

**REPORT OF THE
WORKING GROUP
ON INTERNATIONAL
BANKING STATISTICS**



RESERVE BANK OF INDIA
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26th June, 1999

Dear Dr Reddy,

WORKING GROUP ON
INTERNATIONAL BANKING STATISTICS

I have great pleasure in submitting the Report of the Working Group on International Banking Statistics, constituted by the Reserve Bank of India. I would like to place on record the excellent support provided to the Group by Reserve Bank of India, other banks and, in particular, the sincere co-operation extended to me by other members of the Group in completing the assigned task, in time.

2. I would like to express our gratitude to you for entrusting this task to us.

With regards,

Yours sincerely


(N. K. Puri)

Dr Y. V. Reddy,
Deputy Governor
Reserve Bank of India,
Central Office,
Mumbai

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LIST OF ABBREVIATIONS

BIS	Bank for International Settlements
CBS	Consolidated Banking Statistics
EEFC	Exchange Earners' Foreign Currency
FCNR(B)	Foreign Currency Non-Resident (Banks)
FII	Foreign Institutional Investor
FRN	Floating Rate Note
GDR	Global Depository Receipt
LBS	Locational Banking Statistics
IBS	International Banking Statistics
IIP	International Investment Position
NRI	Non-Resident Indian
NRO	Non-Resident Ordinary
NRE	Non-Resident External
NRNR	Non-Resident Non-Repatriable
NRSR	Non-Resident Special Rupee
PCFC	Pre-shipment Credit in Foreign Currency
RALOO	Report on Assets and Liabilities of Overseas Offices
RBI	Reserve Bank of India
RFC	Resident Foreign Currency
SDDS	Special Data Dissemination Standard
SWIFT	Society for Worldwide Inter Bank Financial Transactions

REPORT OF THE WORKING GROUP ON INTERNATIONAL BANKING STATISTICS

CHAPTER I

INTRODUCTION AND OUTLINE

Introduction

1.1 It has been found from the recent experience of the international community that maintenance and timely dissemination of quality and adequate data on external transactions is critical for efficient functioning of the global financial system. Regulatory authorities, both national and international, often require such data to identify and analyse the undercurrents in the financial markets. Thus, the development of appropriate data of high quality and management thereof has to be a vital function of all central bank authorities. The recent crisis in East Asia has in particular brought into sharp focus the need for collection of timely and comprehensive data on international exposures of banks and the size and structure of international debt positions.

1.2 In India, with the growing liberalization of the external sector, close monitoring, on an ongoing basis, of the cross-border flow of funds has assumed critical importance. This calls for concerted efforts to collect and improve the coverage and timeliness of data on international claims and liabilities of the banking sector. This would also enable the country to meet the data standards of international financial

institutions such as the Bank for International Settlements (BIS). Institution of such a system calls for active involvement of the commercial banks as well as coordinated efforts on the part of the Reserve Bank of India (RBI) to monitor different aspects of commercial banking activities. Keeping in view these objectives, the RBI constituted the Working Group on International Banking Statistics with the following members:

1. Shri N. K. Puri , Chairman
Chief General Manager
State Bank of India.
2. Shri P. A. Sethi, Member
General Manager
Bank of Baroda.
3. Shri Sudhir M. Joshi, Member
Executive Vice President - Treasury
Times Bank Limited.
4. Shri Vasan Shridharan, Member
Economist
Standard Chartered Bank.
5. Shri G. Gopalakrishna, Member
General Manager
Department of Banking Supervision
Reserve Bank of India.

6. Smt. Devaki Muthukrishnan, Member
General Manager
Department of Banking Operations
and Development
Reserve Bank of India.

7. Shri A. K. Ray, Member
Director
Banking Statistics Division
Department of Statistical Analysis
& Computer Services
Reserve Bank of India.

8. Shri R.N. Deodhar, Member
Deputy General Manager
Exchange Control Department
Reserve Bank of India.

9. Shri G. Mahalingam, Member
Deputy General Manager
Department of External Investments
and Operations
Reserve Bank of India.

10. Shri B.N. Anantha Swamy,
Member-Secretary
Director
Division of International
Economic Relations
Department of Economic
Analysis and Policy
Reserve Bank of India.

1.3 The terms of reference of the Group were as under:

- (a) To review the existing reporting arrangements to the RBI of banks' international assets and liabilities;
- (b) To suggest a comprehensive

reporting mechanism, including changes in the existing format of data reporting, to enable India's participation in the International Banking Statistics, such as the one done by the Bank for International Settlements;

- (c) To suggest channels of efficient data transmission from various banks to the RBI;
- (d) To examine the feasibility of developing the requisite software to facilitate reporting by banks and their consolidation at the RBI; and
- (e) To deal with any other related matter.

The Group has been asked to submit its Report by end-June, 1999.

The memorandum appointing the Group is at Annexure 1 (page 23).

1.4 The Group held in all five meetings. The Group had the benefit of the participation and guidance of Dr. A. Vasudevan, Executive Director, RBI in its deliberations. In the first meeting of the Working Group, Dr. Vasudevan gave an account of the background for the constitution of the Working Group, including its objectives. In the context of the East Asian crisis, the need for comprehensive information on financial sector soundness has assumed critical importance. With a view to evolving a comprehensive data base concerning the banking sector and to enhancing the

transparency that could be of help in obviating crisis, it is necessary to collect data on international claims and liabilities of the banking sector, on the model of the BIS. Furthermore, it was felt that India's participation in the International Banking Statistics brought out by the BIS would provide important insights into the cross border flows of funds. This assumes special significance in the context of the Indian economy gradually opening up to the rest of the world.

Outline of the Report

1.5 Chapter 2 of the report reviews the existing data reporting arrangements in respect of the external liabilities and assets of the banking sector, keeping in view the need to attain international data dissemination standards observed by the BIS. Chapter 2 also explores the feasibility of introduction of a comprehensive reporting mechanism in the light of the findings of a pilot study undertaken for the purpose. Chapter 3 presents specific recommendations for the introduction of a reporting system which would enable close monitoring of the external claims and liabilities of banks as well as India's participation in the international banking statistics in the manner published by the BIS.

Acknowledgements

1.6 The Group is deeply indebted to Dr. A. Vasudevan, Executive Director, RBI, for taking keen and active interest in the Group's deliberations and for providing constant guidance regarding the possible approach that the Group could adopt. The Group is grateful to Mr. Rainer Widera,

Chief, International Financial Statistics, Bank for International Settlements who readily responded to the request of the Reserve Bank to participate in the Group's discussions and gave valuable suggestions in the light of the BIS data requirements and country experiences. These were very useful in the formulation of the Group's approach. The Group places on record its deep appreciation of the contribution made by Sarvashri K. Verma and T. Satish Rao, of International Division, State Bank of India. The Chairman acknowledges with thanks the sincere co-operation extended by other members of the Group, and in particular the valuable contribution made by Shri R.N. Deodhar, Member, in the preparation of system analysis and design. The Group also expresses gratitude to other officials (listed in the Annexure 2, page 26) who made useful contribution in finalising the report. The Member-Secretary, Shri B.N. Anantha Swamy made untiring efforts to ensure that time schedules are maintained and the quality of work is very high. His efforts are acknowledged with gratitude by the Chairman and other members of the Group. This report would not have been completed but for the Member-Secretary's dedication to the tasks assigned to this Group.

CHAPTER II

THE GROUP'S DELIBERATIONS

2.1 The Group's deliberations centered around the following objectives: (i) to examine the international practices concerning dissemination of data on banks' international liabilities and assets, (ii) to review the existing data reporting arrangements in India in the light of the same, and (iii) to examine the feasibility of introducing an efficient data reporting mechanism that would match international standards in quality, coverage and timeliness and which would also enable participation in the International Banking Statistics (IBS) of the type brought out by the BIS.

Existing International Practices

2.2 A number of international institutions have been playing an important role in collecting and publishing data on international claims and obligations of different countries. Generally speaking, the emphasis has been mainly on the external debt position of developing countries. The World Bank has in particular provided useful data on the gross external debt of developing countries. Regarding the banking sector, however, the BIS has taken a lead role in collecting and disseminating detailed statistics on international claims and liabilities of the banking sector in the reporting countries, almost all of which have, so far, been the industrial countries. The Group felt that the objective of aligning Indian database on international assets and liabilities of the banking sector with the one

published by the international institutions, could be best served through an examination of the data reporting system as developed by the BIS, which is comprehensive and intelligible. The Group, in this connection, had the benefit of the literature received from the BIS, which provided details of coverage, reporting formats and general guidelines pertaining to the International Banking Statistics published by them. The BIS regularly publishes two creditor-based statistical series, which contain information on external liabilities and assets position of reporting banks: (i) Consolidated Banking Statistics (CBS), a semi-annual series and (ii) Locational Banking Statistics (LBS), a quarterly series. These data are published with a lag of about 4-5 months.

Locational Banking Statistics (LBS)

2.3 The LBS relate to balance sheet information and cover both assets and liabilities of reporting banks vis-à-vis non-residents in any currency plus assets and liabilities vis-à-vis residents in foreign currency. The reporting requirements of LBS are shown in Annexure 3, page 27. The underlying principle is the location of the banking office. The LBS data are disaggregated into various balance sheet items such as, loans, deposits, securities and other assets and liabilities, currency (domestic and foreign currency), sector (banks and non-banks) and country (individual countries, international

institutions and monetary authorities).

2.4 With regard to currency breakdown, at the minimum reporting level, the countries would need to provide a breakdown into domestic and total foreign currency. However, in terms of the recommended level it would be necessary to provide five individual currencies and a residual category. These five currencies are US dollar, Euro, Japanese yen, Swiss Franc and Pound Sterling.

2.5 The loans comprise the financial assets, which are not represented by negotiable securities. Deposits comprise all claims reflecting evidence of deposit, which are not represented by negotiable securities. International notes and coins that are in circulation and commonly used for making payments also belong to this category.

2.6 For purposes of reporting under LBS, it is necessary to make a distinction between banks' holdings of international securities and banks' own issue of international debt securities. Banks' holdings of international debt securities are defined as comprising all negotiable short-term and long-term debt instruments in domestic and foreign currency issued by non-residents and all instruments in foreign currency issued by residents. Banks' own issue of international debt securities comprises all negotiable securities in domestic currency issued abroad and all issues in foreign currency.

2.7 The LBS also covers data on foreign trade related credits. Foreign trade related credit can be in either of the two forms, (i)

buyers' credit, or (ii) suppliers' credit. A buyers' credit is extended directly by the reporting bank to the foreign importer and is, therefore, considered as external asset. As against this, the suppliers' credit is granted by the domestic bank to the exporter. This may have been extended on the basis of a trade bill, which is drawn by the exporter on the importer and subsequently acquired by the reporting bank. In the current BIS banking statistics, suppliers credits are treated as external or domestic lending depending upon whether the residence of the drawee (who is the final debtor) or of the presenter of the bill (who has guaranteed payment by endorsing the bill) is used as the criterion for geographical location. However, the BIS has recommended that suppliers' credits be allocated according to the drawee of the relevant trade bill, as the drawee is the final recipient of the credit extended.

2.8 In addition to the items mentioned above, LBS also provide information on international banking activity according to the country of incorporation of the parent bank. Since LBS are based on the residence principle and are not consolidated, it is better suited for the compilation of national accounts and balance of payments data and for the analysis of the role of banks in the international financial system. Most importantly, the LBS provide for a currency-wise break-up of international bank lending as well as international liabilities.

