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Survey on International Trade in Banking Services: 2018-19

Today, the Reserve Bank released the [results](#) of the survey on International Trade in Banking Services (ITBS), 2018-19 on its website. This annual survey, *inter-alia*, collects information on core banking services (e.g., deposits, credit) and financial auxiliary services rendered by banks with cross-border presence, based on explicit/implicit fees/commissions charged to customers (*details of these services are given in the [Annex](#)*). The survey provides responses on functioning of overseas branches and branches associated with subsidiaries/joint ventures of Indian banks as well as the branches of foreign banks operating in India. The number of employees posted in foreign locations by these banks were also reported.

Highlights

- Number of employees in overseas branches of Indian banks and foreign banks operating in India declined by 9.5 per cent and 4.6 per cent, respectively, during 2018-19, whereas the staff strength of overseas subsidiaries of Indian banks increased by 15.6 per cent during the year ([Table 1](#)).
- The fund-based business of overseas branches of Indian banks declined during 2018-19 as reflected in 7.2 per cent contraction in their consolidated balance sheet. On the other hand, the combined asset-base of foreign banks operating in India expanded by 22.2 per cent over the same period ([Table 2](#)).
- Income of all the three bank groups viz., Indian banks' branches operating abroad, Indian banks' subsidiaries operating abroad and foreign banks in India increased in the range of 9.3-14.8 per cent and expenditure in the range of 6.4-12.7 per cent during the year ([Table 3](#)).
- A major share of fee income of overseas branches of Indian banks was generated by rendering (a) credit related services; (b) derivative, stocks, securities, forex trading services; and (c) trade finance related services. A large portion of the fee income of foreign banks branches operating in India accrued from (a) derivative, stocks, securities and forex trading services; (b) payment and money transmission services; and (c) trade finance related services ([Table 4](#)).

- Branches of Indian banks located in the United Kingdom generated the highest fee income, followed by their branches in the United Arab Emirates, Singapore and the United States of America ([Table 5](#)).

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Ajit Prasad
Director

Table 1: Employment Distribution – Bank-groups (end-March)

Items	Indian Banks' Branches Operating Abroad		Indian Banks' Subsidiaries Operating Abroad		Foreign Banks' Branches in India	
	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
Total number of branches	186	137	345	369	286	294
Total number of employees	3,911	3,540	5,039	5,826	24,358	23,248
<i>of which:</i>						
Local	2,444	2,142	4,527	4,996	24,183	23,079
Indians	1,441	1,287	458	490		
Others	26	111	54	340	175	169

Notes:

1. Figures in the parentheses indicate annual growth for the item.
2. Data are provisional.
3. Due to rounding off of figures, the constituent items may not add up to the totals.
4. The above notes are applicable for all tables.

Table 2: Consolidated Balance Sheet Items – Bank-groups (end-March)

Items	Amount in ₹ crore		Amount in US\$ billion	
	2017-18	2018-19	2017-18	2018-19
Indian Banks' Branches Operating Abroad				
Credit extended	8,11,419	6,80,164	124.7	98.3
Deposits mobilised	4,71,957	4,21,358	72.6	60.9
Total Assets/Liabilities	13,87,710	12,87,236	213.3	186.1
Indian Banks' Subsidiaries Operating Abroad				
Credit extended	92,859	1,09,596	14.3	15.8
Deposits mobilised	78,859	1,05,582	12.1	15.3
Total Assets/Liabilities	1,38,729	1,63,523	21.3	23.6
Foreign Banks' Branches in India				
Credit extended	3,61,836	4,09,620	55.6	59.2
Deposits mobilised	4,94,049	5,81,558	76.0	84.1
Total Assets/Liabilities	8,61,708	10,53,386	132.5	152.3

Table 3: Consolidate Income and Expenditure – Bank-groups

(Amount in ₹ crore)

Items	Indian Banks' Branches Operating Abroad		Indian Banks' Subsidiaries Operating Abroad		Foreign Banks' Branches in India	
	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
1. Income	46,729 (7.1)	51,831 (10.9)	7,963 (17.1)	8,707 (9.3)	63,470 (-5.5)	72,862 (14.8)
<i>Of which:</i> <i>Interest Income</i>	41,321 (8.4)	45,580 (10.3)	6,692 (17.9)	7,942 (18.7)	50,298 (-2.1)	58,282 (15.9)
2. Expenditure	53,533 (17.5)	56,967 (6.4)	6,697 (-1.1)	7,413 (10.7)	50,048 (-3.0)	56,397 (12.7)
<i>Of which:</i> <i>Interest Expenses</i>	31,593 (18.7)	35,507 (12.4)	2,954 (16.4)	3,758 (27.2)	21,359 (-9.9)	26,569 (24.4)

