

Going forward in to banking

- ▶ What is Bank?
- ▶ What is Banking?

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Bank Definition

- ▶ A financial institution that is licensed to deal with money by accepting time and demand deposits, making loans, and investing in securities. The bank generates profits from the difference in the interest rates charged and paid.

Financial System

► Constituents of Financial System

- Financial Institutions
 - Intermediaries
 - Non - Intermediaries
 - Regulatory Agencies
- Financial Instruments
- Financial Markets
- Financial Services

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What is Banking?

▶ Financial Intermediation

- ▶ Accepting deposits
- ▶ Lending money / investing money
- ▶ Obtaining funds from “X” (surplus money) and lending to “Y” (deficit funds)

▶ Business Facilitation

- ▶ The Bank steps in between two parties, to reduce the risk associated with a transaction.

Banking...bringing people together....for mutual benefit...

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Banking System

- ▶ Public Sector Banks
 - ▶ SBI and Its Associates
 - ▶ Nationalized Banks
- ▶ Private Sector Banks
- ▶ Foreign Banks
- ▶ Co-operative Banks
 - ▶ Regional Rural Banks
 - ▶ Regional Urban Banks

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Nationalized Banks - Public Sector Banks

- ▶ Allahabad Bank
- ▶ Andhra Bank
- ▶ Bank of Baroda
- ▶ Bank of India
- ▶ Bank of Maharashtra
- ▶ Canara Bank
- ▶ Central Bank of India
- ▶ Corporation Bank
- ▶ Dena Bank
- ▶ IDBI Bank
- ▶ Indian Bank
- ▶ Indian Overseas Bank
- ▶ Punjab National Bank
- ▶ Syndicate Bank
- ▶ UCO Bank
- ▶ Union Bank of India
- ▶ United Bank of India
- ▶ Vijaya Bank

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List of State Bank of India and its subsidiary, a Public Sector Banks

1. State Bank of Bikaner & Jaipur
2. State Bank of Patiala
3. State Bank of Hyderabad
4. *State Bank of Indore*
5. State Bank of Mysore
6. State Bank of Saurashtra
7. *State Bank of Travancore*

State Bank of Travancore & State Bank of Indore have been merged with SBI.

Private Banks

- ▶ Bank of Punjab
- ▶ Bank of Rajasthan
- ▶ Catholic Syrian Bank
- ▶ Centurion Bank
- ▶ City Union Bank
- ▶ Dhanalakshmi Bank
- ▶ Development Credit Bank
- ▶ Federal Bank
- ▶ *HDFC Bank*
- ▶ *ICICI Bank*
- ▶ IndusInd Bank
- ▶ ING Vysya Bank
- ▶ Jammu & Kashmir Bank
- ▶ Karnataka Bank
- ▶ Karur Vysya Bank
- ▶ Laxmi Vilas Bank
- ▶ South Indian Bank

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- ▶ *Axis Bank (UTI Bank)*

Cooperative Banks

- ▶ Rajadhani Co-op Urban Bank Limited
- ▶ The Cosmos Co-Operative Bank Ltd
- ▶ The A B E Co-operative Bank Limited
- ▶ Mahaveer Co-Operative Urban Bank Ltd
- ▶ The Secunderabad Co-Op Urban Bank Ltd

Foreign Banks

- ▶ HSBC
- ▶ Citibank
- ▶ Royal Bank of Scotland
- ▶ Standard Chartered Bank
- ▶ DBS (Development Bank of Singapore)
- ▶ Barclays

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Where do bank funds come from ?

- ▶ Companies : (small, medium, large) corporate deposits
- ▶ Other Banks : Interbank deposits,
- ▶ Capital Market : Shares, Bonds
- ▶ General Public : Retail Deposits

Why do customers need Banks?

- ▶ Safe - keeping
- ▶ Investment reasons
 - ▶ Grow money by investing in financial assets
- ▶ Transactional Reasons
 - ▶ Remit money
 - ▶ Convert money
 - ▶ Collect money
- ▶ Financing reasons (borrow money)

Financial Instruments

- ▶ Promissory Note - A written, dated and signed two-party instrument containing an unconditional promise by the maker to pay a definite sum of money to a payee on demand or at a specified future date.
- ▶ Bill of Exchange - Is a written order by the *drawer* to the *drawee* to pay money to the *payee*. It is essentially an order made by one person to another to pay money to a third person.
- ▶ Cheque - A written order directing a bank to pay money.
- ▶ Demand Draft - Demand draft is issued by a bank.
- ▶ Pay Order - Pay order is issued by a bank.

