904.8 (13.3)	8.5	7.2	6.8
Credit@	30,009.1 (21.2)	34,967.2 (16.5)	42,987.0 (22.9)	1,654.1 (3.0)	1,628.5 (-1.5)	1,980.7 (21.6)	5.5	4.7	4.6
Deposits@	40,632.0 (22.4)	47,469.2 (16.8)	56,164.3 (18.3)	2,139.7 (12.0)	2,377.3 (11.1)	2,402.3 (1.1)	5.3	5.0	4.3
Total Income	4,638.4	4,944.5	5,712.3	452.0	363.2	394.3	9.8	7.3	6.9
of which: Interest received	3,888.1	4,151.8	4,916.7	303.1	263.2	285.9	7.8	6.3	5.8
Total Expenditure	3,524.8	3,721.1	4,220.2	326.2	200.1	281.3	9.3	5.4	6.7
of which: Interest paid	2,632.2	2,720.8	2,988.9	128.1	85.9	107.3	4.9	3.2	3.6
Net Interest Margin	2.62	2.54	2.92	4.31	4.03	3.87	-	-	-

* **Source:** Statistical Tables relating to banks in India (various issues). – Not applicable. Figures in the parentheses indicate annual growth in the respective items.

@ Indicates March-end position.

**Table 7: Indian Banks' Overseas Branches and Foreign Banks' Branches in India –
Income and Expenditure**

(Amount in ` billion)

Items	Indian Banks' Overseas Branches					Foreign Banks' branches in India				
	Amount			Growth (%)		Amount			Growth (%)	
	2008-09	2009-10	2010-11	2009-10	2010-11	2008-09	2009-10	2009-10	2009-10	2010-11
	1	2	3	4	5	6	7	8	9	10
Income	167.4	161.8	196.6	-3.3	21.5	452.0	363.2	394.3	-19.6	8.5
Of which: Interest Income	170.6	140.7	188.4	-17.5	33.9	303.1	263.2	285.9	-13.2	8.6
Expenditure	165.1	121.6	134.0	-26.3	10.2	326.2	200.1	281.3	-38.7	40.6
Of which: Interest Expenses.	130.3	104.5	129.3	-19.8	23.6	128.1	85.9	107.3	-33.0	24.9

SECTION III

Income and Expenditure

The share of foreign banks in total income of all SCBs in India declined from 9.8 per cent in 2008-09 to 6.9 per cent in 2010-11, which was mainly attributable to the reduction in the share of interest income from 7.8 per cent to 5.8 per cent (Table 6). During 2010-11, the share of interest income in total income was 72.5 per cent for foreign banks and 86.1 per cent for all SCBs.

Total income of Indian banks' overseas branches and foreign banks operating in India declined during 2009-10 due to moderation in business and general decline in interest rates in the wake of global financial crisis but it recorded substantial rise in the next year (Table 7). The expenses of Indian banks' operating abroad and foreign banks operating in India fell by 26.3 per cent and 38.7 per cent, respectively, in 2009-10. During 2010-11, however, their income and expenses increased substantially consistent with increase in their balance sheets. On the other hand,

the income and expenditure of the overseas subsidiaries of Indian banks declined in both the years as their combined balance sheet contracted during 2010-11 (Table 8).

The profitability ratios, *viz.*, *net profit to total income* and *net profit to total assets* of overseas branches of Indian banks increased sharply to 31.8 per cent and 1.1 per cent, respectively, in 2010-11 compared with 1.3 per cent and 0.1 per cent in 2008-09 (Table 9). The ratios of *net profit to total income* and *net profit to total assets* of branches of foreign banks operating in India increased to 44.9 per cent and 3.8 per cent, respectively, in 2009-10 before moderating to 28.6 per cent and 2.3 per cent in 2010-11. The *income to total assets ratio* for overseas branches of Indian banks and foreign banks' operating in India declined to 3.4 per cent and 8.0 per cent, respectively, in 2010-11 from 4.8 per cent and 10.1 per cent in 2008-09.

In respect of overseas subsidiaries of Indian banks, the profitability ratios showed consistent rise during

**Table 8: Subsidiaries of Indian Banks operating
abroad – Income and Expenditure**

(Amount in ` billion)

Item	Amount			Growth (%)	
	2008-09	2009-10	2010-11	2009-10	2010-11
	1	2	3	4	5
Income	47.3	40.6	38.1	-14.3	-6.1
Of which:					
Interest Income	39.2	33.5	32.9	-14.5	-2.0
Expenditure	42.8	34.5	29.7	-19.4	-13.8
Of which:					
Interest Expenditure	30.1	26.4	20.8	-12.2	-21.2

Table 9: Profitability Ratios for Branches

(Per cent)

Profitability Ratio	Indian Banks' Overseas Branches			Foreign Banks' Operating in India		
	2008-09	2009-10	2010-11	2008-09	2009-10	2010-11
	1	2	3	4	5	6
Income to Total Assets	4.8	4.0	3.4	10.1	8.4	8.0
Net Profit to Total Income	1.3	24.8	31.8	27.8	44.9	28.6
Net Profit to Total Assets	0.1	1.0	1.1	2.8	3.8	2.3

Table 10: Profitability Ratios of Subsidiaries of Indian Banks Operating Abroad

Profitability Ratio	(per cent)		
	Indian Banks' Subsidiaries Operating Abroad		
	2008-09	2009-10	2010-11
	1	2	3
Income to Total Assets	6.3	5.0	5.2
Net Profit to Total Income	9.7	15.0	22.0
Net Profit to Total Assets	0.6	0.8	1.1

2008-09 to 2010-11 (Table 10). However, their *income to total assets ratio* at 5.2 per cent in 2010-11 remained lower than 6.3 per cent in 2008-09 even as their combined balance sheet contracted during this period.