Consolidated Banking Statistics (CBS)

2.9 The CBS focus data on international assets positions in all currencies and

comprises all balance sheet items consolidated world wide, including the business of all the offices of reporting banks at home and abroad. This also includes local claims of foreign affiliates of domestic entities in non-local currencies in their respective host countries. The main items to be reported under these are deposits and balances placed with banks, loans and advances to banks, holdings of securities and equity capital. Separate data have to be provided for three types of banks in the reporting country: (1) domestic banks whose head office is located in the reporting country have to report their world-wide consolidated claims (i.e. including the claims of their branches and subsidiaries abroad) on all individual countries; (2) foreign banks in the reporting country whose head office is located outside the BIS reporting area have to report their unconsolidated claims on all individual countries; and (3) foreign banks in the reporting country whose head office is located in another BIS reporting country have to report their unconsolidated claims on their respective home country only. The main purpose of CBS is to provide comprehensive information on banks' international claims on other countries.

2.10 An important feature of the CBS is the provision of data, both on the basis of the country of immediate risk and country of ultimate risk. Under this, the country of ultimate party risk is defined as the country in which the guarantor of a financial claim resides and/or in which the Head Office of a branch is located. The data on ultimate risk should be reported as three separate sets of data, one for inward, the second for outward and the third for the net risk

transfers. Inward risk transfers relate to the reclassification of claims from a third country to the reporting country if an immediate borrower resides in the third country and the ultimate obligor in the reporting country. Here, the risk allocation includes loans to foreign borrowers, which are guaranteed by domestic entities. In contrast, outward risk transfers relate to the reclassification of claims from the reporting country to a third country if the immediate borrower resides in the reporting country and the ultimate obligor in the third country. Here, the risk allocation includes loans to the domestic borrowers, which are guaranteed by foreign entities. Net risk transfers simply represent the arithmetical difference between inward and outward risk transfers. CBS also include data on undisbursed credit commitments and back up facilities. Banks in reporting countries are required to provide information on their gross claims on banks in other countries whose head offices are located in the reporting area. In addition, the head offices of banks in the reporting area provide data on local assets and liabilities in local currency of their affiliates in other countries on a gross basis. CBS, though measures only claims, are a counterpart to borrowing countries' liabilities and, thus, can be aggregated to construct a measure of international debt owed to banks. The reporting requirements under the CBS are provided in Annexure 4 (page 28).

2.11 CBS do not give a currency-wise break-up on the banks' gross international positions. However, CBS provide for data broken down into maturity and sector. With regard to maturity, the position is provided on the basis of residual maturities under

three categories: (i) up to and including one year, (ii) one to two years and (iii) over two years. The sectoral break down focuses on three categories: Banks (both private and public sector banks), Public Sector and Non-Bank Private Sector.

General

2.12 The data are to be reported to the BIS under both CBS and LBS in US dollar terms. With regard to the valuation procedure, all international assets are in principle to be valued at market prices.

2.13 The reporting of derivative instruments within the framework of the BIS international banking statistics is at present under review. In most countries only limited data are currently available on the assets and liabilities that arise from these transactions. In India, exposures on account of derivative instruments are required to be matched by underlying transactions, both with regard to amount as well as maturity. In view of the current regulations on foreign exchange markets, the amount involved is not expected to be significant.

2.14 The reporting area for the CBS consists of eighteen industrialized countries – Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, the Netherlands, Norway, Spain, Sweden, Switzerland, the United Kingdom and the United States. The reporting area for the LBS consists of the above mentioned eighteen countries and six financial centres, viz., Bahamas, Bahrain, Cayman Islands, Hong Kong, Netherlands Antilles and Singapore.

The Existing Arrangements for reporting banks' International Liabilities and Assets in India

2.15 The Group examined the existing arrangements for reporting international assets and liabilities by banks with a view to (i) identify the gaps in the same and (ii) suggest suitable modifications in the same. For this purpose, both LBS and CBS reporting formats of the BIS were examined separately.

Locational Banking Statistics

2.16 In India, banks provide various details of their operations in India as well as abroad to different departments in the RBI to meet the specific requirement of the concerned departments. These are mainly (1) Department of Banking Supervision, (2) Exchange Control Department, (3) Department of Statistical Analysis and Computer Services, (4) Department of Banking Operations and Development and (5) Monetary Policy Department. Reporting arrangements have evolved basically from the angle of banking supervision, monitoring and dissemination of banking transactions, balance of payments and external debt management and monitoring of developments relating to foreign exchange markets. The Group made attempts to identify the major relevant data items under banks' international assets and liabilities position in the Indian context. Discussions below on various categories of external positions of banks would generally follow the formats prescribed by the BIS for the reporting countries.

International Assets

2.17 International assets mainly comprise international loans and deposits, international holdings of securities and international other assets. In this section, the discussion relates to the existing reporting arrangements in respect of the same.

International Loans and Deposits

2.18 Going by the Indian experience, major items under this category would broadly comprise (i) credit balances in the non-resident correspondent bank accounts (Nostro balances), (ii) debit balances in the rupee accounts of non-resident banks, (iii) participation in the international syndicated loans, (iv) trade bills in foreign currency held by banks, (v) loans in foreign currency to residents which include export credits denominated in foreign currency and loans out of FCNR(B) resources to residents and (vi) loans to non-residents. It can be stated here that in terms of the magnitude, balances in Nostro accounts and holdings of trade bills assume critical importance in the Indian context.

2.19 As regards credit balances in Nostro accounts and debit balances in Vostro accounts, the banks provide the details in a monthly return known as 'BAL' statement, which provides information on balances in accounts abroad such as currency and country. Information on investments abroad is also reported under this statement. The present reporting mechanism can be considered, more or less, adequate. Regarding overdue export bills purchased and discounted by banks,

the details such as currency, country, etc. are furnished to the RBI on a half yearly basis in a statement known as 'XOS'.

2.20 The participation in international syndicated loans and extension of loans to non-residents is not found to be very large. Recently, there has been some liberalisation with regard to extension of credit facilities by banks to Indian Joint Ventures/Wholly Owned Subsidiaries abroad. Further, banks are allowed to extend buyer's credit and acceptance finance to overseas parties. Presently, banks are required to furnish half-yearly Review Report regarding these to the RBI.

2.21 In the case of foreign currency claims on residents, there are two important items: (i) outstanding export packing credits denominated in foreign currency (PCFC) and (ii) loans against Foreign Currency Non-resident (Banks') deposits (FCNR(B)). As a part of the efforts to facilitate exports, banks are permitted to extend loans denominated in foreign currency to exporters, which are generally linked to international interest rates. Outstanding loans under PCFC loans are reported to the RBI periodically. Further, banks are also allowed to extend foreign currency loans to residents out of the funds of the FCNR(B) deposits. While some information on these items are reported to the RBI, full information on outstanding amounts under the same is not available. In such cases, reporting the details will have to be done on the basis of transaction details available at the branch level. Furthermore, as most of the loans are in US dollar terms, currency-wise break up may not be very difficult.

International Holdings of Debt Securities

2.22 International debt securities comprise all negotiable short-term and long-term debt instruments in domestic and foreign currency issued by non-residents. The holdings of debt securities are presently included in the return known as BAL Statement received on a monthly basis. While currency-wise and country-wise details are available, classification pertaining to 'bank' and 'non-bank' securities is not presently reported.

International Other Assets

2.23 The international other assets mainly include equity shares, participation, capital supplied by head offices of banks to their branches abroad, remittable profits of overseas offices and subsidiaries abroad and certain items in transition. In recent years, the number of Indian banks operating abroad has increased. Therefore, provision of capital could be substantial. Similarly, Indian banks have also set up subsidiaries abroad. Presently, some information on these are reported to the RBI. However, full details are not reported.

International Liabilities

2.24 The major items to be reported under international liabilities are international deposits and loans, issue of securities abroad and other international liabilities.

International Deposits and Loans

2.25 In terms of the standard classification, international deposits should comprise all claims, which are not

represented by negotiable securities. They should also cover foreign trade related credit. The Group has identified certain major items to fall under this category in India: (i) balances in non-resident Indian deposit accounts, (ii) credit balances in Vostro accounts, (iii) debit balances under Nostro accounts, (iv) accounts maintained by Foreign Institutional Investors, (v) Escrow accounts, (vi) borrowings from abroad, and (vii) accounts of foreign embassies and diplomatic missions and those of foreign students in India. Furthermore, there are also facilities for residents to open foreign currency accounts with banks in India in the form of Exchange Earners' Foreign Currency (EEFC) account and Resident Foreign Currency (RFC) account.

2.26 In terms of the magnitude, the deposits under non-resident Indian accounts can be considered the single most important item. These deposits can take a variety of forms such as : (i) Non-Resident External Rupee Accounts, (ii) Foreign Currency Non-resident (Banks) Accounts, (iii) Non-Resident Non-Repatriable Rupee Accounts (NRNR), (iv) Non-resident Ordinary (NRO) Deposits and (v) Non-Resident Special Rupee Deposit (NRSR).

2.27 With regard to Non-Resident External Rupee accounts, the banks report details of transactions such as fresh inflows, interest credits, local withdrawals, etc. on a monthly basis in the format known as 'STAT 8'. However, country-wise information is not reported to the RBI in the case of these non-resident deposits. As the deposits are denominated in Rupee,

currency details are not relevant. All the deposits are held by 'non-banks' and as such even the category is also not relevant.

2.28 In the case of NRNR Deposits, while the interest amounts are allowed to be repatriated, the principal amount is not allowed to be remitted abroad. Details of transactions under these accounts such as outstanding balance, fresh inflows, interest credits, local withdrawals, interest remittances abroad, etc. are furnished to the RBI in the format of STAT 9 which is a monthly return. However, country-wise information is not reported as per the present reporting requirement.

2.29 The FCNR(B) deposits are allowed to be opened in five currencies, viz., the US dollar, Pound Sterling, Deutsche Mark, Japanese Yen and Euro. Presently, certain details such as currency, maturity, inflows and outflows are provided to the Reserve Bank in STAT 5. As in the case of other non-resident accounts, country-wise information is not reported in this return. However, currency-wise information is provided.

2.30 With regard to the account of embassies with banks, the amount involved may not be significant. While exact magnitudes are not known, available information on net inflows reporting for balance of payments data suggest that these may not be large. Presently, there is no reporting arrangement for collecting this information on outstanding amounts in these accounts.

2.31 With regard to non-resident deposits, a major portion of these deposits

is in rupee denominated accounts and under these, non-repatriable deposits account for a sizeable share. Out of the total balances amounting to more than US \$20 billion in these accounts, more than half was on account of rupee deposits. As these deposits can be opened in any branch irrespective of whether the branch is an authorized dealer or not, collection of country-wise details may be somewhat difficult.

2.32 The Foreign Institutional Investors (FIIs) are allowed to open foreign currency accounts as well as rupee accounts with banks in India. Transfers from foreign currency accounts to rupee accounts are permitted. Similarly transfer of funds from rupee accounts to foreign currency accounts is also allowed. While the amounts in these accounts may not be significant, a close monitoring of the same is crucial. Presently, data on outstanding amounts on these items are being sent to the RBI.

2.33 In addition to non-resident accounts, residents are allowed to have foreign currency accounts with banks in India under Exchange Earners Foreign Currency (EEFC) accounts and Resident Foreign Currency (RFC) accounts. Details of transactions under RFC accounts are reported in STAT 10 return, which is submitted on a monthly basis. Regarding EEFC accounts, information on outstanding amounts is reported to the Monetary Policy Department on a fortnightly basis.

2.34 Another item under foreign liabilities is the international loans raised by banks. Under the present exchange

control regulations, prior approval of the Government of India as well as the RBI is necessary for raising loans abroad. Outstanding foreign currency borrowings of the banks are reported to the Exchange Control Department in the quarterly ECB returns. These, however, relate to borrowings of commercial banks of maturity of more than one year. The banks availing of foreign currency loans are required to furnish details of transactions such as drawals, repayments, interest payments, etc. to the RBI in a quarterly return known as the 'ECB' return. However, the number of banks having such loans is not large. As such, there may not be any difficulty in obtaining this information.

