

Chairman's Statement



A review of the activities of IBA during 2004-05 reveals the critical role played by the Association in influencing the policy makers and regulators on various vital issues affecting the banking industry. It was able to take forward a number of initiatives to their logical end during the year. IBA also continues to contribute significantly with policy formulation and has performed its role of an interface between its members and the regulator quite creditably as seen by the wide variety of issues that have been resolved as per the aspirations of its members.

It must be realized that the variety of changes taking place in the banking sphere is remarkable, both at the ideological and practical levels. While we have traversed the easier part of the road to financial reforms, the more difficult issues have to be debated intensely before being enforced. This necessarily requires interaction between the banks, the regulator and the government, which is based on open policies of discussions before gaining acceptance. At the same time, the financial system is aligning itself to the broader goals of the nation, which means facing contradictions and resolving them in a non-obtrusive manner. The main challenge facing IBA is to really blend these objectives with practical solutions and work with the concerned authorities to successfully complete this transition.

The Financial Year 2004-05 began with a major political change in the country with a new coalition government led by the Congress forming the United Progressive Alliance at the Centre, with Dr. Manmohan Singh being sworn in as the new Prime Minister of the country. The broad direction of the government in economic and financial affairs remained unaltered and pointed unequivocally towards reforms, albeit at a more rapid pace and keeping in mind the needs of underprivileged in the society. This is but natural given the changing global financial architecture where the shadows of the WTO and BIS provide a picture of the ultimate destination.

The presentation of two budgets during the year by the Hon'ble Finance Minister, Mr. P Chidambaram, laid the broad road map for the economy. The Finance Minister had in fact, interacted with the Chairmen of public sector banks as well as the IBA four times during the year, of which twice were over specific agenda. In the first structured meeting, the discussions centered on the progress made by the banking system with respect to the flow of credit to the farmers, this being one of the primary goals reiterated in the Union Budget. Keeping in mind the emphasis laid by the government on agriculture and rural development, the thrust of these discussions were centred around measures to increase the quantity and improve the quality of flow of funds to this sector so as to achieve the objective. In the second meeting, the discussion was more specific to the functioning of the banking system, with issues such as competition, consolidation, corporate governance, technology and convergence being discussed at length. Hence, while the first discussion was based on the nation's medium-term view, the second was focused chiefly on the micro-issues confronting the banking sector to improve the overall quality of financial services in the country.

Monetary policy measures did not lag far behind. The Governor, Reserve Bank of India, in his mid-term review, proactively followed up with policy measures to support the overall



economic ideology. The Reserve Bank of India also came out with a clear road-map on opening up of Indian banking system to the foreign banks and laid down specific guidelines on ownership and governance structure in private sector banks, including the need for minimum capital requirement. The Reserve Bank of India also took specific steps to prescribe guidelines on market risks and operational risks, effectively taking Indian banking system closer to its global counterparts.

In a more liberalised environment, size and scale will play an important role and both the government and the regulators have unambiguously supported appropriate facilitation for consolidation in banking sector. As we go along, IBA will have a critical role to play in the process of consolidation by addressing various technology and HR related issues.

The year also saw the first Banker's Conference (BANCON), in place of the conventional Bank Economists' Conference, which was organized by Punjab National Bank under the auspices of IBA. The Conference was particularly significant as it was held at Vigyan Bhavan at New Delhi and was inaugurated by the Hon'ble President of India, Mr. A P J Abdul Kalam. The Conference consisted of a series of brainstorming sessions where the participants included Chairmen/CEOs of various banks as well as representatives of international organizations.

The year will be remembered for the worst-ever Tsunami disaster in the history of the country. Over 10,000 people died and many rendered homeless. In the massive rehabilitation efforts that followed, banks also played a vital role by exhibiting generosity in contributing to Prime Ministers' Relief Fund and by extending helping hand to affected communities through revival/rehabilitation packages.

Before I conclude, let me place on record our sincere appreciation of the contributions made by Mr. V Leeladhar who, before he took over as Deputy Governor, RBI, provided strong leadership to IBA as its Chairman from October, 2003 to September 2004 and thereafter, for a short period of five months, by Mr. P S Shenoy, who brought in fresh thought process as Chairman, IBA. I am also grateful to the IBA members - the banks that support our work and the representatives from banks who served in our committees - for their valuable time and contributions. I am also grateful to the regulators and various other trade bodies who had interacted with us and sought our views on issues affecting the industry.

A.K.Purwar
Chairman,
Indian Banks' Association

Chief Executive's Foreword



The Indian economy performed well in FY05, which is significant as it comes over a very good performance in FY04. The banking sector, in particular witnessed robust growth in credit as industry had finally come out of the stage of excess capacity and was involved with fresh investment.

The GDP growth at 6.9 per cent during 2004-05 is on top of a higher increase of 8.5 per cent in the previous year. During 2004-05, GDP from agriculture and allied activities is estimated to have increased by 1.1 per cent, despite deficient monsoon, as compared with 9.6 per cent in the previous year. GDP growth from the industrial sector at 8.3 per cent was higher than 6.5 per cent in the previous year reflecting higher growth in manufacturing. The services sector has expanded by 8.6 per cent as compared with 8.9 per cent in the previous year. As at end-March 2005, the annual point-to-point inflation rate stood marginally higher at 5.0 per cent as compared with 4.6 per cent a year ago.

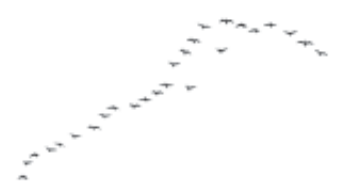
During 2004-05, the financial markets remained generally stable and interest rates have had a softer bias. One of the interesting developments during the year was the buoyant credit off-take, which had even recorded higher growth than the deposit growth since June 2004. The growth in aggregate deposits of scheduled commercial banks (SCBs) at 14.1 per cent was lower than 17.5 per cent in the previous year. The rate of growth in bank credit at 26.0 per cent during 2004-05 was higher than 15.3 per cent recorded during 2003-04. However, the rate of growth in investments witnessed deceleration during the current fiscal. But, the flow of funds to commercial sector from SCBs, including their investments, increased by 23.6 per cent as against 15.7 per cent in the previous year.

Improved risk management policies coupled with constant recovery efforts by the banks helped to reduce the gross non-performing assets as percentage to gross advances from 12.7 per cent in 2000-01 to 7.3 per cent in 2004-05 and that of net non-performing assets as percentage of net advances from 6.8 per cent to less than 3 per cent during the same period. Capital adequacy ratio of most of the banks was above 9 per cent during the year. International best practice of 90 days norm for recognizing NPA was already followed in the country since the beginning of the financial year 2004-05. Increased competition had started putting pressure on the net interest margins of the banks. With the concerted efforts of the regulators and the banks, the strength of the overall banking system has however shown perceptible improvement than it was a decade ago.

The activities of the Association were largely influenced by the developments taken place in the financial sector during 2004-05. The Association had acted as an important channel of communication between its members and regulators and contributed significantly to various policy formulations affecting the financial sector.

While all the efforts and achievements of the Association has been described in detail in the review report, the following are some of the major highlights:

- Preparation of a Report on Consolidation in the Indian banking system highlighting legal, regulatory and other critical issues like technology and HR management.



- Review of Vigilance Manual and recommendations for revision in definition and jurisdiction of CVC over public sector banks.
- Preparation of a Report on full managerial autonomy for Public Sector Banks.
- Introduction of various Fair Practice Codes for self-discipline in the banking industry.
- Modifications in the SARFAESI Act.
- Review of Security Laws and presentation of a report to RBI and the Government recommending appropriate changes required in the legal structure.
- Guidance notes for the storage of electronic data and records.
- Evolving a system for On-line payment of taxes.
- Model schemes for ensuring flow of credit to agriculture, including rehabilitation of farmers in distress.
- Relief measures for Tsunami-affected fishermen and others.
- Revival/Rehabilitation packages for industries such as tea and coffee plantations, sugar, sea-food exports, machinery manufacturers etc.