Country-wise Profitability of Indian Banks' Branches Operating Abroad

Country-wise return on assets, *i.e.*, net profit to total assets of Indian banks operating abroad is presented in Chart 1. Indian banks operating in Maldives recorded highest return on assets of 4.6 per cent and 5.1 per cent, respectively, in 2009-10 and 2010-11. The return on assets of Indian banks' overseas branches in Australia, Hong Kong, Japan, Oman, Singapore, Thailand, UK and USA improved in 2009-10 and 2010-11 but it declined in Sri Lanka, Fiji, Mauritius, Belgium, Bahrain and France.

SECTION IV

Activity-wise Trade in Banking Services – Indian Banks Operating Abroad

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*. Information on 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 as indicated earlier.

• Indian Banks' Overseas Branches

'Credit-related services' (54.4 per cent), 'trade finance related services' (24.2 per cent), 'derivative, stock, securities, foreign exchange trading services' (10.2 per cent) and 'payment and monetary transmission services' (6.0 per cent) were the major banking services generating fee income of the overseas branches of Indian banks in 2010-11. Their fee income increased by 9.7 per cent and 33.2 per cent during 2009-10 and 2010-11, respectively, mainly due to growth in fee income from 'credit-related services'. None of the overseas branches of Indian banks

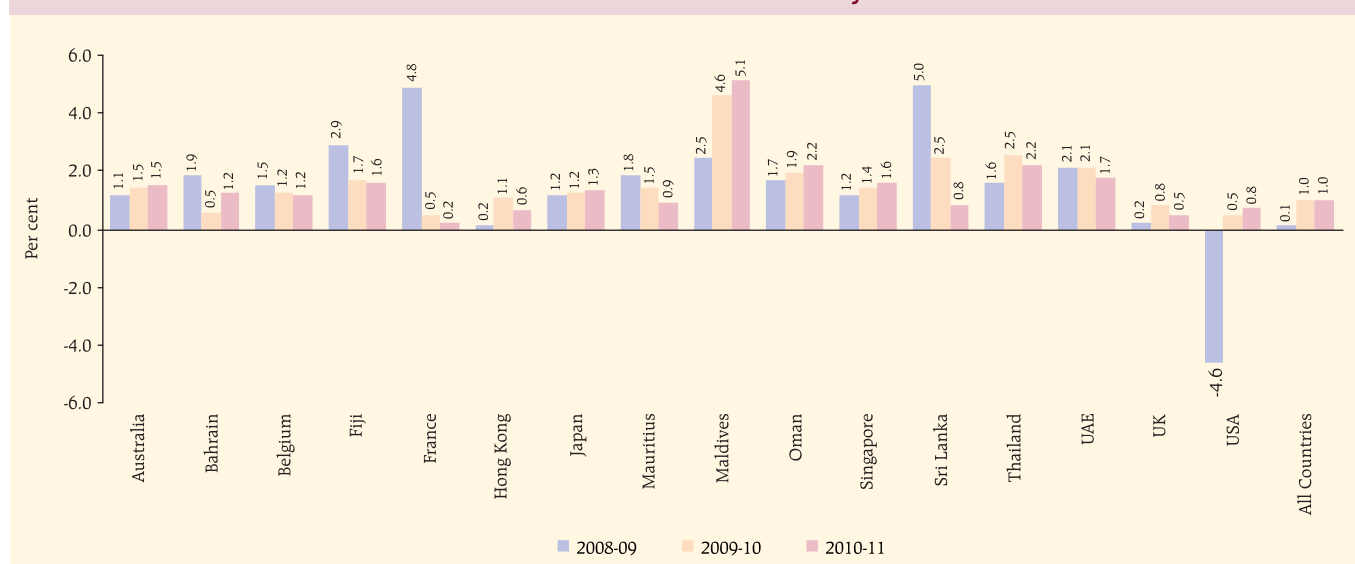
Chart 1: Return on Asset – Country-wise

Table 11: Activity-wise Composition of Trade in Banking Services: Overseas Branches of Indian Banks

(₹ million)					
Banking Service	2008-09	2009-10	2010-11	Growth (%)	
				2009-10	2010-11
	1	2	3	4	5
Deposit Account Management Services	822	567	919	-31.0	61.9
Credit Related Services	11,796	15,575	23,943	32.0	53.7
Financial Leasing Services	0	60	0		
Trade Finance Related Services	12,148	10,942	10,636	-9.9	-2.8
Payment and Money Transmission Services	2,738	3,054	2,634	11.6	-13.8
Fund Management Services	16	166	0.1	923.5	-99.9
Financial Consultancy and Advisory Services	734	419	937	-42.9	123.7
Underwriting Services	0	0	0		
Clearing and Settlement Services	194	14	3	-92.7	-78.9
Derivative, Stock, Securities, Foreign Exchange trading Services	1,313	1,948	4,490	48.4	130.5
Other Financial Services	361	287	453	-20.7	58.2
Total	30,122	33,032	44,015	9.7	33.2

generated any fee income from Underwriting Services in the reference period. Fee income from services such as 'deposit account management services', 'financial consultancy and advisory services' and 'other financial services' declined in 2009-10 but witnessed turnaround in 2010-11.

