Siblink

Next Generation

Corporate Family Magazine Of The South Indian Bank Ltd.

85th Anniversary Celebration

SOUTH INDIAN Bank

Experience Next Generation Banking

Vol. 22 Issue-3 Quarterly Publication March 2014

The 1001st ATM was inaugurated by the Hon'ble Governor of Kerala Smt. Sheila Dikshit at Trivandrum andalso launched the Bank's Kiosk Banking. Sri. K.P. Mohanan, Minister for Agriculture & Animal Husbandry, the Government of Kerala, Our MD and CEO Dr. V.A. Joseph, Executive Vice President Sri. V.G. Mathew and our ED Sri. Abraham Thariyan are seen

Corporate Family Magazine of
South Indian Bank

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Objectives:

To instil in the bank staff a sense of belonging and involvement in the bank's affairs
To appreciate and applaud the individual achievements of our members of staff
To act as a communication medium between management and the staff
To increase the professional competence of our bank staff

INSIDE

Publisher:
Mr. A.G. Varughese, Cheif General Manager

Editor:
Mr. Francy Jos E.

VISION

To be the most preferred bank in the areas of customer service, stakeholder value and corporate governance.

Mission

To provide a secure, agile, dynamic and conducive banking environment to customers with commitment to values and unshaken confidence, deploying the best technology, standards, processes and procedures where customer convenience is of significant importance and to increase the stakeholders' value.

His Excellency, Governor of Kerala, Shri Nikhil Kumar handing over the key to Dr.V.A Joseph, MD&CEO as symbolic opening of our 800th Branch at Aranattukara,Thrissur.

NRI Meet: Our MD & CEO Dr. V.A. Joseph addressing the honourable gathering at Ahmedabad

Inauguration of Senior Citizen Counter at Thrissur Main Branch by our senior most account holder Sri. Meleth Ouseph aged 104 years. Our MD & CEO Dr. V.A. Joseph, Executive Vice President Sri. V.G. Mathew, Executive Director Abraham Thariyan are seen

MD & CEO Speaks ....

Dear SIBians,

We have completed our first quarter of a new fiscal. Once again you have done a very good job. Our total deposits have grown from Rs. 43583.76 Crore to Rs. 46489.23 Crore on a Y-o-Y basis, with Core deposits showing an increase of 21.05%. The total advances have increased from Rs. 31202.79 Crore to Rs. 34255.42 Crore. Our Net Interest Income has increased to Rs. 340.88 Crore and Other Income to Rs. 121.16 Crore. We have clocked a net profit of Rs. 126.65 Crore as compared to Rs. 114.84 Crore same period last year. Our Gross NPA has come down from 1.57% to 1.50 % whereas Net NPA has reduced from 1.12 % to 0.91 % this year. The yield on investments has also increased from 7.16 % to 7.26% (Y-o-Y). There is an increase of CASA portfolio from 20.58% to 22.07% (14.42% growth).

Even as the results are noteworthy, we cannot afford to lose even a single minute in complacency. The need of increasing our current and saving account portfolio is as important as ever before. This year we have already initiated lot of steps to set up the infrastructure necessary for facilitating augmenting of retail business. With a new Government in charge at the centre, there are lot of expectations of economic recovery measures. The budget has created a reasonably good starting point. We as a bank should be able to capitalize on the renewed vigour in the public mind. The second aspect I wish to highlight is the significance of NPA recovery. Each staff member in our bank can contribute in this exercise. Constant follow ups and available tools should be used effectively to ensure that the dues are cleared at the earliest.

The theme of this edition of SIBLINK is Asset Liability Management. ALM as a process is a very systematic approach to setting up of Risk Parameters, Risk Identification, Risk Measurement, Risk Management. Risk policies and tolerance levels etc. As bankers, we need to be deploying tools for measurement such as Maturity Gap Analysis, Duration, VAR etc. Management of Assets and liabilities, their tenures, interest rate match-ups etc. is of vital interest to all bankers. In today's world every perspective is becoming risk based. I am sure you will be treated to a quality material on the topics related to ALM in the following pages.