International Own Issues of Securities

2.35 The Group took note of the fact that the issues of international debt securities are rather rare in the Indian context. Presently, there is no arrangement for reporting country-wise information in respect of such issues. However, in view of the small number of such issues, information gathering from few banks may not pose any problem.

International Other Liabilities

2.36 The Group made attempts to identify other external liabilities of the banking system. In view of the prevailing exchange control regulations, banks are not likely to have large amounts of other foreign liabilities. These could relate to capital support extended by head offices of foreign banks to their offices in India, remittable profits of branches/subsidiaries

of foreign banks in India, GDRs issued to non-residents and certain items in the course of collection. With regard to equity held by non-residents (other than FII's), these are subject to approval procedure. Similarly, issue of GDR and other instruments are also subject to approval mechanism. Nevertheless, presently there is no periodic reporting for these items. However, at the time of issue, it is necessary for the concerned banks to provide all the details to the RBI.

2.37 The Department of Banking Supervision (DBS) of the Reserve Bank at present receives DSB Returns from Scheduled Commercial Banks operating in India. Five Returns capturing the Balance Sheet Data, Risk Profile and Capital Adequacy, Operating Result, Asset Quality and Large Credit Exposures to borrowers and banks are submitted by all the banks. Indian banks, in addition, submit details regarding connected lending and ownership pattern every half-year. A second tranche of DSB returns is proposed to be introduced from the second half of 1999-2000. These would cover in addition to Interest Rate Risk and Liquidity Risk, Foreign Exchange Risk as well. At present, in the first tranche returns, DBS collects some data on foreign exchange assets and liabilities. These include data on foreign exchange assets and foreign exchange liabilities where the claims may have to be settled in foreign currency. However, currency-wise and country-wise break up of data is not available at present.

2.38 The Department of Statistical Analysis and Computer Services (DESACS) conducts quinquennial census of foreign

liabilities and assets, which covers the banking sector as well. Under the census, various liabilities and assets of the banking sector in the nature of equity, deposits, investments as well as other forms of liabilities and assets are captured. The data reported in the census are consistent with the LBS. However, the information sought is confined mostly to the aggregate amounts and country-wise and maturity-wise details are not collected under the census. Furthermore, with regard to the overseas operations of Indian banks, only the net asset/liability position is obtained. The latest published information based on the census relates to the position as at the end of March 1992. The work relating to the census for March 1997 is in progress at the time of the preparation of this report. The census data for end-March 1992 has revealed that the major items under banks' foreign liabilities were balances in non-resident Indian accounts, while in the case of foreign assets it was balances in Nostro accounts.

2.39 The Group took note of the developments regarding derivative instruments in India and in other countries. While the volume of transactions in derivative instruments has gone up substantially in recent years, the position in India is somewhat different. While derivative instruments facilitate hedging of interest, currency and maturity risks, these are by and large off-balance sheet items. In this context, the Group took note of the recommendations of the Technical Group on External Debt (Chairman: Shri M. R. Nair) regarding appropriate institutional arrangements for capturing information on contingent liabilities such as, derivatives,

guarantees, etc. on an on-going basis.

Consolidated Banking Statistics

2.40 The CBS focus on the assets side of the banks' balance sheet and cover banks' international claims on a world wide consolidated basis. The CBS include, in addition to the assets of domestic branches, assets of overseas offices as well. Presently, very few banks have branches/offices abroad. However, other banks would need to report certain data items such as country of ultimate risk and unutilised credit limits, etc. Under the CBS, the international claims data are categorised into the country of immediate borrower and the country of ultimate borrower, maturity and sector. In addition, it is necessary to report local currency positions of reporting banks' foreign affiliates with local residents. The principal items to be reported under CBS are deposits and balances with banks, loans and advances to banks and non-banks, holdings of securities and participation. In the case of CBS, the data would comprise both domestic business and those of overseas offices. As such, it is necessary to collect data from overseas offices and furnish the totals after netting out inter-branch claims. Furthermore, country-wise details relate to both – country of immediate risk and country of ultimate risk. When compared to the LBS, the CBS data reporting would require drastic changes in the present reporting formats. Difficult areas, as indicated by concerned officials at the branch level, relate to the transfer of risk to the ultimate borrower and undisbursed credit commitments and back-up facilities. In the absence of any

reporting regulations, information will have to be collected on the basis of transaction details available at the branch level.

2.41 It is important to note that reporting of consolidated claims is only required for those banks, which are incorporated in India. For all foreign banks operating in India, only unconsolidated data on claims are required. Presently, there is very limited reporting requirement with regard to various items covered under CBS.

2.42 Presently, the overseas offices of commercial banks submit periodically statements of their assets and liabilities in a statement known as Report on Assets and Liabilities of Overseas Offices (RALOO). While RALOO covers various aspects of the overseas operations, two important requirements under the present exercise i.e. the country of ultimate risk and sectoral classification are not reported. Similarly, with regard to domestic business, country of ultimate risk and information on undisbursed credit commitment and back-up facilities are not reported. Further, a number of other details under CBS such as local lending in non-local currency are not reported at present.

Feasibility of Collecting IBS Data in India

2.43 The feasibility of reporting details consistent with the international practices needs to be considered in the light of the present structure of the Indian banking system *vis-à-vis* that of advanced countries and the availability of requisite details under the existing reporting arrangements in India. The Group took note of the

phenomenal increase in the number of bank branches and widespread branch network across the country. Further, the technological advancement in terms of computerisation and inter-branch connectivity has not been of the same degree as prevailing in the industrial countries. A large proportion of bank branches caters to the semi-urban and rural population, which are generally very small in size. In comparison, most of the BIS reporting countries had a very comprehensive database and adequate technological support and as such they were in a better position to provide these data to BIS without much difficulty. In India, while there are about 65,000 branches of commercial banks, most of these have not been computerised. However, there has been a favourable trend in most banks to move towards higher degree of computerisation. Furthermore, in view of a number of administrative tiers, collection of data from the branch level and their transmission to the Head Offices and final consolidation render the data reporting mechanism very complex.

2.44 An important aspect of the banking structure is the concentration of foreign exchange business in a small number of branches. While exact information pertaining to branch-wise distribution of foreign exchange transactions is not readily available, it is understood that about 500 bank branches could account for about 85 per cent of total foreign exchange business. Probably, bulk of these branches would have been computerised. It needs to be mentioned here that the RBI has introduced a system of electronic reporting of foreign exchange transactions by banks

for the purpose of reporting balance of payments data in 1997 with a fair degree of success. To further strengthen the arrangement, the RBI has also requested the banks to equip the branches undertaking foreign exchange transactions with necessary infrastructure and trained personnel. As per the timeframe suggested by the RBI, Authorized Dealer branches in all the three categories i.e. A, B and C are to be computerised by September 30, 1999.

2.45 In the view of the Group, while a lot of information flows to different departments in the RBI to cater to their specific needs, these are not adequate for meeting the international standards as well as for participating in the International Banking Statistics of the BIS. The important gaps in the data identified by the Group are as under :

(1) Both CBS and LBS require reporting of country-wise information on international assets and liabilities (only assets in the case of CBS). However, country-wise details are not presently reported in the case of a number of items. These relate, among others, to non-resident deposits, debt and equity securities held abroad, other external assets and liabilities, etc.

(2) In terms of the BIS formats, the data are to be reported according to the nationality structure. Under these, banks are required to give currency-wise information on assets and liabilities with all the details such as those vis-a-vis banks, related

foreign offices, official monetary institutions and residents. These details are not reported at present.

(3) With regard to CBS, all international claims are to be reported on a consolidated basis and these are to be reported according to the country, maturity and sector. Further, these should also cover local claims in non-local currency and reallocation of claims from the country of immediate risk to the country of ultimate risk. At present, there are no reporting arrangements in respect of the same.

(4) International Banking Statistics also include undisbursed credit commitments and back-up facilities in all currencies vis-à-vis residents of other countries. Presently these data are not reported to the RBI.

(5) In the case of Indian Offices, cross-border claims also arise on account of trade (both import and export) transactions. Details such as maturity, sector, country of ultimate risk and immediate risk and currency risk are not reported by banks at present.

2.46 While noting the present gaps in data reporting, the Group recognised the usefulness of such detailed information. Most importantly, this would enable the authorities to know the overall soundness of the banking sector with regard to its international exposures in terms of country, currency, etc. This could in turn facilitate relevant policy formulation by the

RBI. This would be all the more important during the transition to easing of capital controls in a phased manner. In addition, these would enable inter-country comparisons and drawing lessons from experiences of other countries. Furthermore, these would also be useful in the preparation of International Investment Position which forms a part of the reporting under the IMF's Special Data Dissemination Standard (SDDS). In the case of individual reporting banks, this would facilitate developing requisite risk management strategies by the concerned banks. With the trends in the easing of exchange restrictions, this would be quite useful to the banks as well. Data on ultimate country risk would enable the banks to monitor their exposures to minimize concentration of claims on any single country. Similarly, maturity and currency details would be useful in Treasury Management in reporting banks.

2.47 The Group in its deliberations took note of the features of certain major items under banks' foreign liabilities and assets. The most important item under liabilities is the deposits placed by non-resident Indians with banks in India. While NRIs are allowed to have deposits (both repatriable and non-repatriable), a significant portion of rupee deposits is on non-repatriable basis. For instance, as at the end of March 1998, out of the total NRI deposits of about US \$ 20 billion, more than US \$ 6 billion was in the form of non-repatriable deposits. Under these, only the interest amount is allowed to be remitted abroad, while the principal amount is not allowed to be repatriated. In terms of international practices, including those relating to

external debt, deposits are to be treated as foreign and domestic based on the residence of the depositor, irrespective of whether these are allowed to be remitted abroad or not. However, in an analytical sense, there could be a difference between repatriable and non-repatriable deposits. For instance, inter-country comparison is often attempted on the basis of ratio of short-term debt to foreign exchange reserves. It needs to be recognised here that withdrawals/maturity of deposits under the two types of deposits would have different implications for the foreign exchange market. While the former would lead to additional demand in the foreign exchange market, withdrawals from non-repatriable accounts will not have the same impact on the forex demand. This distinction would be lost if both repatriable and non-repatriable deposits are given identical treatment. As such, any reporting of total foreign liabilities should reflect this unique feature.

2.48 In the case of derivative instruments, the banks in India do not enjoy the same freedom as banks in advanced countries. Furthermore, information on the same is not collected in many countries. However, such information will be crucial with further easing of controls on the foreign exchange operations of the banks.

2.49 While formulating its approach, the Group had the benefit of (i) a pilot study of selected bank branches to examine the feasibility of obtaining the data on the basis of existing database at the branch level and (ii) a discussion with Mr. Rainer Widera, Chief, International Financial Statistics, BIS who participated in the discussions, gave

his reactions to the Group's envisaged approach and clarified certain issues on the subject. The observations from the pilot study and the discussions with Mr. Widera are reported in Annexure 5, page 29.

2.50 Based on the examination of the existing reporting arrangements, the pilot study and the international practices, the Group considered two alternatives: (i) to modify the existing reporting formats - coverage as well as periodicity - wherever these are found inadequate for the purpose, or (ii) to suggest a comprehensive new return covering all aspects of banks' international claims and liabilities, which will be in addition to the existing returns. At present banks do furnish some data on certain types of foreign assets and liabilities to the RBI. While these may be adequate in certain cases, these do not cover all the required details in respect of a number of items. As such this would need modifications in the book keeping practices/reporting formats at the bank/branch level. Even after modifications, as the returns are submitted to different departments of the RBI to meet their specific requirements, culling out requisite information from each return might be somewhat cumbersome. Furthermore, the periodicity of reporting also varies from one return to the other. All these would mean far reaching changes in a large number of existing reporting formats. In view of the above, the Group was in favour of the introduction of a new comprehensive reporting arrangement on banks' international claims and liabilities.