Besides these achievements in the areas of banking policy, legal and regulatory issues, IBA continued to embellish its research and information dissemination efforts through a variety of publications.

During the year, IBA on behalf of its member banks, continued intense negotiations with employees unions/associations for wage revision and was close to finalizing the eighth Bipartite Settlement. IBA also continued to interact with all the industry organizations as well as foreign delegations to promote the exchange of best practices and learning in a symbiotic manner.

I am sure with the constant support and encouragement from our members, the Association will be able to provide valuable services to the members as well as to the industry in the years to come.

H.N.Sinor
Chief Executive
Indian Banks' Association

Review of the activities of the Association during 2004-05



During the year under review, IBA was actively involved in an array of banking and financial activities, chiefly guided by the macro-economic developments, regulatory framework and legislative changes. We have met with success in a few of our endeavours while for many others, which could not be concluded during the year, we continue to pursue them to their logical end. Overall, it turned out to be a satisfactory year for IBA though we have still a long distance to traverse.

India is on an upswing. The macro-economic developments point towards sustainable higher GDP growth of over 7%. After a long long time, every segment of the economy is doing well, be it agriculture, manufacturing or the service sector. Added to this, are the positive factors in terms of adequate liquidity in the system, benign interest rates and low inflation. The banking sector, which is a proxy for the economy, never had it so good and this is very well manifested by the aggregate growth in the loan book during the year. Our member banks got into high gear when it came to agriculture lending, retail lending and fresh working capital for the manufacturing sector. New products and services and innovative methods of providing complete solution to the clients became pronounced. Treasuries of banks became sharper by entering into derivatives and securitisation segment. On the whole, business was available for the asking in every sector of the economy. Most of our member banks, taking advantage of softer interest rates for the past several years, used the treasury gains in government securities to clean up their balance sheets. Some member banks came

out with a second round of public offerings to shore up their capital base to meet the capital adequacy norms for capturing the growth momentum. The capital market, recognising the potential of the banking sector, re-rated the banking stocks and the BANKEX grew almost 60% outperforming the BSE index. IBA had a critical role to play not only in ensuring that member banks follow global best practices for products, services and operational efficiency but also dealing with customers in a fair and transparent manner. IBA also had to play a role in terms of ensuring a level-playing field among different sets of member banks like public sector banks, private sector banks, foreign banks and urban co-operative banks. The regulatory prescription for complying with Basel II norms by March 2007 across the system added new challenges for IBA to visualize the changing shape of banking sector and facilitate smooth transition. IBA also reckoned the fact that Basel II compliance and greater competition within the financial services sector would lead to consolidation in the banking system and as such, had to look at various legal, regulatory, HR and technology related issues. The payment system was also undergoing a dramatic shift with the advent of technology, which supported products such as cash management, credit cards and debit cards and moving away from physical handling of instruments to Electronic Funds Transfer and Electronic Clearing Services. The client group, which is essentially the government itself, desires greater use of technology while dealing with government business and for online payment of taxes, customs and excise duties. In short, during the year, IBA's hands

were full with issues like consolidation, full managerial autonomy for public sector banks, review of compensation structure for whole-time directors in public sector banks, Fair Practices Codes for transparency in dealing with customers, essential banking services for social sectors and preparing revival/rehabilitation packages for industries like tea, coffee, sugar, seafood exports etc. Interestingly, both the Government (Banking Division) and the RBI involved IBA in all major exercises that had bearings on the banking industry. This is borne out by the fact that IBA, through its Chairman or the Chief Executive or other senior functionaries, were represented on many important committees constituted by them; some of the important ones being:

1. Standing Technical Committee on Financial Regulation
2. Standing Committee on Procedures and Performance Audit on Public Services
3. Steering Committee on Basel II implementation
4. National Payment Council
5. Special Group to review the CDR mechanism
6. Working Group on reviewing functioning of Debts Recovery Tribunals
7. Committee for simplification of the Companies Act, 1956
8. Standing Advisory Committee on Urban Co-op Banks
9. Committee on Risk Mitigation in Retail Payment System
10. Working Group for Warehouse Receipts and Commodities Futures

11. Committee on Transaction Costs and Procedural Simplification
12. Working Group for Regulatory Mechanism for Credit Cards
13. High Powered Committee for On-Line Transmission of Income Tax, Central Excise, Customs Duty and Service Tax
14. Working Group on EFT for Capital Markets
15. Working Group for Centralized Web-based Electronic Data Interchange
16. Working Group on Security Arrangements in banks
17. Working Group on Guidelines on declaration of Net Asset Value by Securitisation Companies / Asset Reconstruction Companies
18. Steering Committee to consider the World Bank Report on Status of Insolvency and Creditor Rights System in India
19. Inter-Ministerial Task Group on Investment, Credit & Technical Support to promote self-employment

The banking sector, being so relevant for the growth of the economy, gained appropriate attention from Hon'ble Finance Minister, Mr. P Chidambaram who not only graced our last Annual General Meeting but also met Chairmen of public sector banks at regular intervals to get first-hand information on developments in banking. He had two structured meetings with the bankers, brief details of which are as under:

Meeting on 9 September, 2004

As a follow-up to the action plan announced earlier, the Finance

Minister reviewed the progress in the implementation of Action Plan for doubling of credit flow to agriculture over the next three years. Progress in the implementation of various relief measures to the farmers and fresh loans sanctioned upto the end of August 2004 were also reviewed. Action points which required co-ordination at IBA level were: a) to collect and compile data (format prescribed by RBI) on deployment of credit to agricultural sector by public sector banks and private sector banks on a monthly basis for submission to NABARD/Banking Division b) to finalize bank-wise allocation of target for credit linking 5.85 lakh new groups upto 31 March 2007 after discussion with commercial banks and c) to explore the possibility with RBI for allowing banks to debit the Investment Fluctuation Reserve on transfer of investment from 'held for trading' to 'held to maturity'. The Association, in consultation with FIMMDA forwarded a note seeking RBI approval for accounting treatment on the lines that conformed to global best practices.

Meeting on 28th January, 2005

The second meeting of the Finance Minister with the Chief Executives of Public Sector Banks was arranged



Meeting of the Finance Minister with the Chief Executives of the PSBs in progress.

to review the progress under various performance parameters and relief package for Tsunami-affected areas. Government's promise to give full managerial autonomy to public sector banks, improving corporate governance in these banks, consolidation in the industry through voluntary mergers and acquisitions, convergence in the financial services sector and use of technology in banking were the other important issues discussed at the meeting.

IBA is a compact organisation operating largely with the active support of the member banks. Earlier in the year, IBA had separate Standing Committees to deal with industry-level issues on Basel II implementation, Personnel & HR Management, Technology, NPA Management, Social Banking, Risk Management, Operations and Legal matters etc. Mid-way through the year, it was decided to have only three Standing Committees viz. on Finance, Personnel and Operations and Legal matters. All other specific issues were decided to be addressed through focussed Working Groups to hasten the process of our responses. For the information of our members, we give hereunder the work done by the following Committees/Groups during the year and would also like to place on record our sincere appreciation of the time given by members drawn from different banks and their commitments for accomplishing the tasks within a given time-frame.

1. Standing Committee on Finance (Chairman: Mr. S C Gupta, Chairman & Managing

Director, Punjab National Bank)

The Standing Committee met twice during the year to examine in detail the financial statements of IBA. Keeping in view the augmented revenue from processing fee, seminars etc, the Committee proposed reduction in Basic Annual Subscriptions by about 15% for the member banks for the year 2005-06. The Committee also put in place a proper process to review empanelled security printers and MICR grade paper manufacturers. It also reviewed and revised the fee structure for empanelment of security printers as also transport operators.