Table 4: Activity-wise Composition of Fee Income from Banking Services – Bank-groups

(Amount in ₹ crore)

Banking Service	Indian Banks' Branches Operating Abroad		Foreign Banks' Branches Operating in India	
	2017-18	2018-19	2017-18	2018-19
Deposit Account Management Services (DAM)	115	111	155	172
Credit Related Services (CRS)	3,362	4,023	914	827
Financial Leasing Services (FLS)	0	0	0	0
Trade Finance Related Services (TFR)	1,277	1,080	1,100	1,309
Payment and Money Transmission Services (PMT)	499	332	1,851	2,217
Fund Management Services (FMS)	0	0	444	430
Financial Consultancy and Advisory Services (FCA)	35	23	834	770
Underwriting Services (US)	5	9	67	45
Clearing and Settlement Services (CCS)	46	54	46	36
Derivative, Stock, Securities, Foreign Exchange Trading Services (DER)	1,872	1,960	2,081	2,240
Other Financial Services (OFS)	1,841	1,649	896	966
Total	9,052 (9.6)	9,242 (2.1)	8,390 (4.5)	9,013 (7.4)

Table 5: Country-wise and Activity-wise Banking Services – Bank-groups (Amount in ₹ crore)

Indian Banks' Branches Operating Abroad											
Banking Service	Financial Year	UK	UAE	Singapore	Hong Kong	USA	Bahrain	Japan	Sri Lanka	Other Countries	Total
DAM	2017-18	6	54	1	22	7	1	0	0	25	115
	2018-19	3	61	1	11	7	0	0	0	27	111
CRS	2017-18	1,872	313	410	332	96	122	16	9	192	3,363
	2018-19	2,044	1,064	272	135	266	86	17	7	134	4,023
TFR	2017-18	304	228	175	228	112	43	18	15	157	1,280
	2018-19	243	163	183	184	125	33	13	10	127	1,080
PMT	2017-18	7	8	21	18	153	3	3	2	284	499
	2018-19	3	17	13	26	156	3	5	3	106	332
DER	2017-18	1,642	76	26	28	1	34	28	3	34	1,872
	2018-19	1,695	111	66	0	1	26	15	10	38	1,960
Other Services	2017-18	1,602	84	79	68	4	67	1	9	14	1,928
	2018-19	1,375	62	74	68	11	115	0	8	23	1,735
All Services	2017-18	5,433	764	713	696	373	269	65	39	705	9,057
	2018-19	5,362	1,478	609	423	566	262	51	37	454	9,242
Indian Banks' Subsidiaries Operating Abroad											
		UK	Canada	Other Countries	Total						
DAM	2017-18	4	27	49	80						
	2018-19	5	34	41	80						
CRS	2017-18	71	54	137	261						
	2018-19	46	61	190	296						
TFR	2017-18	22	6	66	94						
	2018-19	24	11	64	98						
PMT	2017-18	11	5	90	106						
	2018-19	24	6	291	321						
DER	2017-18	16	4	94	115						
	2018-19	42	6	108	156						
Other Services	2017-18	128	2	372	502						
	2018-19	2	3	46	52						
All Services	2017-18	251	99	809	1,158						
	2018-19	142	122	740	1,004						

Banking Services Covered in the Survey

Banking services include, acceptance of deposits and lending (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 General Agreement on Trade in Services (GATS) of World Trade Organisation (WTO) 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 include 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 needs 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.

Services Covered

- **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.
- **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.

A Technical Group on Statistics for International Trade in Banking Services (TG-SITBS) was set up by the Reserve Bank of India including members from Ministry of Finance, Ministry of Commerce and various departments (Department of Economic and Policy Research, Department of Banking Regulation 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 conducting annual survey from the financial year 2006-07. Accordingly, a survey schedule was prepared after detailed discussions with the major Indian banks with overseas presence and foreign banks operating in India.