2.51 While favouring a new comprehensive return, the Group

recognised the increasing reporting burden on the banking system and associated costs, especially in view of the multiplicity of returns being submitted to different departments in the RBI. Presently, a number of returns are submitted by banks to the RBI in the form of hard copies. Sharing of similar information by different departments in the RBI, therefore, becomes very difficult. In this context, the Group took note of certain emerging developments on the technological front, particularly those relating to computerisation and connectivity in the banking sector. Further, there are moves in the RBI towards introduction of Data Warehousing by establishing a Central Data Base Management System. Once this is implemented, various user departments in the RBI should be in a position to share similar type of information reported in various returns and thereby obviate the need for multiplicity of returns. In the view of the Group, minimization of the reporting burden on the banking system through rationalisation / simplification of existing returns assumes critical importance. However, the proposed comprehensive return would be needed till rationalisation of returns takes place. Once this process sets in, the need for continuing with the comprehensive return would have to be reviewed.

2.52 The proposed new return would cover details of foreign liabilities and assets of the banking sector. Presently, the RBI collects aggregate data on the same through a census for the purpose of working out International Investment Position (IIP). As the requisite details of the same would be available in the proposed

new return, it should be possible for the RBI to make use of the same for compiling IIP. As such, collection of data separately on foreign liabilities and assets of the banking sector under the census may not be necessary. However, the census is required in so far as the non-banking sector is concerned. Moreover, as the international banking statistics would have quarterly frequency, it would be necessary to have census data collected at more frequent intervals. Ideally, such data may be collected annually from the present periodicity of once in five years.

2.53 A closely related matter is the development of channels of efficient data transmission from various banks to the RBI. It was noted that different reporting procedures are followed in the case of different returns. While some of the returns (e.g. R-returns) are submitted by bank branches directly to the RBI, there are also cases of consolidated reporting by the Head Office of the banks to the RBI. The Group was in favour of a system under which the data flow could be from the selected branches to the Head Office and from the Head Office to the RBI in a consolidated manner. Such a mechanism would have certain advantages. Availability of aggregate information for the bank at the Head Office level would greatly strengthen the internal Management Information System in the reporting banks themselves. In this context, intra-bank connectivity assumes critical importance. This would also facilitate monitoring of receipt of returns, as the RBI would be required to deal with only the Head Office of the banks and not each branch selected for the purpose to

ensure compliance.

2.54 Regarding the manner of data transmission, as the data reported by banks would involve further processing/summation at the head offices of reporting banks as well as at the RBI, the banks would need to furnish the data through computer media. Computerisation at the branch level, therefore, is crucial. While in the initial periods, data transmission could take place through floppies, once VSAT-based Network becomes operational, data transmission from the banks to the RBI could take place through VSAT-based network. In other words, over time the intra-bank connectivity based data may need to be interfaced with VSAT-based network, wherever banks are not part of the VSAT-based network.

2.55 The Group took note of the varying degrees of technological developments in the banking sector. As under the envisaged arrangements, reporting will be through electronic mode, provision of the requisite software by the RBI to the commercial banks would be very useful to ensure proper reporting. The responsibility of developing such a software could be entrusted to a core group of experts, which could include persons from RBI and commercial banks and if needed from software firms as well. The core group may develop and test the software in a few banks in a time bound manner before formal introduction of the recommended arrangements. If the core group feels that such a software requires to be outsourced, they may do so, but should ensure that the source codes are provided to the Reserve Bank by the agency. In such an event, the core group will need to interact

and work out the software with the outsourced agency. Such a standardised

software would facilitate intra-bank data transmission as well.

CHAPTER III

RECOMMENDATIONS

3.1 The Group makes the following recommendations:

(1) Under the existing data reporting arrangements all the requisite details relating to banks' international assets and liabilities are not reported. The Group is of the view that such information would be useful to the reporting banks as well from the point of view of developing risk management strategies, especially in the context of liberalization of exchange control and more freedom given to banks in India to undertake foreign exchange transactions. It would, therefore, be appropriate to introduce a comprehensive return to enable effective monitoring of the international claims and liabilities of the banking system as well as India's participation in the International Banking Statistics.

(2) In view of the need to minimise the reporting burden on the banking system arising from multiplicity of returns, the Group strongly recommends that the RBI should undertake rationalisation/simplification of existing statistical returns, keeping in view the emerging developments on the technological front. While under the present reporting arrangements, data sharing by different departments is found to be difficult, introduction of Data Warehousing in the RBI should render it possible for various user departments in the RBI to share the information reported by the banks.

Towards this, the Group further recommends establishment of a Central Data Base Management System (CDBMS) at the RBI with an access to all the data user departments. Once the CDBMS stabilises, the need to continue with/modify the proposed comprehensive return may be reviewed.

(3) As the information being sought is quite comprehensive and as the banks would need some time to put in place necessary arrangements for the purpose, the Group recommends a step by step approach for instituting reporting arrangements. The reporting mechanism could be implemented in three stages. As CBS is considered more complex and as most of the banks do not have requisite details for reporting the same at present, initially the reporting could be done in respect of LBS only. Initially, the banks may be asked to provide aggregate information along with details already available with them. Further refinements could be undertaken in a time bound manner. Under the recommended arrangements, there could be a pre-determined implementation schedule for the purpose. The data reporting by banks in the LBS format could begin with the quarter ending December 1999. Further refinements could be undertaken in the LBS data by end December 2000 which could include reporting of country-wise information on all the items under assets and liabilities as also according to

nationality of the parent bank. Reporting of full information in the CBS format could begin with end-March 2001. The RBI would need to advise the banks to prepare themselves to adhere to the timeframe.

(4) The Group took note of the fact that although most of the branches can have foreign liabilities in the form of deposits, there is enormous concentration of business in a few branches. Based on rough estimates, it is estimated that about 500 branches (including public sector, private sector and foreign banks) would account for above 85 per cent of the overall foreign exchange business. In view of this, the data collection could be confined, at least in the initial periods, to these large branches. For the purpose of selection of top branches, the list of branches that are furnishing balance of payments data to the RBI in floppies could be utilised. However, in addition to these branches, there could be branches, which may be important from the point of view of international banking transactions (e.g. Non-Resident Indian deposits). With improvement in information technology, the coverage could be further expanded in future.

(5) The Group recommends that the data transmission should be from the selected branches to the head offices of the concerned bank and from the head office to the RBI in a consolidated manner covering all its branches. The system of data flow from the branch level through the Head Office/Principal Office to the RBI, as shown in Annexure 6 (page 32), would need to be set in place by December 1999. Information flow from banks to the RBI could be initially through floppies from the

banks to the RBI. Once the VSAT- based network becomes operational, there could be a direct flow of information from the banks to the RBI through this network.

(6) The Group recommends that the banks should undertake speedy computerisation of the foreign exchange transactions in the relevant branches and establish requisite connectivity between branches and the head office to facilitate speedy data transmission.

(7) As regards periodicity, the Group recommends collection of data on a quarterly basis both in respect of international claims and liabilities.

(8) The RBI could identify the new data fields, which would be necessary for this purpose and these should form part of banks' record keeping practices. A few such items identified by the Group relate to areas such as (i) ultimate country-risk in respect of all international claims, (ii) undisbursed credit limits and back-up facilities, and (iii) country and residual maturity particulars of non-resident deposits. The RBI should advise the banks to make necessary changes in their book keeping practices to enable proper reporting as per the recommended timeframe.

(9) As the personnel at the branch level may not be familiar with this kind of reporting in a number of branches, it would be necessary to provide comprehensive guidelines to the concerned banks by the RBI to enable proper understanding of the exact reporting requirement. The RBI may design a suitable reporting format and

provide detailed guidelines consisting of definition and coverage under each item to be reported (The format for reporting the data by the banks and the guidelines for the same are provided in Annexure 7, pages 33 to 66).

(10) The RBI may organise training programmes/workshops for the concerned bank officials at least in the initial periods of data reporting.

(11) As the data reporting could involve collection of data from different branches, coordination by a senior officer in each bank would be necessary. For the purpose of close monitoring of the receipt of information, banks may be asked to designate an officer at the senior level.

(12) With regard to the feasibility of developing software to facilitate reporting by banks, the Group recognised the advantages of a standardised software package. The Group is of the view that the RBI may develop and supply the requisite software to banks. The Group recommends that the responsibility of developing the software could be entrusted to a core group of experts from the RBI and selected banks preferably with specialisation in software programming/development. The core group should develop and test the software in a few banks in a time bound manner before the introduction of the recommended reporting arrangement.

(13) To facilitate implementation of the recommendations in an effective manner and to enable adherence to the recommended time schedule, the Group favours setting up of a Standing Monitoring

Group which would oversee the implementation of the recommended reporting arrangements and also consider necessary changes in the same in the event of further easing of foreign exchange controls. The Standing Group could consist of members from the RBI as well as commercial banks.

(14) With regard to liabilities arising from non-repatriable deposits, these should be reported to the RBI separately. The Group, however, recognises that non-resident deposits which are non-repatriable in nature do not lead to the same type of pressures on the foreign exchange market as other NRI deposits because in these cases the principal amount is not allowed to be remitted abroad. In view of this, it is recommended that the RBI may consider providing data on the non-repatriable portion of the liabilities of the banking system as memo item while reporting to the BIS.

(15) In terms of the international standards, the maturity-wise data are generally reported under different maturities such as less than one year, 1 to 2 years and so on. As the period of one year is considered fairly long from the angle of monitoring of banking sectors' assets, it would be useful to have information in respect of claims for lesser maturity such as say up to 6 months. Furthermore, to facilitate asset-liability management, it would be useful to have maturity-wise information in respect of both assets and liabilities. This should be reflected in the format of the returns being devised by the Reserve Bank. The maturity classification should be on the basis of residual maturity.

(16) An important aspect of data reporting by banks is ensuring consistency of data reported by banks for various individual items with various other returns. The banks should be advised to institute necessary checks to ensure reporting of quality data. As aggregates are available in the Balance Sheet, the amount reported should be consistent with the Balance Sheet information wherever applicable.

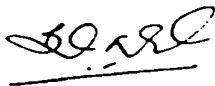
(17) In view of the increasing liberalisation of the foreign exchange transactions and increasing freedom to

banks regarding derivative transactions, it would be useful to develop a monitoring mechanism covering derivatives, guarantees, etc.

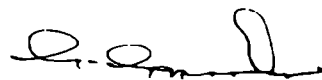
(18) Regarding reporting of currency-wise information on assets and liabilities denominated in foreign currency, in view of the concentration of foreign exchange business in a few currencies in the country, the Group recommends reporting in terms of five major currencies, viz., US dollar, Yen, Pound Sterling, Deutsche Mark (applicable up to December 31, 2001) and Euro.



(N.K.Puri)
Chairman



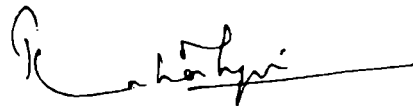
(P. A .Sethi)
Member



(G.Gopalakrishna)
Member



(Smt. Devaki Muthukrishnan)
Member



(G. Mahalingam)
Member



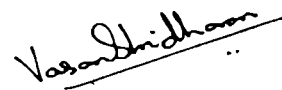
(Sudhir M. Joshi)
Member



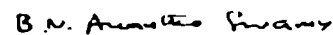
(R.N.Deodhar)
Member



(A. K. Ray)
Member



(Vasan Shridharan)
Member



(B. N. Anantha Swamy)
Member-Secretary



उप गवर्नर
DEPUTY GOVERNOR

Annexure 1

भारतीय रिज़र्व बैंक

केन्द्रीय कार्यालय,

शहीद भगतसिंह मार्ग,

मुंबई-400 001. भारत.

RESERVE BANK OF INDIA

CENTRAL OFFICE,

SHAHID BHAGAT SINGH ROAD,

MUMBAI-400 001. INDIA.