• *Indian Banks' Overseas Subsidiaries*

Overseas subsidiaries of Indian banks registered substantial declines of 54.6 per cent and 40.9 per cent in the fee income generated from rendering trade in

banking services in 2009-10 and 2010-11, respectively (Table 12). During the peak of the global financial crisis in 2008-09, a substantial decline of ₹ 7.4 billion was recorded in fee income from 'derivative, stock, securities, foreign exchange trading services'. As in the case of Indian banks branches, overseas subsidiaries of Indian banks also generated most of their fee income from 'credit related services'. None of the overseas subsidiaries of Indian banks generated any fee income from 'financial leasing services' and 'underwriting services' during the reference period.

Table 12: Activity-wise Composition of Trade in Banking Services: Subsidiaries of Indian Banks Operating Abroad

(₹ million)					
Banking Service	2008-09	2009-10	2010-11	Growth (%)	
				2009-10	2010-11
	1	2	3	4	5
Deposit Account Management Services	117	115	309	-1.3	167.5
Credit Related Services	2,096	2,475	1,336	18.1	-46.0
Financial Leasing Services	0	0	0		
Trade Finance Related Services	1,555	855	398	-45.0	-53.4
Payment and Money Transmission Services	1,072	996	318	-7.0	-68.0
Fund Management Services	0	3	0		
Financial Consultancy and Advisory Services	1,256	560	501	-55.4	-10.6
Underwriting Services	0	0	0		
Clearing and Settlement Services	8	11	5	36.4	-57.4
Derivative, Stock, Securities, Foreign Exchange trading Services	-7,400	489	331	#	-32.3
Other Financial Services	13,722	132	134	-99.0	0.8
Total	12,426	5,636	3,332	-54.6	-40.9

Denominator is negative.

Table 13: Trade in Banking Services (Fee Income) by Indian Banks Branches Abroad – Residents and Non-Residents

(` billion)					
Items	2008-09	2009-10	2010-11	Growth (%)	
				2009-10	2010-11
	1	2	3	4	5
Residents	11.31	11.11	15.92	-1.9	43.3
Non-Residents	18.81	21.92	28.09	16.5	28.1
<i>of which:</i>					
In India	11.13	11.32	15.39	1.7	36.0
In Other Countries	7.68	10.60	12.70	38.0	19.8
Total Trade in Banking Services (Fee Income)	30.12	33.03	44.01	9.7	33.3

Trade in Banking Services by Indian Banks Operating Abroad – Residents and Non-Residents

- *Overseas Branches of Indian Banks*

Fee income generated through banking services to residents remained flat around `11.3-11.1 billion during 2008-09 and 2009-10 but increased thereafter to `15.9 billion in 2010-11. During 2010-11, the growth in fee income generated from banking services to residents was higher than that from the services to non-residents. Nevertheless, nearly two-thirds of fee income of the overseas branches of Indian banks was generated by rendering services to non-residents, especially those in India (Table 13). The share of fee income from rendering services to non-residents in

Table 14: Trade in Banking Services (Fee Income) by Indian Banks Subsidiaries Abroad – Residents and Non-Residents.

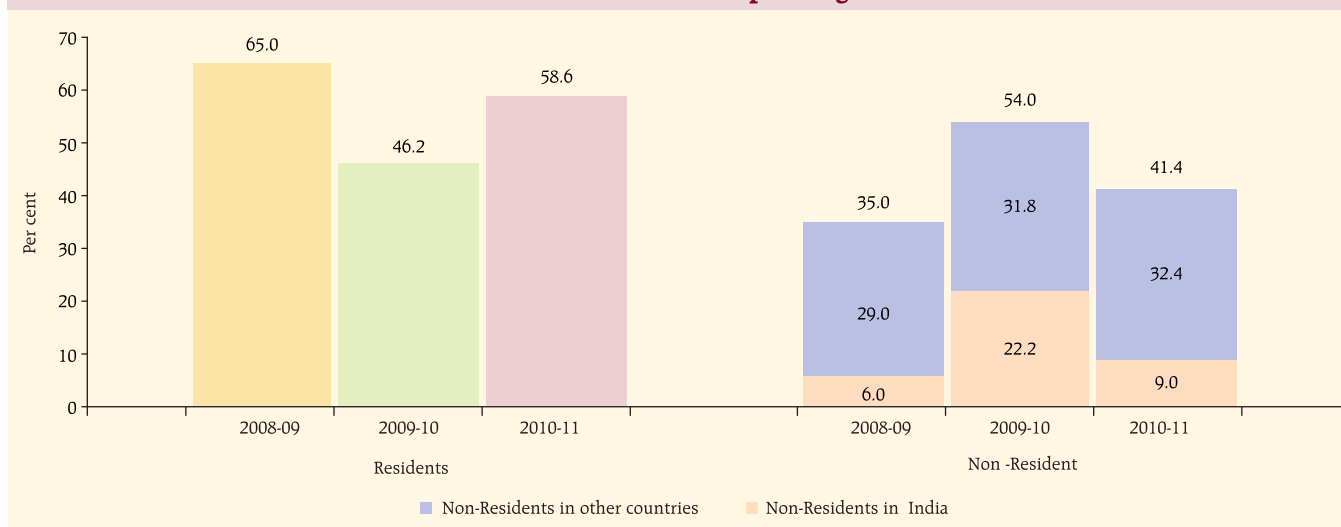
(` billion)					
Item	2008-09	2009-10	2010-11	Growth(%)	
				2009-10	2010-11
	1	2	3	4	5
Residents	8.08	2.60	1.95	-67.8	-25.0
Non-Residents	4.35	3.04	1.38	-30.1	-54.6
<i>of which:</i>					
In India	0.75	1.25	0.30	66.7	-76.0
In Other Countries	3.60	1.79	1.08	-50.3	-39.7
Total Trade in Banking Services (Fee Income)	12.43	5.64	3.33	-54.7	-40.9