2. Standing Committee on Personnel Management (Chairman: Dr. A K Khandelwal, Chairman & Managing Director, Bank of Baroda)

The Standing Committee met twice during the year. The Committee during these meetings discussed various issues relating to human resources management in public sector banks and in the process reviewed certain systems and procedures in existence in banks. Important issues which were deliberated by the Committee included revision of branch categorisation norms, scheme for payment of ex-gratia in lieu of appointment on compassionate grounds, limits on expenditure for staff welfare schemes, schemes for verification of membership of

workmen unions / officers' associations, revision of room tariffs, entitlement for officers on travel, relief package for bank employees affected by Tsunami etc.

3. Standing Committee on Operations and Legal matters (Chairman: Mr. M S Kapur, Chairman & Managing Director, Vijaya Bank)

The Standing Committee reviewed matters such as nomination in deposit accounts, priority of claims of secured creditors over the dues of the Government, applicability of Maharashtra Right to Information Act, 2002 to banks and financial institutions coming under the control of Central Government, appointment of valuers by banks and Banking Companies (Period of Preservation of Records) Rules, 1985. Based on the decisions taken by the Committee, member banks were suitably guided on these issues from time to time.

4. Negotiation Committee for VIII Bipartite Settlement (Chairman: Mr. V P Shetty, Chairman, IDBI Ltd.)

The Negotiation Committee had the most strenuous and testing job during the year for the long-drawn wage negotiations with Unions/Associations at the industry-level. The Committee, supported by a Sub-Group, spent long hours discussing Charter of Demands of the Unions/Associations and also Bank

Managements' issues essentially on staff redeployment, technological upgradation, change in role profile of employees, special allowances etc. The Negotiation Committee, including the sub-Group, had as many as 63 meetings. On 23rd November, 2004 an MOU was signed with the authorised representatives of apex level Workmen Unions and Officers' Associations agreeing for a total annual wage increase of Rs.2200 crores inclusive of all costs. However, since certain issues pertaining to costing of pensions and hospitalisation expenses could not be resolved the bipartite settlement could not be concluded before the end of the financial year.

(On 2nd June, 2005, VIII bipartite settlement on wage revision was signed with representatives of workmen unions. Similarly, a joint note on agreed issues relating to revision in salaries etc was also signed with representatives of Officers Associations on that date.)

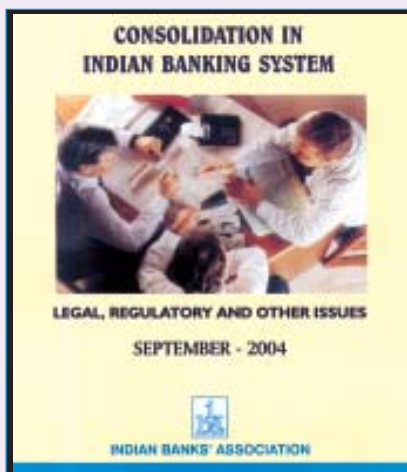
5. Working Group on Managerial Autonomy for Public Sector Banks (Chairman: Mr. A K Purwar, Chairman, SBI)

The National Common Minimum Programme of the Government provides for full Managerial Autonomy for public sector banks to make them more independent and allow level-playing field to effectively compete in the system. A Working Group set up for this purpose had a series of brainstorming sessions to come

out with recommendations for the Government. Based on the Report submitted by IBA, the Government announced the package on full managerial autonomy for public sector banks in February 2005. IBA is reviewing this package to further improve upon it.

6. Working Group on the process of Consolidation in Indian Banking System (Chairman: Mr. V Leeladhar, then Chairman, Union Bank of India)

'Banking Industry: Vision 2010' a document prepared by IBA in November 2003 clearly felt that consolidation in Indian banking



industry was imminent. If the consolidation process had to take place smoothly, it was necessary to look at regulatory, legal, accounting, HR and technology related issues to bring out facilitating changes. A Working Group was formed at IBA comprising Chairmen of a few public sector banks and outside experts in legal, accounting and management. The final

report was submitted to the Government and Reserve Bank for consideration.

7. Working Group to Review Security Laws in India (Chairman: Dr. A K Khandelwal, Chairman & Managing Director, Bank of Baroda)

The Joint Parliamentary Committee had recommended reviewing the laws relating to the creation and enforcement of security in the context of changed circumstance. Accordingly, a Working Group was set up to review and suggest changes in the laws relating to the creation and enforcement of security in the context of SARFAESI Act 2002. Exhaustive changes in security laws were proposed. The Report was placed in the IBA website for wider dissemination and thereafter submitted to the RBI and the Ministry of Finance for consideration.

8. Working Group on Tourism Industry (Chairman: Mr. M B N Rao, Chairman & Managing Director, Canara Bank)

A Working Group was set up to examine the various aspects relating to tourism and role of banks in funding infrastructural projects in this sector. The Working Group envisaged a greater role for banks and Tourism Finance Corporation of India (TFCI), which is established for the development of tourism development in the country. Important recommendations of the report prepared by the Working

Group included integrated approach to tourism finance, granting of infrastructure status to tourism industry, rationalization of tax structure applicable to tourism industry, increased plan allocation etc. A copy of the report has been circulated to the member banks for information and also sent to the Government for policy formulation.

9. *KYC Norms and Anti-Money Laundering Standards (Chairman: Mr. S Natarajan, Chief General Manager, State Bank of India)*

RBI had issued guidelines to banks to prepare comprehensive guidelines on customer identification and to develop a procedure for monitoring of transactions on an ongoing basis. At the behest of the RBI, the Association constituted a Working Group to prepare broad outline of a policy framework based on international best practices which would ensure uniformity of approach, clarity on the interpretation of the issues involved etc. The Working Group finalized the 'Model Policy' document on Know Your Customer Standards and Anti-Money Laundering Measures and circulated the same among all members for appropriate implementation. The Working Group is now finalising Guidance Notes for smooth operations of KYC norms and AML standards.

10. *Working Group to prepare responses on RBI Policy*

framework for Ownership and Governance in Private Sector Banks (Chairman: Dr. P J Nayak, Chairman & Managing Director, UTI Bank)

Consequent to a draft policy drawn up by the RBI on framework for Ownership and Governance in Private Sector Banks, IBA convened a meeting of the private sector banks to discuss the implications of the policy. A comprehensive paper was prepared and sent to the RBI for its consideration while finalising the policy. RBI has since finalized the said framework for Ownership and Governance in Private Sector Banks.

11. *Working Group to prepare best practices guidelines on Securitisation of Assets (Co-ordinator :Mr. K.Unnikrishnan, Sr. Vice-President, IBA)*

IBA set up a Working Group to study international best practices with respect to Securitisation of Assets and prepare guidance notes on Securitisation of Assets, which member banks could adopt for implementation. The report is being finalized by the group.

12. *Working Group on Model Deposit Policy (Co-ordinator: Mr.J.S.Marfatia, Vice-President, IBA)*

A Working Group was set up by the IBA to formulate a model deposit policy for adoption by member banks specifically highlighting depositors' rights including a uniform settlement procedure for

claims in deceased accounts and simplifying procedures for operation of lockers in the event of death of the locker hirer. The Model Policy was circulated amongst member banks for adoption with modifications, if necessary, at their end.

13. *Working Group for preparing Fair Practice Code for Credit Card Issuers and Model Code of Conduct for Direct Sales Agents (Co-ordinator: Mrs.Rema Menon, Vice-President, IBA)*

Responding to a suggestion from the RBI, the Association constituted a Working Group to prepare Fair Practice Code for Credit Card Issuers and Model Code of Conduct for Direct Sales Agents. Transparency in the operations among the players being paramount, the Working Group set two sub-groups to prepare (i) a fair practice code for credit card issuers and (ii) a model code of conduct for DSAs. Simultaneously, the RBI also set up a Working Group to look into the regulatory issues involved in the card business where IBA was represented by a senior functionary.