MEMORANDUM

RESERVE BANK OF INDIA

Working Group on International Banking Statistics

The Reserve Bank of India (RBI) collects and publishes data on various aspects of banking, including certain categories of international transactions. With the growing liberalisation of the external sector, close monitoring, on an ongoing basis, of the cross-border flow of funds assumes critical importance. The recent financial crisis in East Asian countries further reinforces the need for developing such a monitoring mechanism with appropriate data base management. This calls for concerted efforts in improving the coverage, quality and timeliness of data on international claims and liabilities of the banking sector which would also facilitate the RBI to be on par with the data standards of international financial institutions such as the Bank for International Settlements. Institution of this system calls for active involvement of the commercial banks as well as the coordinated efforts by different departments in the RBI, which monitor different aspects of the commercial banking activities. Keeping in view these objectives, the RBI has decided to constitute a Working Group on International Banking Statistics with the following members:

1. Shri N.K. Puri, Chairman
Chief General Manager,
State Bank of India.
2. Shri P.A. Sethi, Member
General Manager,
Bank of Baroda.
3. Shri Sudhir M. Joshi, Member
Executive Vice President - Treasury.
Times Bank Limited.



- | | | |
|-----|---|------------------|
| 4. | Shri Vasan Shridharan,
Economist,
Standard Chartered Bank. | Member |
| 5. | Shri G. Gopalakrishna,
General Manager,
Department of Banking Supervision,
Reserve Bank of India. | Member |
| 6. | Smt. Devaki Muthukrishnan,
General Manager,
Department of Banking Operations and Development,
Reserve Bank of India. | Member |
| 7. | Shri A.K. Ray,
Director,
Banking Statistics Division,
Department of Statistical Analysis & Computer Services,
Reserve Bank of India. | Member |
| 8. | Shri R.N. Deodhar,
Deputy General Manager,
Exchange Control Department,
Reserve Bank of India. | Member |
| 9. | Shri G. Mahalingam,
Deputy General Manager,
Department of External Investments and Operations,
Reserve Bank of India. | Member |
| 10. | Shri B.N. Anantha Swamy,
Director,
Division of International Economic Relations,
Department of Economic Analysis and Policy,
Reserve Bank of India. | Member-Secretary |

The Group may have special invitees or co-opt members as deemed appropriate.

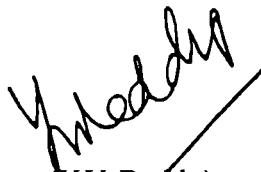


The terms of reference of the Group are as under:

- (a) To review the existing reporting arrangements to the RBI of banks' international assets and liabilities;
- (b) To suggest a comprehensive reporting mechanism, including changes in the existing format of data reporting, to enable India's participation in the International Banking Statistics, such as the one done by the Bank for International Settlements;
- (c) To suggest channels of efficient data transmission from various banks to the RBI;
- (d) To examine the feasibility of developing the requisite software to facilitate reporting by banks and their consolidation at the RBI; and
- (e) To deal with any other related matter.

Secretarial support will be provided by the International Finance Unit of the Department of Economic Analysis and Policy, RBI.

The Group shall submit the Report by end-June, 1999.


(Y.V. Reddy)
Deputy Governor
January 01, 1999

Annexure 2: LIST OF PERSONS WHO PROVIDED HELP TO THE GROUP

Bank of Baroda

Shri S. G. S. Manian

Reserve Bank of India

Shri Sujan Hajra

Shri Ashis K. Sahoo

Shri V. Somasundaram

Shri V.J. Date

Smt Swati Joshi

Smt. Hazel Quadros

Shri Ajit Dharkar

Smt. J. M. Sohani

State Bank of India

Shri V. Gopinathan

Shri C. K. Gopalan Nair

Annexure 3 : LOCATIONAL BANKING STATISTICS

Instrument breakdown		
Loans and deposits	Holdings and own issues of securities	Other assets and liabilities

Currency breakdown	
Domestic currency	Foreign currency USD, EUR, JPY, GBP, CHF*

Sectoral breakdown	
Banks	Non-Banks

Country breakdown		
Individual countries	International institutions	Official Monetary Authorities

* For the present, the Group considers Deutsche Mark as an important currency for IBS reporting purpose.

Annexure 4 : CONSOLIDATED BANKING STATISTICS

Type of reporting banks		
Domestic Banks (consolidated)	Foreign affiliates of inside area banks (unconsolidated)	Foreign affiliates of outside area banks (unconsolidated)

Country Breakdown	
Immediate borrower	Ultimate borrower

Maturity Breakdown		
One year	One to two years	Over two years

Sectoral Breakdown		
Banks	Public sector	Others

Annexure 5: Pilot Study of selected branches and BIS Representative's observations at the meeting with the Group

Pilot Study of selected branches

A5.1 As there already exists a reporting mechanism for a variety of international transactions both from the banks to the RBI and from bank branches to their respective head offices, it was decided to undertake a pilot study of a few branches of commercial banks to enable the Group to formulate its approach. This pilot study was undertaken on an informal basis by a core group consisting of Sarvashri A. K. Ray, Sudhir Joshi, and B.N. Anantha Swamy, members of the Group and Shri T. Satish Rao from SBI. The pilot study aimed at reviewing the present data reporting arrangements as well as bookkeeping practices in various banks, keeping in view the BIS reporting requirements. The banks selected for this purpose were the State Bank of India, Times Bank, Bank of Baroda and Standard Chartered Bank. Thus, the sample chosen included the bank with the largest branch network, a public sector bank, a private sector bank and a foreign bank operating in India, which reflected a fairly representative sample. The selected branches of the above mentioned banks were requested to examine the feasibility of reporting information on their international claims and liabilities as per the format received from the BIS. As a part of this exercise, the members visited some of the selected branches and held detailed discussions with the officials dealing with these areas. Details of the pilot study in selected banks are provided below:

A5.2 The identified branches were requested to provide feedback on the following:

(1) Whether the data required in the format given by the BIS are available at the domestic offices, particularly on the country of ultimate risk and the undisbursed credit commitment and backup facilities;

(2) Whether the domestic offices are submitting all or few of these particulars to the RBI or any other office in any of the existing returns;

(3) Whether any basic accounting change is required in order to provide this information.

A5.3 The main findings emerging from the pilot study can be summarised as under:

(1) The present reporting arrangements were found to be inadequate for meeting the international standards relating to banking statistics.

(2) Cross-border assets and liabilities are found to be generally concentrated in a few large branches.

(3) Inadequate computerisation of foreign exchange transactions at some of the branches and insufficient technological development for establishing inter-branch connectivity pose problems.

(4) The bank branches considered the BIS guidelines and the reporting formats quite complicated.

(5) While Locational Banking Statistics formats were considered a relatively easy reporting requirement, Consolidated Banking Statistics formats were considered quite complicated by many banks.

(6) The details regarding country of ultimate risk and undisbursed credit commitments were not readily available in many banks. Similarly, country-wise information on non-resident Indian accounts was also not maintained in certain banks.

Interactions with the BIS Representative*

A5.4 The BIS representative provided his reactions to the Group's approach, in the light of the experiences of other countries and the general approach of the BIS. The Representative highlighted the items which are considered important by the BIS and which need priority treatment in reporting. The Representative's reactions to the Group's approach could be summarized as under:

(1) The Representative favoured an arrangement which would aim at a step by step improvement and which would not impose too much of a burden to the banking system, considering its associated

costs. In his view, we should start with reporting the information already available and subsequently introduce further refinements over a period of time through a well designed time frame. The BIS on its part, initially had focussed on important countries (which were mainly industrial) and subsequently approached many other countries to participate. Likewise, within the reporting country, initially it would be appropriate to begin with large banks, which would cover a substantial part of the foreign exchange business. Further, the representative favoured setting up a Standing Group to oversee the implementation of the recommended arrangements and to suggest necessary changes from time to time.

(2) Regarding usefulness of such data for the reporting countries, it was indicated that it is important to have comprehensive information to avoid the financial crisis of the type that occurred in East Asia as well as to ensure financial stability. The information would enable sensible decisions by the policy makers, which could be useful in avoiding subsequent stresses on the financial system. Even from the reporting banks' point of view, these could be very useful in formulating relevant risk management strategies. Furthermore, it would also facilitate inter-country comparisons.

(3) Regarding reporting of undisbursed credit commitments, sometimes due to large fluctuations, a view has been expressed that these data may only be of limited use. However, as some international organisations have found this information useful, it has been retained.

* Mr. Rainer Widera, Head of International Financial Statistics, Monetary and Economic Department, BIS, visited Mumbai to give his views to the Group on March 20, 1999.

In the case of India, the reporting of such data may not be crucial in the beginning.

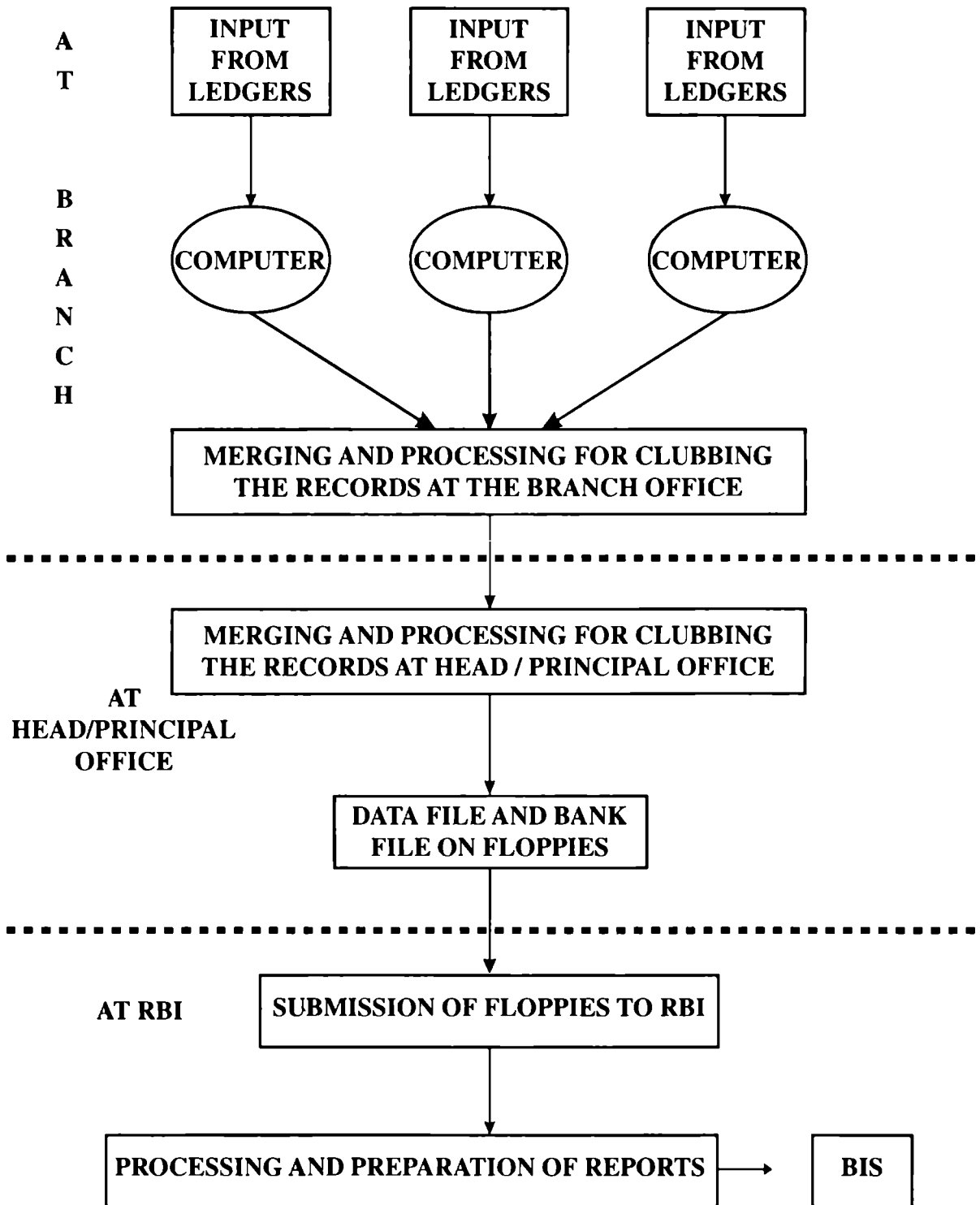
(4) In the case of export bills outstanding, international practices currently vary as to their reporting as external assets. However, the BIS has recently noticed a convergence to the recommended principle of classifying suppliers' credits as external assets based on the residence of the drawee and not of the presenter of the export bill.