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Liquidity Management

- ▶ Banks need liquidity to meet deposit withdrawal and to fund loan demands.
- ▶ The variability of loan demands and variability of deposits determine bank's liquidity needs. It represents the ability to accommodate decreases in liability and to fund increases in assets.
- ▶ It demonstrates the market place that the bank is safe and therefore capable of repaying its borrowings.

Liquidity Management

- ▶ It enables bank to meet its prior loan commitments, whether formal or informal.
- ▶ It enables bank to avoid the unprofitable sale of assets.

Types of liquidity risk:

- ▶ Funding Risk
- ▶ Time Risk
- ▶ Call Risk

Liquidity Management

► Funding Risk:

- Need to replace net outflows due to unanticipated withdrawal/non-renewal of deposits arises due to :
 - Fraud causing substantial loss
 - Systemic Risk
 - Loss of confidence
 - Liabilities in foreign currencies

Liquidity Management

- ▶ Time Risk:

- ▶ Need to compensate for non-receipt of expected inflow of funds, arises due to

- ▶ Severe deterioration in the asset quality
 - ▶ Standard assets turning into non-performing assets
 - ▶ Temporary problems in recovery
 - ▶ Time involved in managing liquidity

Liquidity Management

- ▶ Call Risk:
 - ▶ Crystallization of contingent liabilities and inability to undertake profitable business opportunities when desirable, arises due to
 - ▶ Conversion of non-fund based limit into fund based
 - ▶ Swaps and options

Who are Central Banks ?

- ▶ Central Banks regulate Banking activities in a country
- ▶ Main Functions
 - ▶ Issuer of Currency
 - ▶ Control Inflation
 - ▶ Bankers to Bank
 - ▶ Manage country's Foreign Currency Reserves
 - ▶ Supervision of Banking Operations
 - ▶ Supervision on Abroad Money transfer

Reserve Requirements

- ▶ **Cash Reserve Ratio - CRR**
 - ▶ 6% of NDTL to be maintained in cash with RBI over a fortnight
- ▶ **Statutory Liquidity Ratio - SLR**
 - ▶ 24% of NDTM to be maintained in approved securities

- ▶ What is a Repo Rate?

- ▶ 8%

- ▶ What is a Reverse Repo Rate?

- ▶ 7%

Inflation

- ▶ This refers to a persistent rise in price. Simply put, it is a situation of too much money and too few goods. Thus due to scarcity of goods and the presence of many buyers, the prices are pushed up. In the converse of inflation is deflation
- ▶ This is persistent falling of prices.

Gross Domestic Product (GDP)

- ▶ **Basic Value of Goods and Services produced within the country**
 - ▶ **Gross** : Specifies depreciation should not be deducted
 - ▶ **Domestic** : Income generated from resources within the country
 - ▶ **Product** : Final Goods and Services produced within the country

A healthy GDP....is cause for celebration.....

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Fiscal Deficit

- ▶ Represents the total amount of borrowed funds required by the government to completely meet its expenditure.
- ▶ Thus it represents the gap between government's total spending and the sum of its revenue receipts

