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**RESERVE BANK OF INDIA**

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## Survey on International Trade in Banking Services: 2015-16

The Reserve Bank of India today released, on its website, the data related to the 2015-16 round of Survey on International Trade in Banking Services (ITBS), which provides information on the branches/subsidiaries of Indian banks operating abroad and foreign banks operating in India. The survey captures data on financial auxiliaries' services rendered by the banks based on explicit/implicit fee/commission charged to customers (*details of these services are given in the Annex*). The latest round of the survey covered 201 overseas branches and 249 overseas subsidiaries of Indian Banks as well as 317 branches of foreign banks operating in India. As all scheduled commercial banks (SCBs) with cross-border presence responded to the survey, these results present the census position.

### Main Findings:

- Employment Distribution and Growth:** Overseas branches of Indian banks employed 63.1 per cent of local employees, 33.9 per cent from India and remaining 3.0 per cent from other countries in 2015-16. In contrast, 99.4 per cent employees of foreign banks operating in India were from local sources. During the year, employee-strength of Overseas branches of Indian banks and foreign banks operating in India increased by 3.7 per cent and 4.4 per cent, respectively (Table 1).
- Credit and Deposit Growth:** Both groups of banks recorded business growth during 2015-16. Indian banks' branches operating abroad recorded credit growth of 5.8 per cent to ₹ 8,813.0 billion (US\$ 132.9 billion) in March 2016 and lending by foreign banks operating in India increased by 12.4 per cent to ₹ 3,776.6 billion (US\$ 56.9 billion). On the other hand, deposits of foreign banks' branches operating in India increased by 13.7 per cent to ₹ 4,576.9 billion (US\$ 69.0 billion) in March 2016, whereas the deposits of overseas branches of Indian banks declined marginally by 0.9 per cent to ₹ 5,607.1 billion (US\$ 84.5 billion) (Table 2).
- Income and Expenditure:** During 2015-16, total income of Indian banks' branches operating abroad increased by ₹ 19.7 billion to ₹ 452.0 billion (US\$ 6.8 billion), whereas the income of foreign banks' branches operating in India declined marginally by ₹ 0.3 billion to ₹ 647.4 billion (US\$ 9.8 billion). The ratio of total income to total expenditure for overseas branches of Indian banks and foreign banks operating in India stood at 109.2 per cent and 130.0 per cent, respectively (Table 3).

- **Fee Income Generated:** The fee income generated by overseas branches of Indian banks declined to ₹ 86.8 billion (US\$ 1.3 billion) in 2015-16 from ₹ 94.3 billion (US\$ 1.5 billion) a year ago. Fee income of foreign banks' branches operating in India also declined to ₹ 70.8 billion (US\$ 1.1 billion) from ₹ 72.7 billion (US\$ 1.2 billion) in the previous year (Table 4).
- **Activity-wise Banking Services:** Overseas branches of Indian banks generated major share of fee income by rendering '*Credit related services*', '*Derivative, stock, securities, forex trading services*' and '*Trade finance related services*'. On the other hand, the major sources of fee income for the foreign banks operating in India were '*Payment and money transmission services*', '*Derivative, stock, securities, forex trading services*' and '*Trade finance related services*' (Table 4).
- **Country-wise Banking Services:** Indian bank branches in UK had the largest contribution in providing banking services in terms of fee income, followed by UAE and Hong Kong (Table 5).

An article analysing the results of the Survey on International Trade in Banking Services for 2015-16 is being published in the November 2016 issue of the RBI Bulletin.

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**Table1: Employment Distribution of Indian Banks' Overseas Branches, Subsidiaries and Foreign Banks Operating in India**

	Indian banks' branches operating abroad		Indian Banks' Subsidiaries Operating Abroad		Foreign Banks' Branches in India	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
Total number of branches	178	201	235	249	313	317
Total number of employees	3,897	4,040	3,424	3,382	25,519	26,642
<i>of which:</i>						
Local	2,437	2,549	2,832	2,910	25,354	26,487
Indians	1,322	1,368	469	398	NA	NA
Others	138	123	123	74	165	155

*Notes (Applicable to all tables): NA: Not applicable.*

*Financial Year-end RBI Reference Rates are used for Rupee-US Dollar conversion.*

*Figures in the parentheses indicate annual growth in the respective item.*

*The data for 2015-16 are provisional.*

**Table 2: Balance Sheet Items of Indian Banks' Overseas Branches, Subsidiaries and Foreign Banks' Branches in India (end-March)**

Items	Amount in ₹ billion		Amount in US\$ billion	
	2014-15	2015-16	2014-15	2015-16
<b>Indian Banks' Branches Operating Abroad</b>				
Credit extended	8,331.5	8,813.0	133.1	132.9
Deposits mobilized	5,659.3	5,607.1	90.4	84.5
<b>Total Assets/ Liabilities</b>	14,520.0	15,101.7	232.0	227.7
<b>Indian Banks' Subsidiaries Operating Abroad</b>				
Credit extended	756.3	895.5	12.1	13.5
Deposits mobilized	621.8	714.0	9.9	10.8
<b>Total Assets/ Liabilities</b>	1,069.5	1,289.0	17.1	19.4
<b>Foreign Banks' Branches in India</b>				
Credit extended	3,359.9	3,777.6	53.7	56.9
Deposits mobilized	4,025.3	4,576.9	64.3	69.0
<b>Total Assets/ Liabilities</b>	7,497.6	8,172.7	119.8	123.2

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

(Amount in ₹ billion)