We were witnessing the biggest show on earth in the last one month. The entire world was glued to watch "Jogo Bonito", the beautiful game of football. In the end, it has been proved that while individual brilliance is recognized temporarily, it is only when players perform together as a team, that they succeed in the long run. When teams win or lose, a lot of emphasis is placed on an individual player/ member or sometimes on the leader. We have seen it amply in sports, business and many other domains. I have always felt that the only value a leader can contribute is personal integrity of thoughts, words and action and unflinching commitment to walk the talk. Similarly, a very skilled member can provide flashing glimpses of genius, but when it comes to repeated success, a leader is only as good as his team.

I am sure that we will continue to weave ourselves together as one team with one aim, in our climb to the summit of excellence.

Dr. V.A. Joseph
MD & CEO

Our Executive Vice President Sri VG Mathew adddresing on the occasion of launching of KIOSK Banking and opening of 1001st ATM at Thiruvanthapuram.

Our MD & CEO Dr V A Joseph and EVP Sri VG Mathew felicitating HE Cardinal Baselius Clemis Catholica Bava on his election as President of CBCI. Also seen Sri Shelly Joseph, DGM and Regional Head, Kottayam and Mr K J Chacko, CM Palai

Message from the Executive Vice President

It was a pleasant surprise for me to note that every issue of the Bank's House Magazine carries a specific theme which is of importance to the field of banking and financial services. The current issue focuses on Asset Liability Management which is very topical and relevant.

Banks are in the business of accepting deposits with varying maturities and lending them out at different maturities too. The profitability of a Bank depends on its ability to charge a higher interest on the loans as compared to what it pays on the deposits. While this may appear to be a very elementary principle, its practice is not so. In the anxiety to increase profitability, if a Bank uses up its Current Account deposits for extending term finance to a long gestation project it is obviously incurring a serious mismatch in tenor of resources, thereby attracting severe liquidity risk. ALM helps us avoid such pitfalls through a sophisticated matching of resources and deployment. However, this is only one very obvious function under ALM. A lot more is regularly handled by the ALCO (the Committee which manages ALM) such as appropriate pricing of resources and assets, regular review of fixed and floating portfolio of assets and liabilities, evaluation of interest rate movement, Transfer Pricing for correct resource allocation etc.

I hope the current issue will make interesting reading for all SIBians and help the Bank in taking another step in the endeavour to grow as a knowledge-based organisation.

Wish you all the best

V.G. Mathew

> "The profitability of a Bank depends on its ability to charge a higher interest on the loans as compared to what it pays on the deposits. While this may appear to be a very elementary principle, its practice is not so."

SIB Quest 2014 : Our Executive Director Sri. Abraham Tharyian inaugurating the SIB Quest 2014 organised by XIME, Kochi

Banking Excellence Award 2013: Mr. Anto C A, Seniro Manager Br. Maranchery receiving Banking Excellence Award 2013 of Sate Forum of Bankers Club, Kerala for 2nd best branch in Kerala under Private Sector Banks

Message from the Executive Director

Dear SIBians,

As we celebrate our 85 years of service to the nation, we have to rededicate ourselves to meet the ever growing demands of the modern customer. The need of the hour is to get a 360 - degree view of the customer expectation to increase sales, drive customer satisfaction and streamline business to improve the bottom line. Today, technology has become the differentiator and driver in the banking sector. Banks are fast moving to the virtual Click-and-Order from the traditional Brick-and-Mortar. The younger generation needs more tech-savvy products with internet and e commerce. The elder generation would like to build long term relationship and loyalty. We have to keep pace with their expectations, by offering personalized services with the right blend of technology and warmth of hospitality. The essence of marketing is winning the trust, respect and recognition of the customer, being true to our words and deeds.

