

# NEWS ALERT

## Banks Fear Liquidity Crisis from 3G Fees, Tax Outgo

Bankers have expressed to RBI their fears of a liquidity crisis leading to volatility in the money markets in June 2010 as close to Rs 100,000 crore goes out of the banking system. According to banks, liquidity will dry on account of advance tax outgo, coupled with payments by telecom companies to the government for the third generation broad band service(3G). Besides, the government borrowing programme for the month is higher than the total inflow through redemption of government securities (g-sec).

The issue was raised by bankers and bond dealers in June in the monthly review meeting with the central bank.

However, in response, RBI officials only said the liquidity will come back in the system within few days in the form of government spending. The government is likely to repay the money borrowed under ways and means advance — around Rs 19,000 crore as May 7 — and utilise the balance for other expenditure which automatically comes back into the system.

## RBI to Decide Indianness of Banks Now

The Reserve Bank of India will decide on the 'Indian-ness' of the country's leading private sector banks as the government deliberates a solution for them without relaxing the provisions of the new foreign direct investment policy. After over a year of discussions, the government has finally asked the central bank to suggest a framework for deciding on the ownership and control of such banks. The new norms will be based on parameters such as voting rights and the power to appoint directors, a senior government official said. "We need to recognize that the structure of each bank is different and accordingly redefine the concept of ownership and control for the banking sector," he said.

The move will give reprieve to seven private sector lenders including ICICI Bank, HDFC Bank, ING Vysya, Development Credit Bank, Federal Bank, IndusInd Bank and YES Bank that have been branded as foreign banks under the current norms.

## Highways Ministry Spent Just 40% Funds in FY10

Reflecting a sluggish growth in construction of national highways, the surface transport ministry could utilise just about 40% of the Rs 30,000 crore allocated for 2009-10. Despite the inability to meet the target, the ministry, however, plans an annual borrowing of Rs 20,000 crore over the next 15 years to fund its ambitious programme of building 20 kilometers of road a day. According to the Planning Commission's report on highways development for 2009-10, the ministry spent only Rs 11,608 crore in 2009-10 against a target of Rs 29,934.67 crore under various phases of the National Highways Development Project (NHDP).

The report further said that no expenditure was made under NHDP phases IV, VI, and VII for which it had earmarked a target to spend Rs 130 crore, Rs 403 crore and Rs 1,199 crore, respectively.



A study by RBI has mooted the idea of floating the rupee as a global currency, but asked the government to carefully assess the pros and cons of such action, as it may increase volatility in forex markets. The idea was mooted after the global financial crisis and weakening of the US dollar triggered a debate about an alternative global currency. The study titled, 'Internationalisation of Currency: The case of the Indian Rupee and the Chinese Renminbi', also said it is quite unlikely that the dollar will lose its predominance as the global reserve currency in the foreseeable future.



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## BACK PAGE STORY HEADLINE

This story can fit 175-225 words.

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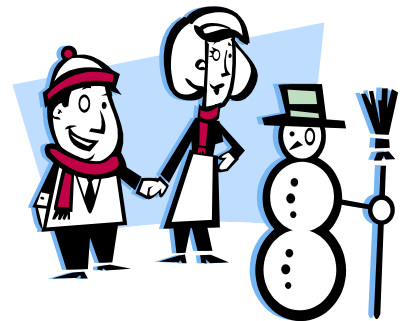
A question and answer session is a good way to quickly capture the attention of readers. You can either compile questions that you've received since the last edition or you can summarize some generic questions that are frequently asked about your organization.

A listing of names and titles of managers in your organization is a good way to

give your newsletter a personal touch. If your organization is small, you may want to list the names of all employees.

If you have any prices of standard products or services, you can include a listing of those here. You may want to refer your readers to any other forms of communication that you've created for your organization.

You can also use this space to remind readers to mark their calendars for a regular event, such as a breakfast meeting for vendors every third Tuesday of the month, or a biannual charity auction.



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