Items	Indian banks' branches operating abroad		Indian Banks' Subsidiaries Operating Abroad		Foreign Banks' Branches in India	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
Income	432.3	452.0	59.0	63.3	647.7	647.4
	(8.1)	(4.56)	(5.2)	(7.29)	(10.3)	(-0.05)
<i>Of which;</i>						
Interest Income	372.1	387.8	47.0	52.0	499.9	522.6
	(14.5)	(4.22)	(1.5)	(10.64)	(10.4)	(4.54)
Expenditure	318.8	413.9	48.4	59.8	489.5	498.1
	(4.0)	(29.83)	(5.7)	(23.55)	(9.6)	(1.76)
<i>Of which;</i>	244.9	259.7	22.6	24.7	236.7	240.9
Interest Expenses	(16.2)	(6.04)	(-0.9)	(9.29)	(12.7)	(1.77)

**Table 4: Activity-wise Composition of Fee Income from Banking Services of Indian Banks' Overseas Branches and Foreign Banks Operating in India**

(Amount in ₹ billion)

Banking Service	Indian banks' Branches Operating Abroad		Foreign Banks' Branches Operating in India	
	2014-15	2015-16	2014-15	2015-16
Deposit Account Management Services	1.1	1.2	2.0	1.2
Credit Related Services	26.6	26.2	8.7	8.6
Financial Leasing Services	0.0	0.0	0.0	0.0
Trade Finance Related Services	15.1	13.7	12.1	11.9
Payment and Money Transmission Services	3.4	3.3	13.3	14.8
Fund Management Services	0.0	0.0	4.1	4.5
Financial Consultancy and Advisory Services	1.2	0.7	12.5	6.8
Underwriting Services	0.0	0.0	0.4	0.5
Clearing and Settlement Services	0.5	0.5	0.5	0.8
Derivative, Stock, Securities, Foreign Exchange trading Services	19.6	20.3	14.8	13.4
Other Financial Services	26.8	20.9	4.3	8.3
<b>Total</b>	<b>94.3</b>	<b>86.8</b>	<b>72.7</b>	<b>70.8</b>
	(5.2)	(-8.0)	(-7.7)	(-2.6)

**Table 5: Country-wise and Activity-wise Banking Services delivered by Overseas Branches of Indian Banks and Subsidiaries of Indian Bank**

(Amount in ₹ billion)

Country	Trade in Banking Services												Total	
	DAM		CRS		TFR		PMT		DER		Other Services		All Services	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
<b>Indian Banks' Branches Operating Abroad</b>														
Bahrain	0.0	0.0	1.9	1.1	1.5	1.4	0.0	0.0	0.4	0.2	1.4	1.0	5.2	3.9
Hong Kong	0.1	0.1	3.1	2.8	3.2	2.6	0.2	0.2	0.8	0.7	0.8	0.7	8.2	7.2
Japan	0.0	0.0	0.6	0.5	0.1	0.2	0.0	0.0	0.1	0.1	0.0	0.0	0.8	0.9
Singapore	0.0	0.0	3.1	3.2	2.1	1.9	0.7	0.3	0.4	0.7	1.0	0.7	7.3	6.8
Sri Lanka	0.0	0.0	0.1	0.1	0.2	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.4	0.3
UAE	0.6	0.7	3.8	3.7	3.4	3.0	0.2	0.2	1.1	0.8	0.8	0.8	9.9	9.0
UK	0.1	0.1	9.7	10.4	1.7	1.6	0.1	0.1	16.3	17.4	24.4	18.5	52.3	48.0
USA	0.1	0.1	1.5	1.5	1.1	1.1	1.3	1.3	0.0	0.0	0.1	0.2	4.1	4.1
Other Countries	1.1	0.3	2.5	2.9	1.9	1.9	0.9	1.1	0.4	0.3	0.0	0.2	6.0	6.6
<b>Total</b>	<b>1.1</b>	<b>1.2</b>	<b>26.6</b>	<b>26.2</b>	<b>15.1</b>	<b>13.7</b>	<b>3.4</b>	<b>3.3</b>	<b>19.6</b>	<b>20.3</b>	<b>28.5</b>	<b>22.1</b>	<b>94.3</b>	<b>86.8</b>
<b>Indian banks' Subsidiaries Operating Abroad</b>														
Botswana	0.1	0.5	0.5	0.1	0.3	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.5	0.7
Canada	0.1	0.1	0.4	0.4	0.3	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.6	0.7
Russia	0.0	0.0	0.1	1.1	0.0	0.3	0.0	0.2	0.0	0.3	0.0	2.1	0.1	3.9
UK	0.0	0.0	0.9	0.1	0.3	0.0	0.1	0.0	0.3	0.0	2.3	0.0	3.1	0.1
Other Countries	0.0	0.3	0.6	0.6	4.3	0.2	1.1	1.0	0.4	0.6	0.9	1.6	8.7	4.4
<b>Total</b>	<b>0.2</b>	<b>0.9</b>	<b>2.5</b>	<b>2.3</b>	<b>5.2</b>	<b>0.6</b>	<b>1.2</b>	<b>1.3</b>	<b>0.7</b>	<b>1.0</b>	<b>3.2</b>	<b>3.7</b>	<b>13.0</b>	<b>9.8</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														

## Annex

### **Banking Services Covered in the Survey**

Banking services include, 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 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. should not be reported.

A technical Group on Statistics for International Trade in Banking Services (TG-SITBS) was set up by the Reserve Bank of India including members from Ministry of Finance, Ministry of Commerce and

various departments (Department of Economic and Policy Research, Department of Banking 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 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.