

## BULLION RATES

Mumbai Gold 24K	50)
Mumbai Bar Silver	20)
Bangalore Gold 22K	43)
Bangalore Bar Silver	50)

## EXCHANGE MARKET AL STREET

BSE 30	3328.18 (3357.04)
BSE 100	1640.93 (1660.51)
S & P Nifty	1070.90 (1082.90)
Midcap	775.05 (781.75)

## BANK SHARES-NSE

Canara Bank	69.75 (-0.25)
Corporation Bank	153.90 (-9.80)
Karnataka Bank	76.35 (+1.20)
Vysya Bank	265.10 (-2.20)

# Banks drawing up risk management plan

By Joel Deepak

**Bangalore:** India's nationalised banks are working on new framework to cover themselves from risks that may arise from a liberalised capital market with rising volumes, enhanced competition, interest rate war, globalisation and operational and market driven-forces determining the future with little interception from Reserve Bank of India.

Some of the top notch banks have hired services of international consultancy firms and Canara Bank has enlisted Pricewaterhouse-Coopers which has drafted a framework for the bank's risk management. It is also currently identifying the information technology needs for the bank's future growth needs.

Speaking on the sidelines of launching a new product finance for solar home lighting, Canara Bank chairman and Managing Director R V Shastry said: "Its high time the banks put in place a risk management system with the changing market scenario. The new credit policy, implementation of Tarapore Committee recommendations and inching towards full convertibility have come at a faster pace than expected by us.

Reforms in the banking industry are now on fast track and banks have to rise to the occasion and tune to the changing scenario with proper risk

management control systems in place".

Government efforts at propping up the capital market will further benefit the banking segment with increased business transactions between the export-import community and the services sector, he said.

On the on-going interest rate war, Shastry said: "Rates have indeed fallen considerably over the years. But bottomlines of banks won't be affected as our volumes are rising with decline in investor interest in co-operatives and NBFCs.

We are flush with funds and the pressure is building up to cut lending rates especially from the corporate sector. Fall in interest on housing loan finance is welcome and I would suggest further softening of interest in this segment because the volumes are rising proportionately".

On the Reserve Bank of India softening the Rupee to boost exports, he said, its more of a demand-supply issue where Dollar supply determines it. Year-on-year we are seeing 17 to 17.5 percent growth in bank deposits which is pretty good by any standards. By April this year our information technology integration process will be completed and our forex and domestic treasury transactions will go live, he said.

Regarding the fears about retail trading in gilts and government securities would result in diversion of



Canara Bank Chief R V Shastry (second right), Jyothi Prasad Painuly, UNEP senior executive (centre), Y S C Bose, chairman, KREDL, (left) and N Kantha Kumar, Canbank ED (extreme right) seen at the launch of solar home lighting finance scheme in Bangalore on Thursday. The Bank has tied up with United Nations Environment Programme (UNEP) to offer finance to solar home lighting systems. It is offering finance up to 85 percent of the total cost (max-Rs25,000) with 15 pc downpayment facility and the rate of interest chargeable will be 11.25 pc, while UNEP provides 15 pc subsidy.

bank deposits to this segment, he said: "I don't think this will happen. It all depends on money supply. Co-ops and NBFCs are no more attracting funds. The policy changes have benefited the mutual funds which are drawing lot of capital. Despite all this, including interest rate cut, we are comfortable and flows into the banking system is increasing".

The latest decisions are attempt to move towards a liberalised capital account regime and ensure easy money for the corporate sector, which is building pressure to ease up lending norms and rates. The permission to mutual funds to invest in foreign capital markets will entice small investors which could in turn tilt the balance scale.