14. *Working Group to review Banks Investment in Government Guarantee Bonds Unilateral decisions of State Government/ Government undertaking to reduce interest rates (Dr. A K Khandelwal, Chairman & Managing Director, Bank of Baroda)*

Banks invest large amount of funds in the Government Securities

and subscribe to the bonds issued by the Public Sector Undertakings (PSUs) guaranteed by State Governments as part of their investment in SLR Securities as per RBI guidelines. Owing to lower interest rate regime, some of the Public Sector Undertakings offered to prepay the high coupon outstanding SLR securities without prepayment premium. Taking note of the situation, IBA had taken up the matter with the Chief Secretaries of various state governments requesting them to advise all the PSUs and other departments in the State to honour their financial commitments to the banks as per the terms and conditions agreed upon and desist from making any unilateral change in the contractual rate of interest for investments made by the banks in Government guaranteed bonds. In response to our initiative, the RBI arranged a meeting of IBA team with the State Government officials and the team expressed the concerns of the banking sector in respect to this issue.

15. Working Group on Model Code of Conduct for Board Members (Co-ordinator: Mr. K. Unnikrishnan, Sr. Vice-President, IBA)

SEBI had amended Clause 49 of the Listing Agreement, which would be effective from December 2005. The amended provision requires the Board of Directors all listed companies to lay down a Code of Conduct for all Board Members and Senior Management of the

Company. On the basis of representations received from the members, IBA constituted a Working Group to draft a Model Code of Conduct for the banks. The report is being finalised.

16. Working Group on Venture Capital Support for Entrepreneurs in the Farm Sector (Chairman: Mr. M Balachandran, Chairman & Managing Director, Bank of India)

Small Farmers Agri-business Consortium (SFAC), a society set up by the Ministry of Agriculture for development of Agri-business in the country had mooted the idea of creating a corpus for providing Venture Capital support to entrepreneurs coming forward to set up innovative agribusiness projects. IBA constituted a Working Group to study the business plan prepared by SFAC in this regard. The Working Group suggested many measures for effective implementation of the scheme in a meeting with the SFAC members. It also examined the issues involved in project implementation and ensuring of proper co-ordination between the SFAC and banks. The report has since been submitted to the government. Further, a small group is in the process of finalising the covenants to be incorporated in the Memorandum of Understanding to be signed between SFAC and participating banks.

17. Working Group for Simplification of Loan Applications of

Exporters (Co-ordinator: Mr.V. Ramachandran, Vice-President, IBA)

The IBA set up a Working Group to suggest measures to simplify the application form of export credit at the behest of Reserve Bank of India who had received a representation from The Federation of Indian Exporters Organisation (FIEO) in this regard. The simplified application form as prepared by the Working Group has been circulated for adoption by the banks.

18. Working Group to review Service Tax proposals (Co-ordinator: Mr. K. Unnikrishnan, Sr. Vice-President)

The Finance Act (No.2) brought most of the core banking services under the purview of the service tax and were made liable to pay service tax @ 10.2% on the taxable services. There were several operational related problems being faced by banks. In order to make a concerted representation to the Government, a Working Group was set up to examine all issues arising out of introduction of Service Tax. Based on IBA representation to Government, two notifications were issued clarifying the position on discount charges on bills and interest on overdraft, cash credit etc, and acceptance of the counterfoils of vouchers /challans/ debit advices or computerized statements issued to customers as invoices for the purpose of Service Tax rules even though such documents would not be serially numbered or indicate full address

of the customers. IBA has also sought from the Government some procedural amendments required to be carried out in the Service Tax Rules 1994.

19. Working Group to study RBI Guidelines on Treatment of Unsecured Loans and Revised Prudential Norms on State Guaranteed Exposures (Co-ordinator: Mr.K.Unnikrishnan, Sr.Vice-President)

A Working Group was set up to examine the issues involved and also to enhance the clarity in the revised guidelines issued by the Reserve Bank on treatment of unsecured loans and also revised norms on State Guaranteed exposures. The Working Group prepared detailed operational guidelines for classification of various funded and non-funded limits sanctioned by banks for the purpose of compliance with the RBI guidelines.

20. Working Group to review Model Educational Loan Scheme (Co-ordinator: Mr.V.Ramachandran, Vice-President, IBA)

IBA constituted a Working Group to review the educational scheme, as there were many references on the difficulties faced in getting the loan sanctioned as per the existing educational scheme. Based on the suggestions made by the Group, the Model Scheme evolved in the year 2001 was revised giving clarity on the need to involve the Parent / Guardian as co-borrower while sanctioning

educational loan. The revised scheme was circulated to the members for adoption.

21. Working Group to review Flow of Credit to Agriculture-Schemes for providing relief to farmers (Co-ordinator: Mr.K. Unnikrishnan, Sr. Vice-President)

In June 2004, IBA formulated model schemes covering various relief measures covered in the action programme in co-ordination with NABARD. The model schemes were: (a) One-Time Settlement (OTS) Scheme for small and marginal farmers (b) Special Scheme for relief to farmers affected by natural calamities for at least two successive years in the last five years in notified districts (c) Scheme for providing relief to farmers in arrears (d) Relief measures for farmers indebted to non-institutional lenders. The model schemes were circulated among member banks for adoption and implementation. IBA also circulated certain guidelines formulated by NABARD for revision of scale of finance among members for information and necessary action at the bank level.

22. Working Group on Revival/ Restructuring package for Sea Food Exporting Units (Co-ordinator: Mr.V.Ramachandran, Vice-President, IBA)

The Association had received a proposal from the Seafood Exporters Association of India

[SEAI] to develop a revival package for Sea Food Export Units and also to have a reasonable exit for non-viable units through settlement route. To examine the proposal of SEAI, the IBA set up a Working Group of select General Managers of six member banks, which have large exposure to the seafood export units. The group recommended retaining of the revival package developed by the Association in 2004. Further, the group opined that compromise settlement could be worked out by the individual banks on a case-to-case basis depending on the merits of the case.

23. Working Group on Uniform Account Number Policy Across Banks (Co-ordinator: Mrs.Rema Menon, Vice-President, IBA)

On a suggestion from the RBI, a Working Group was set up by IBA to examine the issues arising out of lack of Uniform Account Number Policy across the banks that had emerged as an impediment to Straight Through Processing under RTGS. Many of the banks currently follow more than one accounting system concurrently, depending upon whether the branch was under Core Banking Solution (CBS), Total Branch Automation (TBA) or ALPM (Automated Ledger Printing Machines) Systems. The recommendations of the Working Group were submitted to RBI for consideration.

24. Working Group to Review Security Arrangements in Banks

**(Chairman: Mr. H.N. Sambharya,
Chief Security Adviser, RBI)**

IBA had prepared a report on Security Arrangements in Banks in 1996. A need was felt to review the existing guidelines for security arrangements in banks and revise/update guidelines contained in the previous report especially, in the face of dramatic changes that the banking environment had undergone in recent years. A Working Group set up by the Association reviewed the same and following approval of the RBI and IBA Managing Committee, the final report was circulated to members for information and implementation.

There were several other legal and operational issues where IBA's intervention was necessary for general guidance of member banks. We list hereunder important initiatives taken by IBA for the benefit of the banking fraternity during the year.

1) Special Chapter on Vigilance Management in Public Sector Banks

Indian Banks' Association, from time to time has been placing before the Central Vigilance Commission (CVC), various views and suggestions on aspects relating to vigilance management in public sector banks aimed at addressing some of the concerns and apprehensions of functionaries at various decision making levels. The Commission has been very receptive to the views and suggestion put forth by IBA. In the

year gone by, the Commission has responded favourably to some of the proposals put forth by IBA and advised major changes on vigilance management in public sector banks on areas relating to jurisdiction of the Commission, definition of vigilance angle, investigation of fraud cases by Central Bureau of Investigation (CBI), etc. Major changes effected to the Special Chapter during the year include 1) Jurisdiction of CVC restricted to vigilance cases in respect of officers of SMG Scale V and above. 2) "Vigilance Angle" redefined recognising existence of commercial risks in decisions taken by bank officers 3) Raising the limit for referring cases of frauds to the CBI to Rs.1 crore from the earlier limit of Rs. 25 lakhs. Also, banking securities and frauds cell of CBI to handle cases of bank fraud only if the amount of the alleged fraud exceeds Rs. 5 crores.