Any high performing organization needs its staff to be empowered through continuous learning processes with innovation and technology as major facilitators. While innovation is all about doing things differently, technology helps in improved delivery, easiness of operation and cost reduction. Technology has been a key enabler not only in transaction based processes but also in regulatory compliance and Management Information System. Our bank is shortly migrating to the Finacle- 10 version, keeping pace with the growing demands in the industry, to drive business growth. With rapid advancement in technology, the social media has become an effective platform to offer our products and services. We have moved a long way by setting up Kiosks. ATM machines, M-pay, Cash DepositMachines/Bulk Note Acceptors and providing value added service through our technology driven products. SIB M- Passbook is a mobile software application to view one's account on the mobile phone. Our ATM cum shopping cards can be used internationally and is secured by a 3D secure password. SIB mobile service (SMS), SIB M-pay are very much customer friendly. SIBerNet provides banking services and e-commerce through internet. POS terminals provide hassle free shopping for our customers. The RTGS / NEFT transactions are now so popular for fund transfer. We have to leverage these technology products and capture a huge market share in our way forward. Our success lies in the speed with which each branch converts all our young customers to Sibernet, M-pay,M-passbook and other technology product users.

Our Bank is committed to uphold the values and fundamentals in our rich tradition of being the most customer friendly bank. Banking is basically a customer-oriented business. Customer service is the key to bank's growth and stability. A bank is as good as its workforce, and therefore the quality of human capital also plays a big role in shaping our future. I do hope that the 7100 strong SIBians , with an average age of 34,can live up to the expectations of the stakeholders to uphold our tagline **" Experience Next Generation Banking"**.

I wish you all the very best.

With warm regards,

Abraham Thariyan.

Our success lies in the speed with which each branch converts all our young customers to Sibernet, M-pay,M-passbook and other technology product users.

Haritha Varsha Contest Winner: Br. Bharananganam

CASA Contest Winner: Br. Chalakudy

Message from the Executive Director

Dear readers,

Asset-Liability Management (ALM) is a delectable a-la-carte, starting with balance sheet management, i.e. the management of both assets and liabilities in its varied flavours. It then proceeds to the main course of income and expenditure management, which culminates in the management of profit. However, ALM assumes strategic importance in Bank management due to its primary function of **liquidity management**.

Liquidity risk, emanating from the various business choices, is imperceptible like an iceberg submerged in the sea with the potential to rock even the Titanic. So, it's important that we employ the required tools to make liquidity risk visible to the decision makers for proper management of asset-liability composition, tenure and pricing.

Today, regulators across the world place immense importance on liquidity risk management due to lessons learnt from the avalanche of bank failures due to liquidity mismatches during the sub-prime crisis in 2008. The credit risk kept hidden in the books was one of the major reasons for the collapse, but still, inadequate liquidity risk management was the major cause attributed for the failures of so many banks in a row.

Shaken by the severe crisis that banking faced in the aftermath of the colossal size of bank failures, Basel committee and regulators across the world have overhauled the old concepts and issued fresh guidelines for filling the cracks surfaced during such failures.

It's pertinent to note that Reserve bank is not only disposed to adopt those guidelines, but has made liquidity a major component in the rating of banks. As we move over to the new regime of Risk Based Supervision, management of liquidity assumes paramount significance.

This edition of SIBLIK highlights the importance and new concepts of 'Asset Liability Management' in contemporary banking. As mentioned in the beginning, ALM is not just the management of liquidity risk alone, rather it comprises of the whole gamut of risks that comes in the way of balance sheet and profitability management.

We have sealed our financial year 2013-14 with a profit of Rs 507 crores, bettering last year's numbers. The profitability is satisfactory considering the recessionary clouds that blur the banking and economy. As the economic slump is expected to continue for some more time, we are obligated to stick to the fundamentals of banking. We can definitely weather this tough situation with dedication and hard work.