India was around 35.0 per cent of their total fee income, and services to non-residents from other countries accounted for another 28.8 per cent in 2010-11.

- *Indian Banks' Overseas Subsidiaries*

Fee income of overseas subsidiaries of Indian banks declined sharply by 54.7 per cent and 40.9 per cent during 2009-10 and 2010-11, respectively, largely due to the decline in the income from banking services to residents. The share of services to resident in the fee income of Indian banks' subsidiaries operating outside India was 65.0 per cent in 2008-09, 46.2 per cent in 2009-10 and 58.6 per cent in 2010-11. Among non-residents, the major share of their fee income came from rendering services to those from countries other than India (Table 14 and Chart 3).

Chart 2: Composition of Income from Trade in Banking Services from Indian banks' Overseas branches

Chart 3: Composition of Income from Trade in Banking Services from Indian banks' Subsidiaries Operating Overseas

Country-wise Trade in Banking Services – Indian Banks' Branches and Subsidiaries Operating Abroad

Bahrain, Belgium, Hong Kong, Japan Singapore, Sri Lanka, UAE, UK and USA together accounted for nearly 90 per cent to total trade in banking services of the branches of Indian banks operating abroad (Table 15). UK had the largest share (23.9 per cent) in

total fee income generated from trade in banking services, followed by Singapore (17.3 per cent) and Hong Kong (12.9 per cent) in 2010-11. UK, Botswana, Canada and Russia were the major countries with subsidiaries of the Indian banks operating abroad which together accounted for 84.9 per cent in total trade in banking services in 2009-10 and 59.5 per cent in 2010-11 (Table 16).

Table 15: Trade in Banking Services – Country-wise Classification for Overseas Branches of Indian Banks

(` million)

Country	Trade in Banking Services																		Total		
	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
Bahrain	-5.0	3.1	2.9	2,567.8	2,219.2	2,050.8	2,422.6	454.6	293.6	0.0	27.8	16.7	182.7	292.3	309.8	733.7	80.1	992.0	5,901.7	3,077.2	3,665.7
Belgium	62.3	1.7	0.0	120.6	528.2	328.0	1,017.7	429.7	248.9	114.8	153.9	169.9	0.0	14.2	9.2	0.0	0.0	0.0	1,315.4	1,127.8	756.0
Hong Kong	41.1	45.6	5.5	1,018.4	2,287.3	3,522.3	1,945.7	1,181.7	1,283.8	68.6	81.7	115.5	277.0	304.7	728.9	194.6	298.1	40.9	3,545.4	4,199.0	5,606.9
Japan	0.4	0.1	203.7	722.8	0.0	692.0	201.6	3,606.9	37.2	28.4	2.1	37.8	195.3	8.4	16.4	11.6	0.0	3.8	1,160.1	3,617.5	990.9
Singapore	4.2	4.5	-37.3	3,050.4	4,345.6	3,609.4	1,412.9	598.6	2,624.2	223.2	111.2	189.5	-620.4	656.0	1,091.0	288.8	293.2	129.0	4,359.1	6,009.2	7,605.7
Sri Lanka	16.9	6.4	1.4	3.5	4.4	30.1	25.2	39.2	50.1	1.1	4.4	13.0	0.0	4.3	27.3	13.8	1.0	36.3	60.5	59.8	158.2
UAE	471.3	343.4	520.7	136.1	349.2	1,787.0	914.3	1,264.1	2,482.1	51.6	43.2	60.3	234.2	198.1	336.9	0.0	0.0	2.6	1,807.6	2,197.9	5,189.5
UK	93.1	64.9	78.7	2,566.9	4,127.7	7,904.0	1,489.3	1,166.8	2,062.8	436.1	186.5	337.4	361.6	138.4	138.0	0.0	0.1	0.0	4,947.0	5,684.4	10,520.8
USA	0.7	0.8	0.7	1,236.2	1,024.4	2,816.6	1,726.1	749.9	725.6	685.7	1,692.3	807.8	160.3	0.8	0.0	0.0	0.0	0.0	3,808.9	3,468.1	4,350.7
Other Countries	136.7	96.8	142.2	373.6	688.9	1,203.3	992.8	1,450.4	827.2	1,128.1	750.9	886.1	522.1	331.1	1,832.8	62.1	273.3	189.3	3,215.4	3,591.4	5,080.9
Total	821.8	567.3	918.6	11,796.2	15,574.9	23,943.3	12,148.2	10,942.0	10,635.6	2,737.7	3,054.0	2,634.0	1,312.7	1,948.2	4,490.2	1,304.5	945.9	1,393.7	30,121.2	33,032.3	44,015.3

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.