To facilitate commercial decision making in public sector banks, the government in consultation with CVC are considering, exempting officers and employees of the banks from the purview of CBI.

2) Amendments in SARFAESI Act

Based on the judgment passed by the Supreme Court of India in Mardia Chemicals Ltd., Vs. Union of India and others, the Association had examined the need for amendments to the SARFAESI Act, 2002 to make enforcement of rights of the banks more effective. The judgement as such, emphasized the need to propose certain

amendments to SARFAESI Act 2002 to bring the provisions in conformity with the judgment. IBA's letter to the Government detailed the set of amendments proposed to the SARFAESI Act 2002 together with the reasons for the amendments proposed. Some important suggestions for amendment include a) Deletion of sub-section (2) of Section 17 and requirement of deposit of 75% of the claim amount at the stage of appeal to Appellate Tribunal b) amendment of section 18 to provide for deposit of 50% claim amount c) Requirement of giving reply with reasons to any objections raised or representation made by the borrower in response to the notice d) Provision for scope of DRT powers when bank's action under 13(4) is challenged before DRT e) Conferring powers of take-over of management of business of the borrower on secured creditors and linking exercise of such powers with other action for enforcement under Section 13 of the Act.

3) Proposals for development of Corporate Debt Market

In the Budget speech of the Hon'ble Finance Minister, it was proposed to amend the Securities Contract (Regulation) Act, 1956 for the purpose of amending the definition of the expression "Securities to facilitate trading of securitised debt including mortgage backed debt". In this connection, IBA had brought to the notice of the Government that the Securitisation and Reconstruction of Financial Assets

& Enforcement of Securities Interest (SARFAESI) Act, 2002 provides for securitisation of financial assets of banks and financial institutions. The debt instruments issued pursuant to such securitisation were defined as 'security receipts' under section 2(1)(zg) of the SARFAESI Act. By an amendment to the Securities Contract (Regulation) Act, 1956 (SCRA) by Section 41 of the SARFAESI Act, the definition of 'securities' contained in Section 2(h) of the SCRA has been amended to include 'security receipts' as defined in clause 2(g) of the SARFAESI Act. However, if the securitisation transaction was undertaken outside the purview of the SARFAESI Act in securitised debt instrument or mortgage-backed debt instrument, such debt instruments were not covered by the definition of securities. While proposing amendment to the SARFAESI Act, IBA had suggested that securitisation of financial assets should be segregated from the SARFAESI Act and enacted as a separate independent legislation which should have wider application to all financial assets held by any person, instead of financial assets of only banks as provided by SARFAESI Act.

4) **Limitation of Liability for bank guarantees favouring Government Departments and Public Sector Undertakings.**

The provisions of Section 28 of the Indian Contract Act, 1872 were

amended in 1997. It had been the practice of the banks to provide a clause in bank guarantees that if no claim was made under the guarantee within the stipulated time period, all rights under the guarantee would stand extinguished. In view of the above amendment, it was not permissible to stipulate such a term in guarantees. IBA sent a representation to the Government requesting that as per the recommendations of Andhyarujina Committee, a proviso be added to Section 28 of the Indian Contract Act to permit banks and financial institutions to stipulate that rights under a guarantee shall be extinguished if no claim is made within the specified period which shall not be less than one year. Government has forwarded the representation to the Legislative Department, Ministry of Law & Justice for further examination of the suggestions made for the amendment proposed to be carried out in the Indian Contract Act.

5) **Simplification of Companies Act, 1956**

In response to a concept paper circulated by the Ministry of Company Affairs for simplification of the Companies Act 1956, IBA had sent its comments on the proposed changes in the Company Law. The Central Government had set up a Committee under the Chairmanship of Mr. J J Irani, Director, Tata Sons Ltd & former

Chairman of TISCO. Here again IBA's Chief Adviser (Legal) was nominated as a member of the said Committee by the Government.

6) **Status of Insolvency and Creditor Rights Systems in India – World Bank Report**

At the request of the Central Government, the World Bank had conducted a study on the status of Insolvency and Creditor Rights Systems in India. The World Bank submitted its draft Report on Observance of Standards and Code (ROSC) on Insolvency and Creditor Rights. The Ministry of Company Affairs set up a Steering Committee to consider the World Bank Report. IBA's Chief Adviser (Legal) represented on the Steering Committee. IBA has strongly suggested strengthening of creditors' rights under the SARFAESI Act and need for changes in the insolvency laws for speedy completion of insolvency proceedings.

7) **Claims of Creditors**

IBA received many references from member banks regarding claims from various government authorities staking prior rights over properties given as securities for loans or sale proceeds of such securities, on the ground that claims of government have priority over all other claimants, including secured creditors. Since claims of Government do not have a priority over secured creditors except in

cases of some specific statutory exceptions, IBA has advised member banks the legal position in such cases.

8) Judgement of the Bombay High Court in the case of Pandurang Keshav Gorwadkar vs. M/s. Paper & Pulp Conversion Limited, Bank of Maharashtra & Others – IBA’s response

In the above case, the Bombay High Court directed the Debt Recovery Tribunal (DRT), Bombay to make an assessment of the workmen’s dues and pay the same proportionately along with dues of the secured creditors as per the provisions of the Companies Act. The judgement, it was feared would have an impact on the working of DRTs and affect the entire banking industry. It was also not consistent with the provisions of the Companies Act, 1956 that casts certain obligations on a liquidator of a company under winding up. Further, the orders passed by the Bombay High Court were also not in conformity with the provision of the ‘Recovery of Debt due to Banks & Financial Institutions Act, 1993’. For seeking clarity on the subject issue, IBA decided to file a Special Leave Petition (SLP) in the Supreme Court. The petition has been admitted pending decision of the Supreme Court. In the meantime, the order passed by the Bombay High Court has been stayed.

9) Deposit Schemes for Senior Citizens and Pension Accounts

On the basis of the representations received from the senior citizens and their associations/organisations to make available the details in respect of additional interest rate on various deposit schemes and also with regard to the maintenance of minimum balance with/without cheque book facility in the pension account, the Association after collecting the required information from the Public Sector Banks had displayed the same in IBA website for wider dissemination.

10) Hindu United Family (HUF) as Partner in Partnership Accounts

IBA circulated two judgements of the Supreme Court pertaining to HUF as partner in Partnership Accounts in a) Agarwal & Co vs C.I.T.U.P AIR case and b) Rasiklal & Co vs C.I.T Orissa to member banks for information. The judgement prevents HUF to become a partner in partnership accounts.

11) Seventh Session of the Working Group VI on Security Interests of the United Nations Commission on International Trade Law (UNCITRAL)

A delegation from the Government participated in the seventh session of the Working Group VI on Security Interests of the United Nations Commission on International Trade Law held from 24th to 29th January 2005 at New York. IBA’s Chief Advisor (Legal) was part of the delegation. One major issue considered and concluded was

that financial lease, hire purchase and credit sales were to be treated as equivalent to secured loan transactions creating security interest over the property leased or given on hire or sold on credit.

12) Expeditious settlement of Insurance Claims

IBA convened a meeting with the insurance companies to discuss issues relating to delay in getting insurance claims from the general insurance companies. The insurance companies agreed to expeditiously settle the claims of the banks and requested banks to forward a company-wise list of all claims pending till date to the corporate office of the insurance companies. Public sector member banks have been informed about this development.

13) Hiring of premises by banks for opening branches and ATM facilities

IBA circulated a list of precautions to be taken by banks while hiring premises for opening branches and installing ATMs on a suggestion from the Gujarat State Government. This followed an incident leading to closure of a bank branch by the Gujarat Government owing to unauthorized construction by the owner of the premise.