Inviting hues of the new financial year blooms when time has arrived for me, as for anyone else, to bid farewell to all of you. People - employees and customers - remained the central strand of the SIB's collective story and the past decade stands witness to an accented thrust on this theme. As I recline to reflect upon it, I feel great satisfaction of watching SIB evolving as a true "Next Generation Bank", moving in fast pace and receptive to emerging trends. I am proud of being a part of its great journey. Let me sign out expressing my deep sense of gratitude for the entire team - the top management, my seniors and the entire SIB family - who have made this journey possible.

Wishing you a successful year,

Cheryan Varkey

> I feel great satisfaction of watching SIB evolving as a true "Next Generation Bank", moving in fast pace and receptive to emerging trends. I am proud of being a part of its great journey. Let me sign out expressing my deep sense of gratitude for the entire team

Seasons of Liquidity

Sibi P.M.
Asst. General Manager
(IRMD)

Maudlin Monsoon

When finely woven threads of rain slant down on earth creating the perfect settings for soaking in a frolicking mood, when raindrops drum on the rooftops, foliage and the dusty grounds, when water starts out gushing everywhere - dams, wells and even poems - , we hardly reflect that in this season of ample water, the feeling of abundance mostly stands in the way of efficiency.

Even though acclaimed as beautiful and pleasant, rains carry drops of concern. The surplus water we receive gets mostly wasted, since we care little about preservation at the time of abundance, which means occasional surplus cannot be an assurance of efficiency or availability at all times, unless it is judiciously managed.

Secondly, even in abundance, the quality of water is not ensured. Although it is felt as glut of water, recall the adage, the quality of water might be too low for usage. And, especially during the rains, people forget this. If we assign a cost to the rains, rainy season is the costliest in terms of water availability. Monsoon is a colossal waste, although we dabble in water. Asset Liability Management

Banking business, in the eyes of asset-liability management (ALM), is the transformation of amorphous money into different forms as products of variegated characters and appearances; liability products like deposits, bonds and asset products like loans, investments. Banks strive to squeeze out a little profit out of the whole process for the efforts they have put in and the risks they have borne.

If money is the only material that the banks deal with, ensuring its availability and profitable yet liquid deployment is a humongous task that must be diligently performed. Although there are various products, in liability and asset, what actually happens is the flow-in and flow-out of money. Managing the traffic of cash flows and the resultant gap is the job of an asset-liability manager.

There are two dimensions in the management of cash flows. The first deals with the managing of actual flows and related liquidity issues (surplus/shortages) while second one deals with the effective and profitable pricing during deployment to ensure targeted levels of return. The first focuses on the immediate survival while the second activity ensures long-term survival.
For the successful conduct of banking, inflow of cash has to be ensured for each unit of outflow and vice versa. If inflow is not ensured for outflows, the bank will be strained by shortage of cash, leading to default in payment of liabilities, mainly the deposits. If the gap grows further, it will lead to severe loss of public confidence where a Bank Run and failure could follow.

On the other hand, absence of proper outflow for each inflow keeps the funds idle. This will result in loss of income for the bank, which is the opportunity cost.

Second dimension of cash flow management is the pricing of those cashflows i.e interest rates. The interest rates shall be embedded with associated cost for tenor, which means, longer tenure products should carry liquidity risk premium. Some products carry options (Put/Call) while some carry reset clauses.

Efficient management of these two processes together give what we ultimately call profits. In that sense, Asset Liability Management is really about the management of profit in banks.

Managing the cash flows ensures sufficient funds for meeting the outflows when they arise and efficient utilisation of funds. This approach of ALM focussing on cash flow gaps is called 'Flow Approach' in liquidity risk management. However, the process is fraught with many pitfalls like sudden foreclosure of deposits and loans, which needs to be anticipated and planned for or priced properly.