Table 16: Trade in Banking Services – Country-wise Classification for Overseas Subsidiaries of Indian Banks

(` million)

Country	Trade in Banking Services																		Total		
	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
Botswana	0.0	0	0	9.9	11.1	66	1,343.3	0.0	0.2	968.1	6.0	0.8	973.9	31.5	0.0	0.0	0.0	0.0	3,295.2	48.6	75
Canada	11.6	41.8	41.4	227.2	373.5	397.7	12.5	27.2	31.4	4.5	31.5	39.0	-8,875.4	164.2	148.5	11,209.9	449.3	50.7	2,590.4	1,087.6	708.8
Russia	0.4	1.3	1.8	243.7	129.8	55.6	2.6	4.0	16.5	36.3	25.9	23.5	4.0	5.6	0.0	12.7	10.9	12.3	299.7	177.5	109.6
UK	0.0	0.0	32.7	1478.8	1,707.4	483.0	124.9	681.0	178.7	0.0	894.6	12.2	202.8	80.9	0.0	3,748.2	110.7	449.8	5,554.6	3,474.6	1,156.3
Other Countries	105.0	72.4	232.9	135.9	252.8	393.5	71.5	143.1	171.6	62.6	38.4	243.0	294.4	206.8	182.7	16.9	135.6	126.0	686.4	849.1	1,349.6
Total	117.0	115.4	308.8	2,095.6	2,474.7	1,336.4	1,554.9	855.3	398.4	1,071.5	996.4	318.4	-7,400.3	489.0	331.2	14,987.7	706.6	638.7	12,426.3	5,637.4	3,331.8

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.

Accrual of Amounts to India due to Fee Income generated through Trade in Banking Services

The amount accrued to India from Indian banks' operations in various countries stood at ` 47.3 billion in 2010-11, of which, 92.9 per cent was generated by overseas branches of Indian banks and their overseas subsidiaries accounted for the remaining 7.1 per cent. Table 17 presents country-wise information on amount

accrued by Indian banks operating abroad. During 2010-11, accrual to India was maximum for banks operating in UK (24.7 per cent) followed by Singapore (16.1 per cent), Hong Kong (12.0 per cent), UAE (11.0 per cent), USA (9.5 per cent) and Bahrain (7.7 per cent) – together these countries accounted for more than 80 per cent of the accrual amount during 2010-11; they also accounted for 86 overseas branches and 25 overseas subsidiaries of Indian banks.

Table 17: Accrual of Amounts to India by Indian Banks Operating Abroad

(` million)

Country	2008-09		2009-10		2010-11	
	Number of branches/ Offices	Accruals to India	Number of branches/ Offices	Accruals to India	Number of branches/ Offices	Accruals to India
Afghanistan	1	14.0	1	12.7	1	13.5
Australia	1	124.3	1	204.2	1	230.6
Bahamas Island	2	15.6	2	0.0	2	1,719.9
Bahrain	4	5,901.7	5	3,077.2	5	3,665.7
Bangladesh	4	720.2	4	242.0	5	848.4
Belgium	3	1,315.4	3	1,127.8	3	756.0
Bhutan	NA	NA	2*	0.6	3*	27.7
Botswana	2*	3,295.2	2*	48.6	2*	7.5
Cambodia	NA	NA	1	1.2	1	2.2
Canada	10*	2,590.4	16*	1,087.6	16*	708.8
Cayman Islands	1	139.7	1	0.0	1	17.7
China	4	156.8	4	220.6	4	210.7
Fiji	8	101.7	9	76.6	9	87.8
France	2	371.7	2	86.2	2	67.3
Germany	1	621.7	1	1,481.5	1	391.1
Ghana	1*	2.4	1*	5.5	1*	21.1
Guyana	1*	14.9	1*	18.3	1*	19.6

Table 17: Accrual of Amounts to India by Indian Banks Operating Abroad (Contd...)

Country	(` million)					
	2008-09		2009-10		2010-11	
	Number of branches/ Offices	Accruals to India	Number of branches/ Offices	Accruals to India	Number of branches/ Offices	Accruals to India
Hong Kong	15	3,545.4	17	4,199.0	18	5,696.9
Indonesia	14*	14.5	14*	25.2	14*	13.2
Israel	1	0.0	1	78.8	1	155.9
Japan	4	1,160.1	4	3,617.5	4	990.9
Channel Island	1	203.0	1	182.8	1	266.1
Kenya	4+8*	189.0	4+8*	150.5	4+8*	180.5
Kazakhstan	NA	NA	NA	NA	5*	0.0
South Korea	1	0.0	1	0.0	1	0.0
Maldives	3	358.5	2	439.0	2	380.3
Mauritius	6	50.1	8+13*	263.7	8+14*	493.3
Nepal	33*	69.5	33*	331.8	43*	248.5
New Zealand	NA	NA	1*	0.0	1*	9.0
Oman	4	99.6	4	131.2	4	102.7
Russia	3*	299.7	2*	177.5	2*	109.6
Seychelles	1	99.5	1	236.8	1	188.7
Singapore	13	4,359.1	15	6,009.2	16	7,605.7
South Africa	3	9.6	3	17.1	3	212.8
Sri Lanka	7	60.5	7	59.8	7	158.2
Tanzania	2*	87.3	2*	45.9	2*	105.5
Thailand	1	24.6	1	23.5	1	24.2
Trinidad and Tobago	1*	2.6	3*	3.9	3*	3.9
Uganda	10*	411.1	10*	160.9	10*	217.3
UAE	7	1,807.6	9	2,197.9	11	5,189.5
UK	24+14*	10,501.7	25+15*	9,159.1	28+15*	11,677.2
USA	8	3,808.9	7	3,468.1	8+10*	4,521.6
Total including subsidiaries and branches	134+99*	42,547.5	144+123*	38,669.7	153+150*	47,347.2
Total of overseas branches excluding subsidiaries	134	30,121.2	144	33,032.3	153	44,015.3