(5) With regard to letters of credits, in principle these represent contingent liabilities. As such, these should not be included in the reporting of on-balance-sheet claims or liabilities. These also do not belong to the category of undisbursed credit commitments.

(6) The country-wise details are to be provided according to the country of ultimate risk, in addition to the country of immediate risk. It was indicated that not all reporting countries are providing this information to the BIS and that the BIS has not yet begun to publish this data. Hence, India may also provide this information somewhat later.

(7) The non-resident deposits are to be reported irrespective of whether these are repatriable or non-repatriable. The main criterion here is the residence of the depositor and, not the repatriability. As long as the depositor is a non-resident, these should be reported under foreign liabilities.

Annexure 6: Data Flow Chart



Annexure 7: Systems Analysis and Design, Reporting Formats and Guidelines

Consolidated Banking Statistics and Locational Banking Statistics

A7.1 Out of the three essential ingredients of any system, viz., *Input, Process and Output*, the output for IBS generally follows the BIS formats. Necessary and sufficient input needs to be defined and codified. The process to be designed has to produce desired output from the defined input.

Analysis

Information required in the output

A7.2 BIS formats on CBS and LBS call for statistics on assets of banks with and liabilities of banks towards:

- (1) Non-residents in foreign currencies and domestic currency , and
- (2) Residents in foreign currencies.

Items of information

A7.3 BIS formats divide all assets and liabilities into three major groups each, as under:

Assets	International Loans International Holdings of Debt Securities International Other Assets
Liabilities	International Deposits International Own Issues of Securities International Other Liabilities.

To capture the classification these groups have to be codified, say as A/L CODES.

A7.4 Under each of the groups of assets and liabilities, there are various types which vary from country to country. For example, in India, there are various types of non-resident deposits and also foreign currency deposits placed by residents. In order to capture this distinction, codes have to be allocated to all types and may be called as TYPE CODES. Nevertheless, it will be useful for banks for their own purpose and also for segregation of data entry work.

A7.5 The formats envisage further breakdown Currency-wise, Sector-wise and Country-wise. In the book keeping system of banks each asset and liability is accounted for in an account in ledgers, in the name of the entity towards whom the liability is or with whom the asset is placed. The first page of the account bears the information on currency name, sector (as name, etc., of the account holder) and country (as address of the account holder). While SECTOR CODES have to be allocated, SWIFT codes would be convenient for CURRENCY CODES and COUNTRY CODES.

A7.6 Under the 'Country' column of formats LBS 1 to 9 the following two group names appear which need to be allocated country codes as under:

Name	Country Code
International organisations	ZZ
Monetary authorities (i.e., Central Banks)	YY

A7.7 Information for yet another group name 'Residents' can be compiled on the basis of country code 'IN' and hence, going by the definition of "Information required" on the previous page, both the sub-columns under column heading 'Domestic currency' in these formats will remain blank.

A7.8 Under the column 'Reporting country of parent bank' in the formats LBS 10 to 14 continent-wise grouping of information is required. This should be done at the RBI through a computer program.

A7.9 There are two more items of information, viz., the country of ultimate risk (in the case of assets) and maturity classification. This information is also available in the account ledgers. While SWIFT country codes should be used as COUNTRY OF ULTIMATE RISK CODES, maturity classification has to be codified as MATURITY CODES.

A7.10 For each combination of A/L Code, Type Code, Currency Code, Sector Code, Country Code, Country of Ultimate Risk Code (blank for liabilities) and Maturity Code taken together, there can be several records. While presenting the data they will have to be clubbed together by totalling the balances in the accounts qualifying the combination.

A7.11 As per normal accounting practice, accrued interest on each liability is credited / provided. In case it does not form part of the balance in the account, it will have to be captured separately and added to the balance amount while presenting the data. In the case of assets also, accrued interest can similarly be captured and added to the balance amount.

Basic data items required

A7.12 Thus, for every asset and liability, the following items of information are essential and sufficient to build the statistics in the BIS formats:

1. A/L Code
2. Type Code
3. Currency Code
4. Country Code
5. Sector Code
6. Country of Ultimate Risk Code
7. Maturity Code
8. Balance Amount
9. Accrued interest not credited.

Design

A7.13 The Head / Principal office of a bank should submit data to the Reserve Bank on floppy /ies in two ASCII files, viz., BANK FILE and DATA FILE. The file structures should be as under:

Bank File

1	Reporting quarter (year 4N + quarter 1N)	5 N
2	Uniform Code	7 N
3	Name	30 A
4	Address	3 x 20 A/N
5	Country of Incorporation code (SWIFT)	2 A
6	Total assets as at the end of the quarter	15 N
7	Total Liabilities as at the end of the quarter	15 N
8	Total no. of identified branches in India	4 N
9	No. of branches (out of item 8) reported	4 N
10	Total no. of foreign branches	2 N
11	No. of foreign branches reported	2 N
12	Free bytes	2 A/N
		148 Bytes

Data File

1	Asset/Liability (A/L) Code	2 N	14 Bytes
2	Type Code	2 N	
3	Currency Code	3 A	
4	Country Code	2 A	
5	Sector Code	2 N	
6	Country of Ultimate Risk Code	2 A	
7	Maturity Code	1 N	
8	Total Balance Amount	15 N	
9	Total Provision for Accrued Interest	15 N	
10	Free Bytes	3 A/N	
		48 Bytes	

Codes and their descriptions

Bank File

A7.14 Uniform code has been allocated to all branches and head/principal offices of all banks in India by the RBI (DESACS). It is in two parts, I and II, of 7 digits each. Only part I should be indicated against 'Uniform code'.

A7.15 For country of incorporation, SWIFT country codes should be used.

A7.16 It is understood that foreign branches of Indian banks have not been allocated uniform codes. The RBI may like to do so now. Until they do it banks should provide data relating to foreign branches

in a separate Data File for foreign branches.

Data File

1. A/L Code

A7.17 Bank's assets with and liabilities towards Non-Residents both in foreign currencies and domestic currency as also those in foreign currencies towards residents are covered. The codes are as follows:

Assets	11	International Loans
	21	International holdings of debt securities
	31	International other assets
	41	Undisbursed credit commitments and backup facilities
Liabilities	51	International Deposits
	61	International own issues of securities
	71	International other liabilities

2. Type Code

International Loans	11	Loans to non-residents
	12	Foreign currency loans to residents
	21	Outstanding bills drawn on NRs.
International holdings of debt securities	11	Investment in foreign Govt. securities (including treasury bills)
	12	Investment in other debt securities

International other Assets	11	Investment in equities
	12	Nostro balances including balances in term deposits (even FCNR funds)
International Deposits	11	FCNR(B)
	12	RFC
	13	EEFC
	14	Other FC deposits
	51	Vostro balances of non-resident banks and exchange houses (including term deposits)
	52	Non-Resident External Rupee Accounts (NRE)
	53	Non-Resident (Non-Repatriable) Rupee Accounts (NRNR)
	54	Non-Resident Special Rupee Accounts (NRSR)
	55	Non-Resident Ordinary Rupee Account (NRO)
	56	QA22 Accounts
	57	Embassy Accounts
58	FII Accounts	
International own issues of securities	11	GDRs
	12	Equities
	13	Bonds
	14	FRNs
International other liabilities	11	
	12	

3. Currency Code

A7.18 Currency of the asset/liability. SWIFT currency codes should be used.

4. Country Code

A7.19 The country where the asset is placed or where the entity towards whom the liability is owed. SWIFT country codes should be used.

5. Sector Code

A7.20 Sector determines asset with whom or liability towards whom.

Assets	11	Bank – Public sector – Principal office in domestic country – Own office
	12	Bank – Public sector – Principal office in domestic country – Others
	13	Bank – Public sector – Principal office in foreign country - Own office
	14	Bank – Public sector – Principal office in foreign country – Others
	15	Bank – Others – Principal Office in domestic country - Own office
	16	Bank – Others – Principal Office in domestic country – Others

	17	Bank – others – Principal Office in foreign country – Own office
	18	Bank – others – Principal Office in foreign country – Others
	21	Official Monetary Institution (Central Bank, Govt., etc.)
	31	Non-Bank – Private Sector
	32	Non-Bank – Others
Liabilities	51	Banks
	61	Non-bank – Private sector
	62	Non-bank – Others

6. Country of Ultimate Risk Code

A7.21 SWIFT country codes should be used. The concept can be explained as under:

Let us suppose the Bank of Baroda, Mumbai has placed a foreign currency deposit with the Standard Chartered Bank, New York. Here as the bank is located in the USA the country of immediate risk is the USA, which is automatically indicated by the country code at 4 above. However, as the Standard Chartered Bank is incorporated in the United Kingdom the country of ultimate risk is the United Kingdom (GB)

7. Maturity Code

1 Up to and inclusive of six months

- 2 Over six months and up to and inclusive of one year
- 3 Over one year but up to and inclusive of two years
- 4 Over two years
- 5 Unallocated

8. Total Balance amount

A7.22 The total of all balances satisfying the combination of all the codes at 1 to 7 above. The amount should be in rounded thousands in the units of the currency denoted by the currency code at 5 above

9. Total accrued interest not credited

A7.23 The total accrued interest provision satisfying the combination of all the codes at 1 to 7 above. The amount should be in rounded thousands in the units of the currency denoted by the currency code at 5 above.

10. Free Bytes

A7.24 This field should be left blank. This is meant for future use, if needed.

Source of Data

A7.25 The data are available in each individual account of assets and liabilities maintained in the ledgers of any bank branch. As per the practice followed, generally, the first page of the account in a ledger has the required information. The balance in each account on any given date is also available. Periodically, accrued interest is also worked out and indicated in the folio of each account. Along with accrued interest, residual maturity can also

be worked out.

No.	Data Item	Is available in
1.	A/L Code	Nature of account
2.	Type Code	Type of the account
3.	Currency Code	Currency of the account
4.	Country code	Address of the account holder
5.	Sector code	Name of the account holder
6.	Country of ultimate risk code	Account opening form
7.	Maturity code	Folio, as worked out
8.	Balance amount	Account
9.	Accrued interest	Folio, as worked out

Process

Data Entry

A7.26 The banks, which have achieved total/comprehensive computerisation, should be in a position to produce the desired output files required for submission to the RBI, if necessary, by developing a suitable interface.

A7.27 Others may have to create database to do so. For this purpose they may develop a data entry program creating a file having the given file structure. To facilitate data entry the following arrangement in the reporting branch is suggested:

- (1) Have separate ledgers for

each type of assets and liabilities. This will immediately distinguish Asset/Liability Code and Type Code. These codes can be indicated on the ledger cover itself.

(2) Have Country Codes, Country of Ultimate Risk Code and Sector Code super-scribed on the first page of the individual account in the ledger as:

Country Code	
Country of Ultimate Risk Code	
Sector Code	

(3) Accrued interest and residual maturity (where applicable) should be worked out as at the end of every quarter and indicated on the account folio to facilitate data entry.

(4) Data should be captured through a Data Entry Program, which should validate the codes. This would need code masters in the Data-Entry-Package. This package should have help facility with popup window for codes.