Managing the flows is not enough. Banks have to ensure sufficient reserve of quality assets like cash, tradable Government bonds and other liquid funds to meet the contingency requirement. The process of measuring and managing the liquid funds vis-a-vis the overall fund requirement and managing it is termed as the 'Stock Approach' of ALM.

Keeping enough liquidity is a bank's mantra for survival. At the same time, liquidity is a cost that the bank has to bear. This dichotomy leads to a trade-off between liquidity and profitability.

Seasons of liquidity

Different liquidity strategies are adopted by banks, taking into account the associated cost of liquidity and trade-offs. One of the strategies can be compared to monsoon. As we have seen in the beginning, monsoon is the season of abundance in water. A 'Monsoon strategy' reflects keeping abundant liquidity, as a conservative measure. However, this is the least efficient strategy since the cost of liquidity will be high, due to the opportunity cost.

In scorching summer, when the sun tears the earth with its unsparing rays, we strive to live with the available water, conserve and build safeguards for water. Efficiency of water management touches the peak, as we all realise that, a further shortage can lead to disastrous consequences. The efficiency might be high, because one learns to survive with minimum water, but you also need to run around and pay huge price for keeping the water level at required level, if it falls below that level.

Winter starts wheezing when there is enough water that the system requires. The chill lets you feel less thirsty but here water level is slightly more than the required with occasional imbalances.

Spring is the sprightly season as everyone becomes active and the world blooms into one bouquet of flowers. Water is slightly lower than what actually is required, which results in more efficiency than in winter.

Monsoon, winter, spring and summer strategies of ALM in that order carry comfort on a decreasing order and efficiency on an increasing order. Banks may prefer as a strategy to slosh in liquidity on one side or to

Asset Liability Management (ALM)

Emerging importance and challenges in Indian Banking sector.

E. Prem Solomon
Chief Manager (IRMD)
Mid office Treasury
Mumbai

Asset liability management (ALM) was said to be born amidst the S&L (savings and loans) crisis of the early 1980s, in US. The net S&L income went down from $781 million to - $ 4.6 billion. The biggest challenge was the upward spiraling interest rates and asset/ liability mismatch. (The market value of the rate sensitive Assets and liabilities change with change in market interest rates and accordingly the net worth may increase or decrease.) Thus ALM began to gain wide acceptance from various financial institutions situated across the globe. However, in the Indian context, the banking industry in the past appeared to give less priority to ALM. But now the Indian economy is globalised and liberalized,where interest rates are deregulated. Interest rate and exchange rate movements,. external liquidity inflows and outflows have become more dynamic than before.

Very recently, the following news item surfaced in the Business Standard dated March 23 2014.

"For banks in India , ALM as big a problem as NPA" (The above is a recommended reading).

However ,the following write up briefly covers the ALM process & emerging challenges in India.

We know that the branch/offices accept deposits/ contract liabilities and lend loans/ investments/ create assets. When the Assets & liabilities of all branches/offices are consolidated based on its maturities(for liquidity risk) & duration, yield & cost (for interest rate risk) it facilitates a helicopter view and brings in various dimensions.

1. Procuring /creation of deposit/ liability and loans/asset at varying interest rates and tenor in different mixes from time to time which brings in interest rate related risks.

A bank naturally depends on short term deposits to fund loans which are long term in nature. The difference between the average duration for bank assets/loans/investments and the average duration for bank liabilities/ deposits is known as the duration gap which measures the bank's exposure to interest rate risk. ALM experts analyze the duration mismatches in different time buckets and measure the interest rate risk using duration gap model and test whether the quantified impact is within the Banks risk bearing capacity and prepare plans to reduce mismatches.

2. Related expected Fund outflows and inflows based on the transaction pattern happening in branch/offices from time to time bring in Liquidity Risk.

All the related expected fund outflows and inflows are consolidated and finally the intra-day liquidity position represented by RBI Balances in various centers are monitored and managed by fund managing experts. The mismatches/surplus if any are either sourced/ deployed from money market at the best rates available in the market while meticulously adhering to CRR and SLR norms prescribed by RBI from time to time.