* overseas subsidiaries.

SECTION V

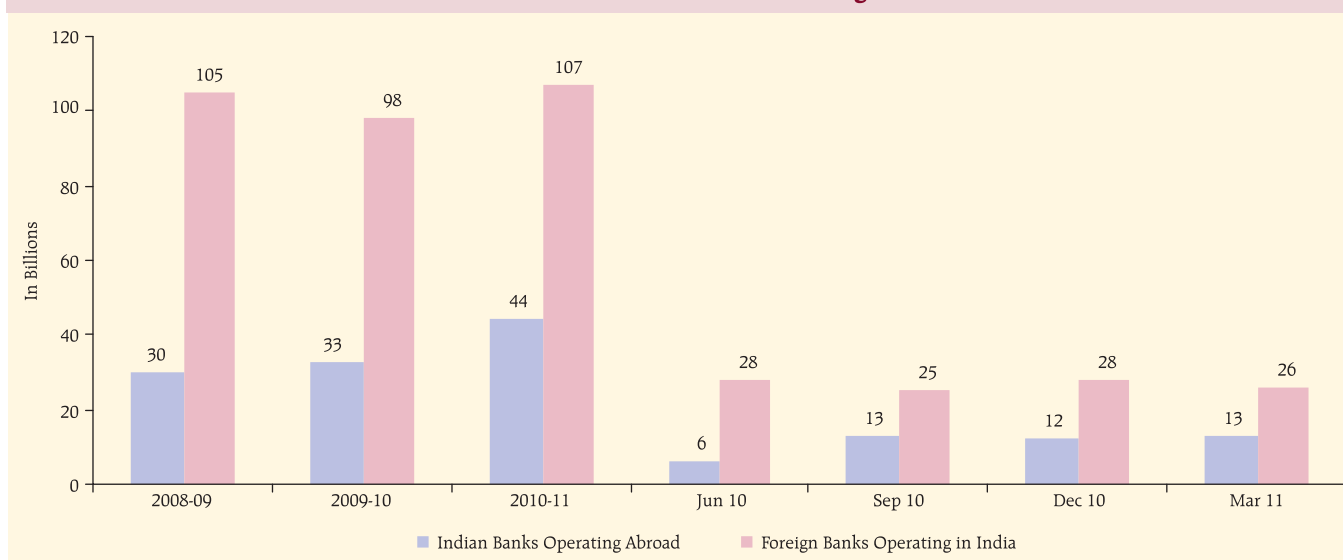
Comparison of Trade in Banking Services – Indian Banks' Branches Operating Abroad vis-à-vis Foreign Banks' Branches Operating in India

A comparative analysis revealed that Indian banks' branches operating outside India were lagging behind foreign banks branches operating in India in generating fee income from trade in banking services. During 2009-10, the total fee income generated by 302 branches of the foreign banks operating in India was ` 97.8 billion whereas 144 overseas branches of the Indian banks generated ` 33.0 billion (Chart 4). Similarly, 309

branches of foreign banks operating in India generated total fee income of ` 106.7 billion in 2010-11, compared with ` 44.0 billion generated by 153 branches of Indian banks operating outside India.

Comparison of Activity-wise Trade in Banking Services

Indian banks operating abroad generated major share of fee income by rendering 'credit-related services' and 'trade-finance related services', which together accounted for 80.3 per cent and 78.6 per cent to total fee income in 2009-10 and 2010-11, respectively. On the other hand, 'derivative, stock, securities, foreign exchange trading services' and 'financial consultancy

Chart 4: International Trade in Banking Services

and advisory services' were the major source of fee income for the foreign banks operating in India during the reference period.

The share of fee income from 'credit-related services' in total fee income of Indian banks operating outside India, increased successively from 39.2 per cent in 2008-09 to 54.4 per cent in 2010-11 whereas the share of 'trade-finance related services' declined from 40.3 per cent to 24.2 per cent over the same period. The share of 'trade-finance related services' in total fee income, of foreign banks operating in India declined

from 17.7 per cent in 2008-09 to 11.1 per cent in 2010-11 (Table 18) but the share 'financial consultancy and advisory services' doubled during 2009-10 before declining marginally by 14.1 per cent in 2010-11. Indian banks operating abroad derived no fee income from 'underwriting services' during the reference period.