14) “Rajiv Gandhi Rehabilitation Package” for Tsunami affected areas

The Government had announced “Rajiv Gandhi Rehabilitation

Package” for Tsunami affected areas and the package provided for capital subsidy against bank term loans considered for rehabilitation of fishermen and also 2% interest subsidy for those borrowers who serviced their loan regularly. Senior official of each bank was entrusted with the responsibility of smooth implementation of the package. IBA gave wide publicity to the scheme through advertisements in English and local languages.

15) Issue of Life Certificate to Defence Pensioners by the Public Sector Banks

Banks issue Life Certificates to pensioners wherever disbursement is handled directly by the banks. In other cases, certain formalities need to be observed by the pensioners to receive pension through District Pension Disbursement officers (DPDOs), which inconvenienced the pensioners. At the behest of the Defence Ministry, the Association examined the feasibility of assigning the work of issuing life certificates to all defence pensioners by the banks as banks retained all the necessary records. The Association after seeking approval of the Managing Committee, circulated the decision of Committee to the members for adoption.

16) Working Group on Code of Self-Regulation for Public Advertisements by Banks

The Association examined in detail the issues involved in

using ranking given by financial dailies and magazines to different banks in their advertisement, at the behest of the RBI. Accordingly, the Association had framed a “Code of Self-Regulation” on release of public advertisements by banks. This voluntary code covered advertisements through print and electronic media, pamphlets, brochures etc, used as publicity material. The code aims at setting ethical standards to ensure that the public form an informed decision/opinion about any bank.

17) Banking Ombudsman Scheme 2002

IBA reiterated the need for popularizing the Banking Ombudsman Scheme, 2002 and drew the attention of member banks about a set of measures suggested by the RBI in August 2003 for creating greater awareness among the general public regarding the Scheme. The need emanated from a feedback received from RBI on the basis of the information provided by RBI inspectors while conducting the branch inspection. The Association also sought response from members for reverting to RBI on this issue.

18) Scheme for financing farmers for purchase of land for agricultural purpose - Revision in eligibility norms

On the basis of feedback received from the regional offices with regard to acreage norms stipulated

in the IBA Scheme, NABARD proposed certain changes in the eligibility norm prescribed in land holding of small and marginal farmers. This scheme of NABARD, based on pre-development net income of the farmers for categorizing agriculture borrower as small and marginal farmers under the land purchase scheme was circulated to all members for adoption and implementation.

19) Kisan Credit Card [KCC] – Impact Assessment Study

The National Council of Applied Economic Research (NCAER) conducted a nation-wide study on the impact of Kisan Credit Card at the request of RBI. The study revealed some shortcomings in the KCC scheme, which needed to be rectified to make it a more effective distribution channel. In this respect, IBA circulated the findings of NCAER along with views and comments on the weaknesses noticed in the study and requested the member banks to take necessary action to correct the deficiency in the operations of the KCC scheme.

20) Financing Tenant Farmers and Oral Lessees for raising crops

At the behest of NABARD, the Association circulated to members a model scheme of financing TFGs prepared by NABARD for provision of crop loan to tenant farmers/oral lessee. The scheme envisaged providing crop loans through institutional agencies to tenant farmers/oral lessees and farmers

having land without proper records who were not being extended adequate credit support by the agencies due to the inability of the farmers in providing tangible securities and/or producing records regarding their rights on the crops cultivated.

21) Meeting of Chief Executive of Co-operative Banks

A meeting of the Chief Executives of Co-operative Member Banks was held in December 2004 to discuss issues pertaining to their business and growth. It was decided in the meeting that the Association could co-ordinate a delegation of four to five co-operative members also comprising RBI officials for this purpose. A decision was also taken that IBA convene a meeting of UCBs on the eve of the RBI Standing Advisory Committee Meeting of Urban Co-operative Banks to discuss the agenda notes forwarded by the RBI. The views thus emerged on the subject matter would help facilitate discussions at the RBI Standing Advisory Committee Meeting of Urban Co-operative Banks.

21) Flow of Institutional Credit to Small Scale Industries

IBA is a member of the High Power Standing Advisory Committee on flow of Institutional credit to SSI sector Chaired by Mr. V Leeladhar, Deputy Governor, RBI. Periodical meetings of the Committee review the progress of

institutional credit to SSI sector. One of the decisions taken at the fifth meeting of the Committee was the co-ordination between SSI Associations and Banks under the aegis of IBA through its Local Chapters to improve the credit flow to SSIs. The Association, to this effect, has taken necessary action.

Research & Publications

Cooverji Hormusji Bhabha Research Scholarship & Award Scheme 2005

During 2003-04, the seventeenth round of C.H.Bhabha Research Scholarship Scheme was completed. Four research scholars, who had submitted their reports, were suitably awarded. The eighteenth round is in progress now. Topics for the eighteenth round are a) Increasing the flow of credit to agriculture by commercial banks - the task ahead b) Outsourcing of bank services as a business model - ATM, Credit Card etc c) Infrastructure Financing – Role of Banks and d) Effectiveness of DRTs in recovery of bank dues.

Memorandum to the Reserve Bank of India

A memorandum containing issues of interest to banks for the consideration of RBI while framing the Annual Policy Statement for 2004-05 in May 2004 and its mid-year review in October 2004 was submitted.

Memorandum to the Union Finance Ministry

A memorandum containing issues of interest to banks for the consideration of the Union Finance Ministry while

framing the Union Budget of 2005-06 was submitted.

Banker's Conference 2004 (BANCON 2004)

Punjab National Bank (PNB) hosted the Banker's Conference (BANCON 2004) on the theme "Indian Banking-Realising Global Aspirations". Hon'ble President of India, Dr. A P J Kalam inaugurated BANCON 2004, which was held on 10th-11th November, 2004 at New Delhi. Dr. Y V Reddy, Governor, RBI delivered the Keynote Address. The Conference boasted a host of eminent



Hon'ble President Dr. A.P.J. Abdul Kalam inaugurated Bancon, 2004

personalities from the banking world. Other prominent speakers at the Conference included Mr. Jaime Caruana, Governor of Bank of Spain and Chairman of Basel Committee and Ms. Annie Krugger, Executive Director, IMF. The Conference received wide publicity from the media and brought out several issues of importance to the banking fraternity. IBA played its part by extending organizational support to the Conference.

Basel II – Framework & India: Compliance vs. Opportunity – A special report

IBA had published in partnership with IBS Publishing, (a publishing firm

headquartered in United Kingdom) dedicated to researching the whole sale, retail and private back office systems market sector, a co-branded report titled *BASEL-II Frame Work & India: Compliance vs. Opportunity* in June 2004.

Anti-Money Laundering and India : Local Response to the Global Problem – Special Report

IBA had published in partnership with IBS Publishing, (a publishing firm headquartered in United Kingdom) dedicated to researching the whole sale, retail and private back office systems market sector, a co-branded report *Anti –Money Laundering and India: Local Response to the Global Problem* in August, 2004.

Leveraging Data for Competitive Advantage : Business Intelligence- Special Report

IBA had published in partnership with IBS Publishing, (a publishing firm headquartered in United Kingdom) dedicated to researching the wholesale, retail and private back office systems market sector, a co-branded report *Leveraging Data for Competitive Advantage: Business Intelligence* in October, 2004.

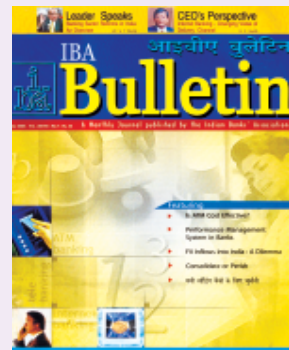
Interest Rate and Foreign Currency Derivatives

During the year, IBA in partnership with Fitch Ratings had published a study on use of Interest Rate and Foreign Currency Derivatives in the Indian banking system.