(5) Prepare separate computer files for each type of assets and liabilities, which can be merged when done with. This will help in distribution work among data entry operators and more number of PCs.

Consolidation of Data Files

At Branches

(a) After data entry is over all the files should be merged into one data file. This will also need a separate program (Merging Program).

(b) This file, as an input, should be processed to club the amount fields pertaining to each combination of first 14 bytes to have a single record for each such combination in the output file to be submitted to Head/Principal Office. A program has to be developed for this purpose (Clubbing Program).

At Head/Principal Office

(1) At Head/Principal Office, the data files received from branches have to be merged using the merging program mentioned at (a) above. Similarly all the records having identical first 14 bytes will have to be clubbed using the clubbing program mentioned at (b) above.

(2) There has to be a separate data entry program to prepare a Bank File. This file should contain a single record of 132 bytes. The uniform code of 7 digits is the Part I of the uniform code allocated by the DESACS of the RBI.

(3) The files to be submitted to the RBI have to be ASCII files. Hence, depending upon the format of the files prepared by the banks they may need a conversion program for the purpose.

(4) Printing of statements should be done through computer programs as per the enclosed formats and specifications.

At Reserve Bank of India

(1) Information for the country as a whole should be compiled and printed from the Data Files received from banks

with suitable grouping for Central Banks, International Organisations, Continents and Residents.

(2) While compiling the CBS statement data pertaining to foreign banks' branches in India, whose country of incorporation is itself a reporting country, should be excluded.

(3) While compiling LBS statements, however, foreign branches of Indian banks should be excluded.

Software

A7.28 The software to be developed for use in their branches and banks should mainly consist of the following Programmes:

1) Data Entry Programme for Data File

2) Merging Programme

3) Clubbing Programme

4) Data Entry Programme for Bank File

5) Report Programme to print reports in BIS formats.

6) Programme to convert files into ASCII format, if necessary.

A7.29 In the Reserve Bank, the following Programmes will be required.

1) Floppy testing Programme

2) Merging Programme

3) Clubbing Programme

4) Programmes to print reports in BIS formats.

Compilation of Report for the Consolidated BIS Banking Statistics

Please note:

- a) The information is required to be given for each country.
- b) Interest amount must be added to the balance amount.
- c) For columns 1 to 15 all assets means assets with A/L codes < 41.

Col. No.	Column Heading	Data explanation	Clubbing the amounts of relevant records
1.	Debtor country	Name of the country	Data for each country should be clubbed on Country code.
2.	Total	Total of all assets	Data for all A/L codes for assets should be clubbed.
Maturities			
3.	Up to and inclusive of six months	Total of all assets with maturity up to and inclusive of six months.	Data for maturity code 1 should be clubbed.
4.	Over six months and up to and inclusive of one year	Total of all assets with maturities up to and inclusive of one year.	Data for maturity code 2 should be clubbed.
5.	Over one year and less than two years	Total of all assets with maturities over one year but less than two years.	Data for maturity code 3 should be clubbed.
6.	Over two years	Total of all assets with maturities of two years and above.	Data for maturity code 4 should be clubbed.
7.	Unallocated	Total of all assets where maturity is uncertain.	Data for maturity code 5 should be clubbed.
2 = 3 + 4 + 5 + 6+7			

Sectors			
8.	Banks	Total of all assets placed with banks.	Data with sector codes 11 to 18 should be clubbed.
9.	Public sector	Total of all assets with Govt. and public sector, excluding banks.	Data with sector codes 11 to 14 should be clubbed.
10.	Non-bank private sector	Total of all assets placed with non-banks in private sector.	Data with sector code 31 should be clubbed.
11.	Unallocated	Total of all assets not covered by column numbers 8, 9 and 10.	Data with sector codes 21 and 32 should be clubbed.
2 = 8 + 9 + 10 + 11			
12.	Claims on banks with head offices outside the country of residence	Total of all assets placed with banks where country of ultimate risk is a foreign country.	Data with sector codes 11 to 18 and country of ultimate risk other than 'IN' should be clubbed.
Local currency positions of reporting banks' foreign affiliates with local residents			
13.	Claims	Total of all assets of foreign branches of Indian banks, in Indian Rupees placed with residents of India.	Data from foreign branches' Data File, with all A/L codes for assets < 41, with currency code 'INR' and country code 'IN' should be clubbed.
14.	Liabilities	Total of all liabilities of foreign branches of Indian banks, in Indian Rupees towards residents of India.	Data from foreign branches' Data File, with all

			A/L codes for liabilities, currency code 'INR' and country code 'IN' should be clubbed.
15.	Net transfers of risk to the ultimate borrower.	Net of, total of amounts pertaining to the records for other countries where country of ultimate risk is the country itself taken as positive and total of amounts pertaining to the records for the country where country of ultimate risk is any other country taken as negative.	Net (+/-) of amounts + [with country code not = country code and country of ultimate risk code = country code] - [with country code = country code and country of ultimate risk code not = country code] @@@
Figures in column 14 must have sign + or -. Total of this column must be zero.			
16.	Undisbursed credit commitments and back-up facilities.	Total of credits/loans/advances sanctioned but not disbursed whether in full or in part.	Data with A/L code 41 should be clubbed.

@@@ Suppose, record for a country with country code ** is being prepared. Also suppose that all other countries are denoted by country code \$\$\$. Then the amount to be placed in column 14 for country ** = Net of amounts

- + [country code = \$\$\$ {country of ultimate risk code = ** }]
- [country code = ** {country of ultimate risk code = \$\$\$}]

Compilation of Report for the Quarterly Locational BIS Banking Statistics

1. Total international claims	LBS 1
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These specifications are equally applicable to formats LBS 2 to 9 with appropriate changes as to assets or liabilities and all or specific currencies.

Please note:

- a) The information is required to be given for each country.
- b) Interest amount must be added to the balance amount.
- c) All assets means assets with A/L codes < 41.

Col. No.	Column Heading	Data explanation	Clubbing the amounts of Relevant records
1.	Country	Name of the country	Data for each country should be clubbed on country code.
Total assets			
2.	All	Total of all assets	Data for all A/L codes for assets < 41 should be clubbed.
3.	Non-banks	Total of all assets pertaining to all non-bank sectors	Data for all A/L codes <41 and sector codes > 20 should be clubbed.
Domestic currency			
4.	All	As in col.2 for Indian Rupees.	As in col.2 for currency code INR.
5.	Non-banks	As in col.3 for Indian Rupees	As in col.3 for currency code INR.
Foreign currencies			
6.	Total - All	As in col.2 for all currencies other than Indian Rupees.	As in col.2 for currency codes not = INR.
7.	Total – Non-banks	As in col.3 for all currencies other than Indian Rupees.	As in col.3 for currency codes not = INR.

8.	USD - All	As in col.2 for US Dollars.	As in col.2 for currency code USD.
9.	USD – Non-banks	As in col.3 for US Dollars.	As in col.3 for currency code USD.
10.	EUR - All	As in col.2 for Euro.	As in col.2 for currency code EUR.
11.	EUR - Non-banks	As in col.3 for Euro.	As in col.3 for currency code EUR.
12.	JPY - All	As in col.2 for Japanese Yens.	As in col.2 for currency code JPY.
13.	JPY – Non-banks	As in col.3 for Japanese Yens.	As in col.3 for currency code JPY.
14.	GBP - All	As in col.2 for GB Pounds.	As in col.2 for currency code GBP.
15.	GBP – Non-banks	As in col.3 for GB Pounds.	As in col.3 for currency code GBP.
16.	DEM - All	As in col.2 for Deutsche marks.	As in col.2 for currency code DEM.
17.	DEM – Non-banks	As in col.3 for Deutsche Marks.	As in col.3 for currency code DEM.
18.	Other - All	As in col.2 for currencies other than those covered in col.4 to col.17.	As in col.2 for currency codes not = [INR, USD, EUR, JPY, GBP, DEM].
19.	Other – Non-banks	As in col.3 for currencies other than those covered in col.4 to col.17.	As in col.3 for currency codes not = [INR, USD, EUR, JPY, GBP, DEM].

$$2 = [4+8+10+12+14+16+18] = [4+6]$$

$$6 = [8+10+12+14+16+18]$$

$$3 = [5+9+11+13+15+17+19] = [5+7]$$

$$7 = [9+11+13+15+17+19]$$

Compilation of Report for the Quarterly Locational BIS Banking Statistics

10. Nationality structure – Domestic currencies

LBS 10

These specifications are equally applicable to formats LBS 11 to 14 with appropriate changes as to specific currencies except memorandum item where assets/liabilities with country code 'IN' are to be clubbed.

Please note:

- a) The information is required to be given for each country by clubbing records on 'country of ultimate risk code', except Col. 10, pertaining to 'currency code = INR'.
- b) Interest amount must be added to the balance amount.
- c) All assets means assets with A/L codes < 41.
- d) All liabilities means liabilities with A/L codes > 50 but < 80.

Col. No.	Column Heading	Data explanation	Clubbing the amounts of Relevant records
1.	Reporting country of parent bank	Name of the country on the basis of 'country of ultimate risk code'.	Data for each country should be clubbed on the basis of 'country of ultimate risk code'.
Total			
2.	Assets	Total of all assets.	Data for all A/L codes < 41 should be clubbed.
3.	Liabilities	Total of all liabilities.	Data for all A/L codes > 50 but < 80 should be clubbed.
Positions vis-a-vis banks			
4.	Assets	Total of all assets with banks.	Data as in Col.2 with sector codes 11 to 18 should be clubbed.
5.	Liabilities	Total of all liabilities with banks.	Data as in Col.3 with sector codes 11 to 18 should be clubbed.

Positions <i>vis-a-vis</i> banks of which related to			
6.	Foreign offices – Assets	Total of all assets with Indian banks' foreign branches.	Data from foreign branches' Data File as in Col.4 should be clubbed.
7.	Foreign offices – Liabilities	Total of all liabilities towards Indian banks' foreign branches.	Data from foreign branches' Data File as in Col.5 should be clubbed.
8.	Official Monetary Institutions – Assets.	Total of all assets with Central Banks.	Data as in Col.2 with country code of Central Banks.
9.	Official Monetary Institutions – Liabilities.	Total of all liabilities towards Central Banks.	Data as in Col.3 with country code of Central Banks.
10.	Own issues of securities.	Total of liabilities against own issues of securities towards the concerned country.	Data for each country on the basis of country code with A/L code = 61 and country of ultimate risk code = IN should be clubbed.

International Banking Statistics : Guidelines for reporting International assets and liabilities

A7.30 The objective of this return is to collect comprehensive information on banks' foreign liabilities and assets. Relevant information should be furnished covering domestic offices as well as foreign offices. The data are to be provided with currency-wise, country-wise and sector-wise details.

A7.31 The return should be sent on a quarterly basis indicating the assets and liabilities position of the banks as at end of March, June, September and December every year. The banks should ensure that the return is submitted to the RBI within one month from the close of every quarter. For instance, the report for the quarter ending December 1999 should be sent so as to reach the RBI by the end of January 2000. In view of the importance attached to the timeliness, all banks are expected to ensure that the requisite arrangements for the purpose (including infrastructure) are put in place so that they are in a position to provide the information in accordance with the reporting timetable.

A7.32 There should be a single consolidated return covering the foreign liabilities and assets of all the branches in India, which have been selected for the purpose of this reporting and all the foreign operating branches of Indian Banks. While the details such as country, currency, etc. are to be reported for the selected branches, aggregate figures on certain categories of foreign liabilities and assets should be furnished for the bank as a

whole. Further, in the case of branches/offices abroad, the return should cover all such branches/offices. The reporting bank should ensure that these data are consistent with the data reported to the RBI in various other returns.

A7.33 The data should be furnished in computer floppies along with a hard copy of the same in the prescribed format in ASCII mode.

A7.34 All amounts should be furnished in thousands of rupees.