Composition of Trade in Banking Services According to Residents and Non-Residents

A notable contrast in generation of fee income from residents and non-residents was observed

Table 18: Composition of Trade in Banking Services

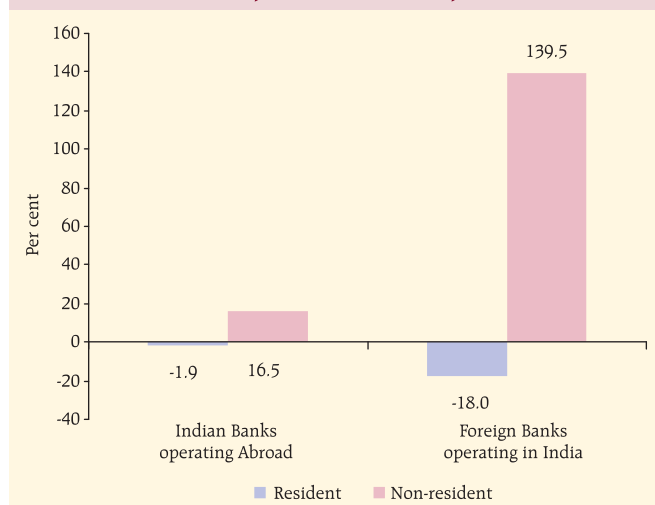
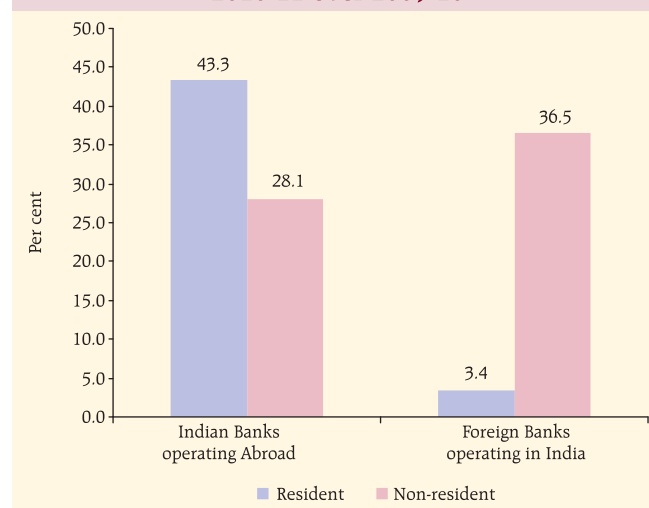
Activity	(per cent)					
	Indian Banks operating Abroad			Foreign Banks operating in India		
	2008-09	2009-10	2010-11	2008-09	2009-10	2010-11
	1	2	3	4	5	6
Deposit Account Management Services	2.7	1.7	2.1	2.8	4.1	3.8
Credit Related Services	39.2	47.2	54.4	8.4	7.2	9.0
Financial Leasing Services	0.0	0.2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

Table 19: Composition of Fee Income Generated from Trade in Banking Services

(per cent)							
Indian Banks	2008-09	2009-10	2010-11	Foreign Banks	2008-09	2009-10	2010-11
	1	2	3	4	5	6	7
Residents	37.6	33.6	36.2	Residents	93.3	82.5	78.1
Non-Residents	62.4	66.4	63.8	Non-residents	6.7	17.5	21.9
<i>of which;</i>							
To India	36.9	34.3	35.0				
To other countries	25.5	32.1	28.8				

between Indian banks operating abroad and foreign banks operating in India (Table 19). As mentioned earlier (see also Table 13), overseas branches of Indian banks derived major share of their fee income by making services available to non-residents. In contrast, foreign banks operating in India provided more localised services and generated major share of their fee income by rendering services to residents. However, their share of fee income from residents declined from 93.3 per cent in 2008-09 to 78.1 per cent in 2010-11.

During 2009-10, the fee income generated from residents by overseas branches of Indian banks and foreign banks operating in India declined by 1.9 per cent and 18.0 per cent, respectively (Chart 5) but fee income from non-residents recorded significant positive growth of 16.5 per cent and 139.5 per cent respectively. During 2010-11, both categories of banks

Chart 5: Annual Growth of Fee Income Generated from Residents and Non-Residents in 2009-10 over 2008-09**Chart 6: Growth of fee income generated from Residents and Non-Residents in 2010-11 over 2009-10**

recorded growth in fee income from residents as well as non-residents (Chart 6).

Comparison of Accrual of Amounts to India and Abroad from Trade in Banking Services

As a result of operations of 153 branches of Indian banks in 29 countries, an amount of `44.0 billion accrued to India during 2010-11 which was much lower than the accrual of nearly `106.7 billion to other countries (excluding India) from operations of their banks' branches in India. The amount accrued from ITBS operations of banks from UK, Hong Kong, USA, Germany, France and Oman was higher than the amount accrued to India from such overseas operations by Indian banks in these countries during 2010-11. However, the amount accrued to India from ITBS was more than the amount accrued to countries like Australia, Bahrain, Bangladesh, Belgium, Japan, Mauritius, Singapore and UAE from their operations in India during 2010-11.

Fee income generated by 103 branches of UK-based banks operating in India was `25.5 billion in 2010-11, which was much higher than `10.5 billion generated by 28 branches of Indian banks operating in UK. Similarly, there were 50 branches of Hong Kong originating banks operating in India with fee income of `12.4 billion as compared with `5.7 billion emanating from 18 branches of Indian originating banks operating in Hong Kong. As compared to 49 branches of USA-based

banks operating in India with a fee income of ` 34.2 billion, Indian banks operating in USA through their 8 branches could generate ` 4.4 billion in 2010-11 (Table 20).