IBA Bulletin

IBA Bulletin which focussed on various themes brought out issues on Marketing

of Bank Products, Basel II – Issues and Constraints, Compliance with



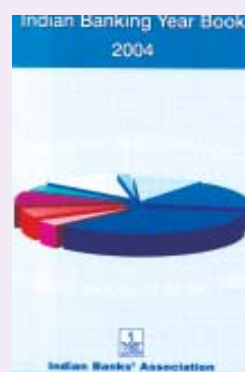
Accounting Standards, Corporate Governance in Banks, Customer Service in Banks, Human Resource Management in Banks, etc, during the year. A Special Issue of the Bulletin brought out in January 2005 featured the theme “Mergers and Consolidation in Indian Banking”.

Balance Sheet Analysis of the Banks

The Association brought out annual publications, which dealt with the balance sheet and profit and loss account of the banks namely “Performance Highlights of Public Sector Banks”, “Performance Highlights of Private Sector Banks”, “Performance Highlights of Foreign Banks” and “Performance Highlights of Urban Co-operative Banks” for the year 2003-04.

Indian Banking at a Glance

The Association during the year, published a booklet “Indian Banking at



a Glance” which provided bank group-wise information on major performance indicators of scheduled commercial banks such as branches, staff, owned funds, deposits, advances, investment, income,

expenditure, net profit, etc, from 2001 to 2004. The data reflected in absolute terms, growth rates and market share of different bank groups.

Indian Banking Year Book, 2004

The Association brought out the Indian Banking Year Book, 2004 one of the annual publications of the IBA which presents an update of policy decisions with relevant database covering multifaceted aspects of banking and financial services industry.

APRF Journal

The Association is the host organization for the quarterly journal, Asia Pacific Rural Finance (APRF) of APRACA publications. During the year, the Association brought out two issues of the journal. Further, information pertaining to the training courses conducted by the APRACA-CENTRAB was circulated to the members for information.

Communication


Regional Business Relationship Committees

With a view to have a formal set-up for holding discussions with trade bodies



Mr. B.D. Narang, (then) Deputy Chairman, IBA addressing the gathering at the Bankers Borrowers Meet.

and other organizations such as FICCI, CIA, ASSOCHAM, FIEO etc, four Regional Business Relationships



Committees were formed. Each committee would comprise of CMDs and EDs of banks under the Chairmanship of Chairman IBA representing North, South, East and West. Regional committees have Alternate Chairman and 4-5 members drawn from CMDs/EDs of banks having headquarters in the area.

A meeting was convened between IBA Business Relationship Committee (East) and FIEO in June 2004 to discuss issues of mutual interest between bankers and exporters. IBA Regional Business Relationship Committee (North) and the representatives of the PHD Chambers of Commerce and Industry (PHD CCI) organized a Banker-Borrower meet on 15th February 2005 at the PHD Chamber, New Delhi.

Visits by Foreign Delegations

Meeting of the IMF Mission at IBA

As part of Article IV consultation by the International Monetary Fund, a team of experts from IMF visit India bi-annually and hold meetings with important financial institutions and regulators to have an overview of the developments taking place in the financial sector and its impact on the economy. For this purpose, a part of the IMF Mission headed by Mr. Jerald Schiff, Division Chief, Asia and Pacific Department visited IBA on 12th October 2004 and held discussions on the topics viz., the performance of the banks in 2003-2004, general outlook of the banking sector, reasons for the reduction in NPA, experience with the SARFAESI Act, Asset Reconstruction Companies, and other settlement mechanism, credit

outlook for 2004-05, risk management practices followed in banks, priority sector lending and its effect on banks' lending strategy, constraints faced in lending to SMEs, outlook on interest rates, preparation towards Basel II compliance, structural changes pertaining to the banking sector and corporate governance practices followed by banking sector, etc.

A presentation by Austrian Raiffeisen Banking Group (RBG) to the Chief Executive of Co-operative Banks

IBA organized a presentation by Austrian Raiffeisen Banking Group, which has made substantial progress in sphere heading co-operative banking movement in Austria, for the benefit of Chief Executives of select Co-operative Banks. Mr. Robert Denks, Head of RZB Austria, Global Financial Institutions Department, Vienna and Mr. Anupam Johri, Chief Representative – South Asia, RZB Austria, Mumbai, made presentations at the meeting.

Visit by Luxembourg Delegation at IBA

A delegation from Luxembourg consisting of Mr. Jeannot Krecke, Minister of Economy and Foreign Trade, Mr. Paul Steinmetz, Ambassador, Mr. Jean- Claude Knebelter, Secretary of delegation, Ministry of the Economy and Foreign Trade, Mr. Guy Kaiser, Press Officer, ABBL, Mr. Paul Chambers, Tax Partner, A to Z, S.A, Mrs. Elodie Daniel, Relationship Manager, Meespierson, Mr. Luigi Giannotte, Fonde de Pouvoir, Principal, Dresdner Bank Luxembourg S.A, and Ms. Gitica Pant, Executive Secretary, IBLCCI visited Indian Banks' Association on 30th March 2005. The

purpose of the delegation was to present Luxembourg as a potential financial center and explain the general policy and business environment prevailing in the country with the objective of encouraging financial institutions to explore opportunities in Luxembourg.

External Relations

SWIFT International Banking Operations Seminar (SIBOS) at Atlanta, USA

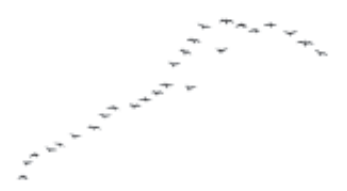
An IBA delegation comprising of the two Deputy Chairmen, Mr. B D Narang, Chairman and Managing Director, Oriental Bank of Commerce and Mr. V P Shetty, Chairman and Managing Director, UCO Bank alongwith Mr. H N Sinor, Chief Executive, IBA participated in the SWIFT International Banking Operations Seminar (SIBOS) held in Atlanta, USA from 10th to 15th October 2004.

Cards & Payments Asia Pacific 2004: Bench Marking Global Best Practices

The U K based Lafferty Group organized a 3-day Conference & Expo on Cards & Payments: Bench Marking & Global Best Practices from 5th October to 7th October 2004 at Hotel Shangri-La, Singapore. From IBA Mr. J S Marfatia, Vice-President (Payment System) and Mrs. Rema Menon, Vice-President (Technology) attended the Conference.

Visit by IBA team to British Bankers' Association (BBA)

A two-member team consisting of Mr. M R Umarji, Chief Advisor (Legal) and Mr. K Unnikrishnan, Senior Vice President (Policy) attended the **Two-day**



Second Annual Financial Crime Conference organized by the British Bankers' Association (BBA) on 13-14th December 2004 at London. They also visited BBA to study the functioning and set up of BBA. The team also visited Financial Services Authority (FSA) of U.K. and held discussions with senior officials looking after operations of Asian banks.

Seventh World Congress of INSOL International at Sydney, Australia from 13-16th March 2005

At the invitation of the President, INSOL International, which is an organization of insolvency practitioners worldwide, Mr. M R Umarji, Chief Advisor (Legal) attended the Seventh World Congress of INSOL International at Sydney, Australia from 13 – 16th March 2005.

Seminars organized by the Association

With a view to provide in-depth knowledge of issues and challenges faced by the banking sector, the Association had been conducting seminars and conferences for the benefit of the banking professionals. The response to the seminars of the Association had been encouraging. Over 700 participants benefited from 12 seminars organized by the Association during 2004-05. During the year, IBA organized the following seminars and conferences:

1. Seminar on “**RTGS Readiness**” jointly with Logica CMG, an International IT solution provider.
2. Seminar on **Customer-centric Banking** jointly with the Henley Centre and IMRB International.