A7.35 For the purpose of this return, a non-resident is an individual resident abroad or a company located abroad. These should include individuals permanently resident in a country outside India or those who have stayed or intend to stay outside India for a year or more. Similarly, individuals normally resident in a country outside India who are temporarily resident in India for less than one year are to be treated as non-residents. However, in terms of the international conventions, the following exceptions need to be noted while reporting the data: students should be treated as belonging to their home country irrespective of the length of their stay. Similarly, diplomatic missions and personnel and persons undergoing medical treatment should be treated as residents of their home country irrespective of their length of stay in India. As such, accounts in India maintained by the above entities are to be treated as non-

resident accounts.

A7.36 In the case of non-resident deposits, data should be reported for all types of accounts separately irrespective of whether the deposits are repatriable or non-repatriable.

A7.37 With regard to balances in FCNR (B) deposits, the amount reported should be the total balance in these accounts and these should not be netted against balances out of these deposits held abroad.

A7.38 While balances in correspondent bank accounts are to be shown under deposits, investments abroad in debt and other securities should be reported against investment under appropriate categories. For instance, investment in the US government treasury bills should be reported as investment in foreign government securities i.e. type code No.11.

A7.39 The data on foreign assets and liabilities should be furnished with country-wise details based on the residence/location of the counter party. With regard to assets, the country should relate to the country of residence of the borrower, the country of residence of the drawee in the case of bills, of the issuer in the case of certificate of deposit, notes, negotiable paper and securities, of the buyer in the case of lending under bank guarantee and of the institution or person on whose behalf the facility was opened in the case of acceptances. The address given by the depositor/borrower should be the criterion for country classification. In case country details are not available, it should be

reported under the category 'Unallocated'.

A7.40 The allocation of country and currency codes should be done on the basis of the SWIFT code list, which are alpha codes. While the first two letters in the code indicate the country, the three letters in the code list indicate the currency. For instance, while the code USD indicates US dollar, the code US indicates liabilities or assets in the USA. Central monetary authorities are residents of the country they serve. International organizations including their branches/offices in India are to be treated as non-residents. They should be classified as 'International Organizations'.

A7.41 The information on the country of ultimate risk should be provided only in the case of international assets. With regard to assets, both the country of immediate risk and the country of ultimate risk should be provided. The country of immediate risk is defined as the country in which the entity on which the reporting bank has a claim is resident or located. The country of ultimate risk is defined as the country in which the head office of a dependent branch (against which the foreign asset is being reported) is located and or the country in which the guarantor of a financial claim resides. Collateral that is liquid and available in a country other than that of the borrower may be considered in the same manner as guarantees for this purpose. For example, if a Mumbai branch of a bank has a claim of US \$ 10 million on a manufacturer in London who is guaranteed by a bank in the USA, the country of immediate risk should be shown as the UK, while the country of ultimate risk should be reported as the USA.

Similarly, in the case of the bank account of a resident bank with Citi Bank London, while the country of immediate risk is the UK i.e. the location of Citi Bank, the country of ultimate risk is the USA where the Head Office of Citi Bank is located.

A7.42 With regard to sectoral breakdown, international assets and liabilities are to be reported according to sectors i.e. banks, public sector and non-bank private. For the purpose of classification into bank and non-bank, the position vis-à-vis foreign official monetary institutions and the position in foreign currency vis-à-vis the RBI, should be shown under the category 'bank'.

A7.43 International loans should cover all loans vis-à-vis non-residents in all currencies and loans vis-à-vis residents in foreign currency. Loans should comprise those financial assets, which are created through the lending of funds by a lender to the borrower, which are not represented by negotiable securities. Deposits should comprise all claims reflecting evidence of deposit, which are not represented by negotiable securities. Other categories to be reported here relate to non-negotiable debt securities, endorsement liabilities arising from bills rediscounted abroad, subordinated loans, foreign trade related credits, etc. In the case of syndicated loans and participation, if the bank acts as a manager or co-manager of a loan financed by more than one bank or institution, the amounts received from other participating institutions representing their share, should not be included in the assets.

A7.44 The holdings of international

debt securities are defined as comprising all negotiable debt securities (excluding equity shares and investment fund units) in domestic and foreign currency issued by non-residents and all such instruments in foreign currency issued by residents. Banks' own issue of international debt securities comprises all negotiable debt securities in domestic currency issued abroad and all issues in foreign currency. The classification here should be based on the currency and the method of issue rather than the residence of the issuer.

A7.45 The other assets should include holding of equity shares of companies incorporated abroad, working capital provided to the overseas offices, participation abroad, remittable profit of subsidiaries/offices abroad, etc. Similarly, the other liabilities should include the equity capital held abroad, working capital supplied by the head office, remittable profits, etc.

A7.46 The interest in arrears on international claims as well as the principal in arrears should be included in the international assets. Similarly, the interest accruals on non-resident deposits and other foreign liabilities should be included under the international liabilities. The items, which have been written off, should be excluded from the reported data.

A7.47 With regard to the country of ultimate risk on account of guarantees, the claims guaranteed by parties in different countries should be reported according to the country of incorporation of the guarantor.

A7.48 The maturity period in respect of the assets should be reported on the basis of residual maturity and not on the basis of the original maturity.

A7.49 In the case of equity investment, in the absence of specific maturity, such items are to be reported under the category 'unallocated'.

Report Form for the Consolidated Banking Statistics
(In thousands of Indian Rupees)

Debtor country	Consolidated cross-border claims in all currencies and local claims in foreign currencies										Local currency positions of the reporting banks with local residence		Net transfers of risk to the ultimate borrower	Undisbursed credit commitments and back-up facilities	
	Total	Maturities					Sectors				Claims on banks with head offices outside the country of residence	with local residence			
		Up to six months	Over six months and less than one year	Over one year and less than two years	Over two years	Unallocated	Banks	Public sector	Non-bank private sector	Unallocated		Claims			Liabilities
Afghanistan															
Albania															
Total															

Report Forms for the Quarterly Locational Banking Statistics

1. Total International claims

(In thousands of Indian Rupees)

Country	Total claims		Indian Rupees		Foreign currency													
	All	Non-banks	All	Non-banks	Total		USD		EUR		JPY		GBP		DEM		Other	
					All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks
Afghanistan																		
Albania																		
International Organisations																		
Residents			X	X														
Total																		

Report Forms for the Quarterly Locational Banking Statistics

2. International loans

(In thousands of Indian Rupees)

Country	Total claims		Indian Rupees		Foreign currency													
	All	Non-banks	All	Non-banks	Total		USD		EUR		JPY		GBP		DEM		Other	
					All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks
Afghanistan																		
Albania																		
International Organisations																		
Residents			X	X														
Total																		

Report Forms for the Quarterly Locational Banking Statistics
3. International holdings of debt securities
(In thousands of Indian Rupees)

Country	Total claims		Indian Rupees		Foreign currency													
	All	Non-banks	All	Non-banks	Total		USD		EUR		JPY		GBP		DEM		Other	
					All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks
Afghanistan																		
Albania																		
International Organisations																		
Residents			X	X														
Total																		

Report Forms for the Quarterly Locational Banking Statistics

4. International other assets

(In thousands of Indian Rupees)

Country	Total claims		Indian Rupees		Foreign currency													
	All	Non-banks	All	Non-banks	Total		USD		EUR		JPY		GBP		DEM		Other	
					All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks
Afghanistan																		
Albania																		
International Organisations																		
Residents			X	X														
Total																		

Report Forms for the Quarterly Locational Banking Statistics
5. Total International liabilities
(In thousands of Indian Rupees)

Country	Total claims		Indian Rupees		Foreign currency														
	All	Non-banks	All	Non-banks	Total		USD		EUR		JPY		GBP		DEM		Other		
					All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	
Afghanistan Albania																			
International Organisations																			
Residents			X	X															
Total																			

Report Forms for the Quarterly Locational Banking Statistics

6. International deposits

(In thousands of Indian Rupees)

Country	Total claims		Indian Rupees		Foreign currency													
	All	Non-banks	All	Non-banks	Total		USD		EUR		JPY		GBP		DEM		Other	
					All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks
Afghanistan																		
Albania																		
International Organisations																		
Residents			X	X														
Total																		

Report Forms for the Quarterly Locational Banking Statistics
7. International own issues of securities
(In thousands of Indian Rupees)

Country	Total claims		Indian Rupees		Foreign currency														
	All	Non-banks	All	Non-banks	Total		USD		EUR		JPY		GBP		DEM		Other		
					All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	
Afghanistan Albania																			
International Organisations																			
Residents			x	x															
Total																			

Report Forms for the Quarterly Locational Banking Statistics
8. International other liabilities
(in thousands of Indian Rupees)

Country	Total claims		Indian Rupees		Foreign currency														
	All	Non-banks	All	Non-banks	Total		USD		EUR		JPY		GBP		DEM		Other		
					All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	All	Non-banks	
Afghanistan Albania																			
International Organisations																			
Residents			X	X															
Total																			

Reporting Requirements for the Quarterly Locational Banking Statistics
9: Nationality structure - All currencies
(In thousands of Indian Rupees)

Reporting country of parent bank	Total		Position vis-a-vis banks		of which:				Own Issues of securities	<i>Memorandum items:</i>	
					Related foreign offices		Official Monetary Institutions			Position vis-a-vis residents	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	
Reporting countries Austria Belgium											
Other Europe Latin America Middle East Africa Other Asia Others											
Total											

Reporting Requirements for the Quarterly Locational Banking Statistics
10. Nationality structure - Domestic currencies
(In thousands of Indian Rupees)

Reporting country of parent bank	Total		Position vis-a-vis banks		of which:				Own Issues of securities	<i>Memorandum Items:</i>	
					Related foreign offices		Official Monetary Institutions			Position vis-a-vis residents	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities		Assets	Liabilities
Reporting countries Austria Belgium											
Other Europe Latin America Middle East Africa Other Asia Others											
Total											

Reporting Requirements for the Quarterly Locational Banking Statistics
11. Nationality structure - All foreign currencies
(in thousands of Indian Rupees)

Reporting country of parent bank	Total		Position vis-a-vis banks		of which:				Own issues of securities	<i>Memorandum Items:</i>	
					Related foreign offices		Official Monetary Institutions			Position vis-a-vis residents	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities		Assets	Liabilities
Reporting countries Austria Belgium											
Other Europe Latin America Middle East Africa Other Asia Others											
Total											

Reporting Requirements for the Quarterly Locational Banking Statistics
12. Nationality structure - US dollar
(In thousands of Indian Rupees)

Reporting country of parent bank	Total		Position vis-a-vis banks		of which:				Own Issues of securities	<i>Memorandum Items:</i>	
					Related foreign offices		Official Monetary Institutions			Position vis-a-vis residents	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	
Reporting countries Austria Belgium											
Other Europe Latin America Middle East Africa Other Asia Others											
Total											

Reporting Requirements for the Quarterly Locational Banking Statistics
13. Nationality Structure - EURO
(In thousands of Indian Rupees)

Reporting country of parent bank	Total		Position vis-a-vis banks		of which:				Own Issues of securities	<i>Memorandum items:</i>	
					Related foreign offices		Official Monetary Institutions			Position vis-a-vis residents	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	
Reporting countries Austria Belgium											
Other Europe Latin America Middle East Africa Other Asia Others											
Total											

Reporting Requirements for the Quarterly Locational Banking Statistics

14. Nationality structure - Japanese yen

(In thousands of Indian Rupees)

Reporting country of parent bank	Total		Position vis-a-vis banks		of which:				Own Issues of securities	<i>Memorandum Items:</i>	
					Related foreign offices		Official Monetary Institutions			Position vis-a-vis residents	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities		Assets	Liabilities
Reporting countries Austria Belgium											
Other Europe Latin America Middle East Africa Other Asia Others											
Total											

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