SECTION VI

Conclusions

The global financial crisis had some adverse impact on international trade in banking services during 2008-11 as reflected in operations of foreign banks operating in India and some moderation in the operations of overseas branches/subsidiaries of Indian banks operating abroad. These were reflected in changes in size of their balance sheets, activity-wise and country-wise composition of fee income, profitability ratios. Foreign banks' operations in India were subdued in the wake of the crisis and their balance sheet which contracted during 2009-10 expanded later in 2010-11.

On the other hand, overseas branches of Indian banks continued to expand their business as credit-related services constituted a major portion of their overseas operations. The fee income of overseas branches of Indian banks from rendering services to residents, non-residents in India and non-residents from other countries was evenly distributed whereas a dominant portion of fee income of foreign banks came from residents. 'Derivative, stock, securities, foreign exchange trading services' and 'financial consultancy and advisory services' were the major sources of foreign banks' fee income in India and the size of operations of foreign banks in India was much larger than the operations of overseas operations of India banks during the reference period. As such, income from trade in banking services was much higher foreign banks in India than that generated by overseas branches/subsidiaries of Indian banks.

Table 20: Accrual of Amounts to India and to Abroad

(` Million)

Country	Foreign Banks' Branches Operating in India						Indian Banks' Branches Operating Abroad					
	Number of Branches			Accruals to Abroad			Number of Branches			Accruals to India		
	2008-09	2009-10	2010-11	2008-09	2009-10	2010-11	2008-09	2009-10	2010-11	2008-09	2009-10	2010-11
Australia	NA	NA	1	NA	NA	19.8	1	1	1	124.3	204.2	230.6
Bahrain	2	2	2	36.2	28.9	62.7	4	5	5	5,901.7	3,077.2	3,665.7
Bangladesh	3	3	3	46.8	175.1	45.4	4	4	5	720.2	242.0	848.4
Belgium	1	1	1	132.2	170.7	137.4	3	3	3	1,315.4	1,127.8	756.0
Canada	5	5	5	833.6	1,210.2	1,163.1	NA	NA	NA	NA	NA	NA
France	16	16	16	2,078.0	2,207.8	2,308.6	2	2	2	371.7	86.2	67.3
Germany	13	13	15	4,302.4	6,857.7	7,819.7	1	1	1	621.7	1,481.5	391.1
Hong Kong	47	50	50	25,037.9	25,064.4	12,426.7	15	17	18	3,545.4	4,199.0	5,696.9
Japan	5	5	5	301.8	572.2	791.2	4	4	4	1,160.1	3,617.5	990.9
Mauritius	3	3	3	26.6	25.6	35.0	6	8	8	50.1	50.1	51.0
Netherlands	30	31	31	5,761.5	6,877.1	8,425.1	NA	NA	NA	NA	NA	NA
Oman	2	2	2	2,842.9	1,569.3	11,503.2	4	4	4	99.6	131.2	102.7
Russia	-	1	1	-	0.9	1.1	NA	NA	NA	NA	NA	NA
Singapore	10	10	12	3,113.1	1,784.9	1,976.2	13	15	16	4,359.1	6,009.2	7,605.7
South Korea	2	2	3	36.0	48.1	92.5	1	1	1	0	0	0
Sri Lanka	1	1	1	30.9	204.0	32.1	7	7	7	60.5	59.8	158.2
Switzerland	1	1	1	-	0.0	4.2	NA	NA	NA	NA	NA	NA
Taiwan	1	1	1	15.5	37.8	24.1	NA	NA	NA	NA	NA	NA
Thailand	1	1	1	4.8	5.4	5.9	1	1	1	24.6	23.5	24.2
UAE	4	4	3	102.4	124.3	131.2	7	9	11	1,807.6	2,197.9	5,189.5
UK	95	101	103	21,150.9	30,575.0	25,515.5	24	25	28	4,947.0	5,684.4	10,520.8
USA	47	49	49	39,622.0	20,211.9	34,176.3	8	8	8	3,808.9	3,468.1	4,350.7
Others	-	-	-	-	-	-	29	29	30	1,203.3	1,372.7	3,365.6
Total	289	302	309	105,475.5	97,751.2	106,697.0	134	144	153	30,121.2	33,032.3	44,015.3

NA: Bank/ Branch is not operating.
- Nil or negligible.

Annex Methodology

Financial services, particularly banking services, play an important role in promoting global, regional and bilateral economic integration. 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.

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 Private. 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.

Annex
Methodology (Concl.)

- **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* was set up by the Reserve

Bank drawing members from Ministry of Finance, Ministry of Commerce and the concerned Reserve Bank Departments (Department of Statistics and Information Management, Department of Economics and Policy Research and Department of Banking Operations & Development). After examining the different data sources available in the Reserve Bank, the Technical Group 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 Group also recommended that a suitable questionnaire with explanatory notes should be prepared/framed in consultation with reporting banks and suggested that the annual survey for the financial year 2006-07 may be conducted by June 2007. Accordingly, a survey schedule was prepared after detailed discussions with major foreign banks operating in India and Indian banks functioning abroad.