3. IBA-MAIT National Conference on **Storage Technologies**.
4. Two Seminars on **CDR Mechanism** jointly with CDR Cell, IDBI
5. Seminar on **e-payments in Retail Banking** was organized jointly with IBA-SCAFI.
6. Seminar on **e-security and Business Process Continuity** jointly with MAIT
7. Seminar on **Cheque Truncation** jointly with IBM
8. Seminar on **Balanced Scorecard** jointly with Cedar Consulting
9. Seminar on **Anti-Money Laundering** jointly with TCS.
10. Seminar on **Banking Technology** jointly with TFCI.
11. Seminar on **Quality Initiatives for Financial and Bankings Sector** with KPMG



rganisational Matters of the Association

Offices of the Association

The main office of the Association is located at Stadium House, 6th Floor, Block 2 and 3, 81-83, Veer Nariman Road, Mumbai 400 020. Additional premises of the Association is located at Centre-1 Bldg., 6th Floor, Unit Nos 1, 2 & 4, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005. Besides, the IBA has 20 Local Chapters functioning at Ahmedabad, Bangalore, Bhopal, Bhubaneshwar, Chandigarh, Chennai, Delhi, Goa (Panaji), Guwahati, Hyderabad, Jaipur, Kochi, Kolkata, Lucknow, Ludhiana, Mumbai, Patna, Pune, Vadodara and New York.

Membership

During the year, two banks were admitted as Ordinary Members. Seven institutions consisting of three Ordinary Members and four Associate Members ceased to be members on account of cessation of banking operations/on voluntary basis/non-payment of subscription fees. Consequently as on 31st March 2005, the membership of IBA stood at 148 consisting of 120 Ordinary Members and 28 Associate Members. Details of the members are given in Annexure -I

Office Bearers of the Association

At the meeting held on 28th August 2004, the Managing Committee elected the following as office bearers of the Association for the year 2004-05.

Chairman : Mr. V Leeladhar (upto 27th September 2004)

Deputy Chairmen : 1) Mr. R V Shastri
2) Mr. Niall S K Booker
3) Mr. P S Shenoy

Honorary Secretary : Mr. Ananthakrishna

Mr. V Leeladhar demitted office as Chairman of IBA on his elevation as Deputy Governor, RBI on 27th September 2005. The Managing Committee elected Mr. P S Shenoy, Chairman & Managing Director, Bank of Baroda as the Chairman of the Association. The Managing Committee also re-elected Mr. Niall S K Booker, Mr. V P Shetty and Mr. B D Narang as Deputy Chairmen of the Association to hold office till the next Annual General Meeting. Details of Managing Committee members are given in Annexure -II

Annual Accounts of the Association for the year 2004-05

The audited Accounts of the Association for the year ended 31st March 2005 was submitted to the Managing Committee for approval and adoption. It was circulated and approved by the members of the Finance Committee. As a result of augmentation of other income, although the income from interest on investments had come down, there was unused subscription of Rs 191.15 lakhs, which has been carried forward to the year 2005-06. The expenditure during the year was well within the individual sub-heads as well as overall budget sanctioned by the Managing Committee. The Managing Committee approved the accounts for the year-ended 31.3.05

With augmentation of Association's revenue through sources like fees collected from

recommended transport operators/ security printers/seminars and strict control on expenditure, the Finance Committee recommended a reduction in Basic Annual Subscription for 2005-06, ranging from Rs.1 lakh in highest slab and Rs.5000/- in the lowest slab, over the BAS for the year 2004-05. Balancesheet and Profit and Loss Account of the Association are given in Annexure –III.

Annual General Meeting

The 57th Annual General Meeting was held on 28th August, 2004 at Y.B. Chawan Centre at Mumbai.

Mr. P.S. Shenoy then Deputy Chairman, IBA welcomed the Chief Guest Hon'ble finance minister Mr. P. Chidambaram and other dignitaries. Later, Finance Minister addressed the gathering and interacted with the CEOs of Banks.

Acknowledgments

The Association is grateful to the members for the valuable support and co-operation extended by them during 2004-05. It also place on record sincere appreciation to the contributions made by Mr. V.Leeladhar, who provided strong leadership to IBA as our

Chairman. We were benefited immensely from our association with Mr. P.S.Shenoy, who succeeded Mr. V.Leeladhar as our chairman. The association acknowledges the contributions of Mr. R.V. Shastri, Mr. V.K.Taori, Mr. Chandan Bhattacharya, Mr. Christopher M Low, Dr. K.M.Bhattacharya, Mr. C R Sharma, Mr. M.Damodaran, Mr. Ram M Moonje, Mr. S.A.Chiparikar, Mr. Michael Bastian and Mr. H.V.Seshadri who served as members of the Managing Committee in various capacities during 2004-05.

A ctivities of Banks' Sports Board during 2004 - 05



Banks' Sports Board is a registered body under Societies Registration Act, 1860 as well as under Bombay Charitable Trusts Act, 1950 and was set up by Indian Banks' Association (IBA) in January 1987 for promoting sports, fine arts and cultural activities among bank employees and their families. All the Ordinary and Associate members of the Indian Banks' Association are also the Ordinary and Associate members of Banks' Sports Board respectively.

In order to facilitate promotion of sports and games by member banks and to encourage the employees to achieve excellence in sports and games, the Board has provided guidelines in regard to recruitment of sportspersons, extending various facilities to them for participating in National and International events and for rewarding outstanding performance in sports through special increments and out-of-turn promotion. In this regard, the Board has recognized 18 disciplines based on their popularity and standing. They are Athletics, Aquatics, Basketball, Badminton (Shuttle), Billiards, Body Building, Weightlifting, Carrom, Chess, Cricket, Football, Hockey, Kabaddi, Kho-Kho, Powerlifting, Table Tennis, Volleyball and Wrestling. The Board also sponsors Music and Drama Competitions for bank employees at the Regional and All India Inter-Bank levels.

Banks' Olympiad 2004-05

The 3rd Banks' Olympiad was successfully organised by Allahabad Bank at Kolkata from 3rd to 10th January 2005 in the recognised sports disciplines, duly supported by nine

public sector banks. About 2000 sportspersons from 36 member banks



3rd Banks' Olympiad at Kolkata organised by Allahabad Bank - Inaugural function on 3rd January 2005.

participated in 13 sports discipline events held at different venues. Mr. Subhas Chakraborty, Hon'ble Minister of Sports & Transport, Government of West Bengal declared the Banks' Olympiad open. Dr. Ashim Dasgupta, Hon'ble Minister of Finance, Government of West Bengal was the Chief Guest. Mr. O N Singh, Chairman and Managing Director, Allahabad Bank presided over the function.

Achievements of Sportspersons

The achievements of sportspersons of Member Banks in International and National



Table Tennis tournament conducted by United Bank of India - Women's Table Tennis Team winners receiving the trophy at 3rd banks' Olympiad.

sports events during the year are detailed hereunder:

| Sl. No. | Date | Venue | Sports Disciplines | Names of the Participants | Result |
|---------|-----------------------------|---------------------------|--|--|---|
| 1. | 2-8 June, 2004 | Pune | Chess - National | Sharad Tilak Union Bank of India | Individual Board Prize |
| 2. | 14-19 July, 2004 | Kuala Lumpur, Malaysia | Badminton Asia Cup Paralympic | R Murali, Syndicate Bank | Bronze Medal |
| 3. | 31 July - 3 August, 2004 | New Delhi | Carrom SAARC | Men & Women Teams | Gold Medals in Team Championships |
| | | | | Rashmi Kumari, Union Bank of India Mixed Doubles | Gold Medal |
| 4. | 16-19 August, 2004 | Bangalore | Badminton (Shuttle) Inter-Institutional | BSB's Men's Team | Won Team Championship Trophy |
| 5. | 25-28 September, 2004 | Ramagundam (A.P.) | Carrom - Federation Cup | Rashmi Kumari Union Bank of India | Silver Medal in Women's Singles |
| 6. | 5-9 October, 2004 | Colombo, Sri Lanka | World Carrom | Rashmi Kumari, Union Bank of India | Bronze medal in Singles Event |
| | | | | Rashmi Kumari in Women's Doubles | Silver Medal |
| 7. | 28-30 January, 2005 | Cooch Behar (WB) | Body Building - Sr. National | Mukesh Thakur, Dena Bank | Gold medal in 70 kg weight category Mr. India title |
| | | | | Prakash Ghatge, Dena Bank | Silver medal in 55 kg category |