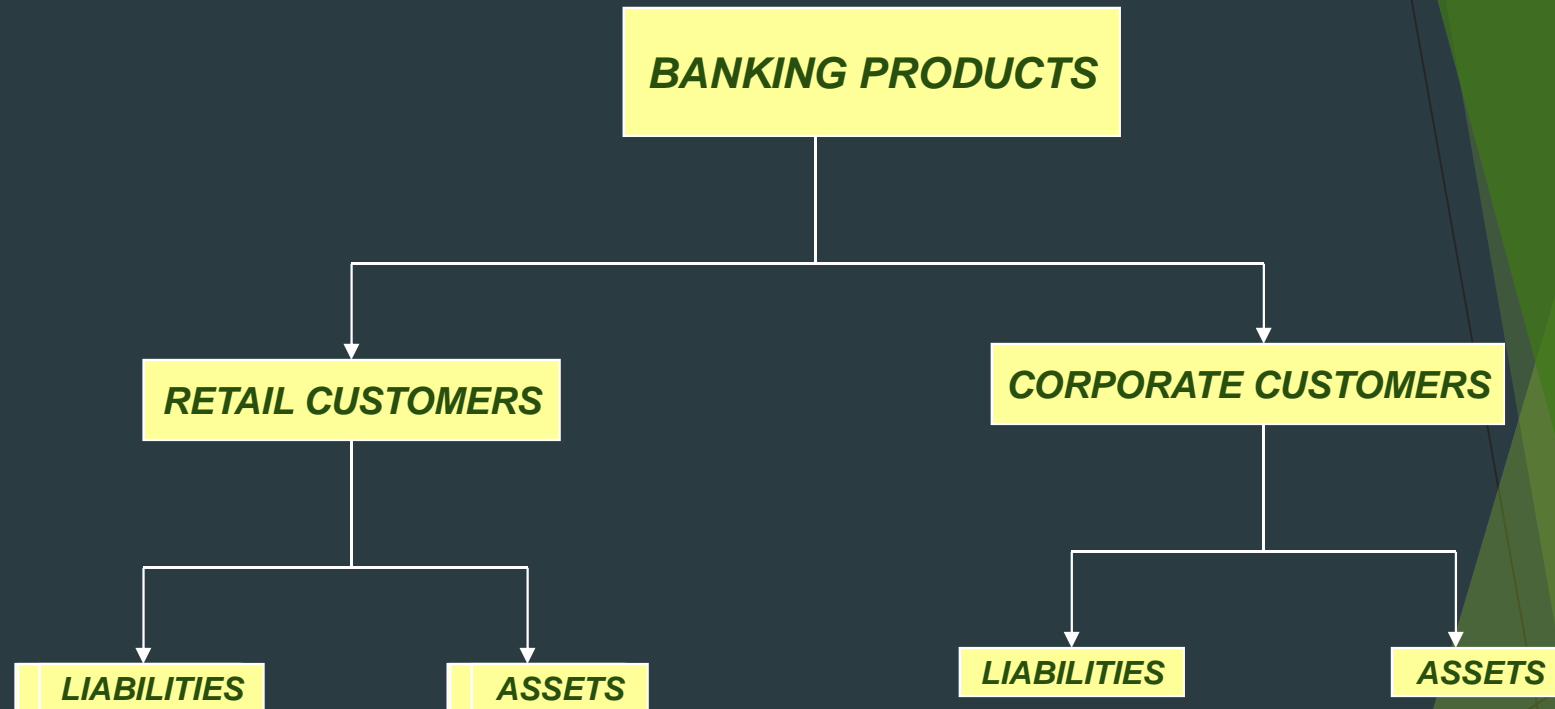
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Domain Verticals in HSBC

- ▶ Personal Financial Services
- ▶ Commercial Banking
- ▶ Corporate, Investment Banking and Markets
- ▶ Private Banking
- ▶ Consumer Finance

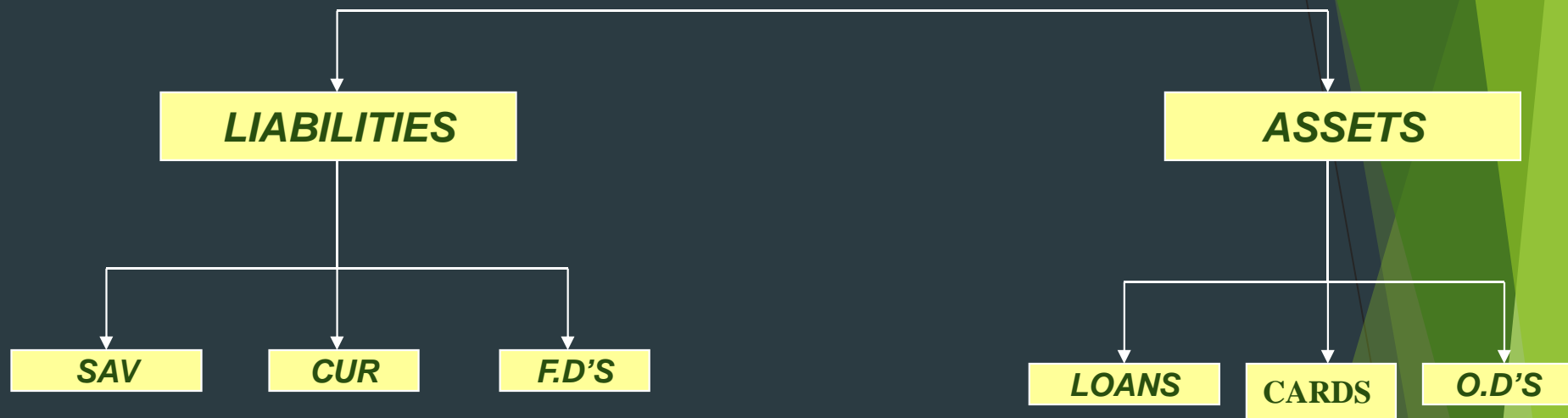
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THE BANKING TREE



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