The ALM experts consolidate and match the maturities of liabilities and assets by bucketing them into various time buckets based on rollover (renewal) pattern, behavioral studies, seasonal factors and the structural liquidity mismatches thus arrived are tested and plans to minimize mismatches are formulated.

Challenges

The following ALM challenges emerge when Banks try to synchronize liquidity risk with interest rate risk management, product pricing for deposits /advances and optimization of investments yield/return , and finally trying to get near the desired maturity, yield/ cost profile.

1. Banks' limited choice on maturity of liabilities/deposits contracted is influenced primarily by customer's preference and seasonal demand and supply factors.

2. Achieving adequate spread above Base rate on loans is a challenge amidst competition which may increase with new banking licenses proposed now. Increasing revenue loss from mandatory Priority sector advance targets.

3. The customers' right to prematurely close/ pre-close the deposit poses further challenges in ALM. The lack of popularity for floating rate products deprives the banks from the option to reprice based on current market rates.

4. a) In a booming economy, banks try to leverage* more with short term deposits/ borrowings to meet the increasing demand from credit off-take. This may increase the average cost of deposits as proportion of low cost CASA to total deposits will decline but is expected to be adequately rewarded by substantially higher returns from the assets so created thus enhancing the NIM.
   b) In a slowing economy, banks prefer to leverage less as the expected loan repayments will be impacted leading to increase in stressed assets. In India, because of slowing economy, Public sector banks are more affected now with stressed asset portfolio reported to be more than the industry average of 12.61% in December 2013.
   c) In a rapidly slowing economy, banks may prudently avoid contracting riskier assets and prefer to invest more in government securities in anticipation of probable appreciation in its investment market value, in case the regulator initiates steps to boost the slowing economy by bringing down its policy rates.
   (* *"leveraging" used here is to denote buying more of an asset by using more*

manage dried-up liquidity on the other extreme. But because of the comforts associated, banks prefer the relatively balanced spring or winter.

Liquidity management is both a long-term strategy and a response to situations. Whatever be the strategies adopted, banks need to always gear up for the unexpected situations that could even threaten their very survival. ■

borrowed funds with the expectation that the income from the asset will be more than the cost of borrowing).

5. Investment prospects in high yielding liquid SLR investments are available in substantially longer maturities, while high yielding non SLR investments are less liquid. Interest rate futures are now available to hedge market risk in investments. The efficiency of the Fund deployment /sourcing at best rates depends on the speed with which branches/offices can forecast and inform the expected bulk inflows and outflows as banks do not earn interest on balances maintained for CRR purposes (4% of deposits/ NDTL).

6. Entry into securitization transactions brings in the possibility of prepayment of loans affecting the yield of the securitized paper. Banks increasing exposure to off balance sheet (OBS) transactions for extending non-fund based facilities to their clients. Although exposure to new derivative products is considered useful for risk management as a hedging tool, this may open door for speculation unless monitored and controlled appropriately.

7. Tight liquidity norms proposed under Basel III i.e. Liquidity coverage ratio aimed to take care of short term liquidity profile and Leverage ratio aimed to strengthen medium to long term liquidity profile.

Conclusion Indian banking sector is strengthened by best regulatory supervision and oversight. However Banks now face more challenges of balancing liquidity-profitability, risk-return, particularly in decision making process based on predicted future direction of interest, exchange rates movements. Thus ALM strategies have to be pro-active considering all probable scenarios and its final impact on the Banks' net worth. Centralized liquidity, Exchange rate and interest rate risk management supported by Fund based transfer pricing mechanism would ensure that all possible tools for proactive ALM are deployed effectively and appropriately contributing to the future profit and business planning strategies targeted towards **Share Holders wealth maximization, Banks overall Business goals** and **Risk Management goals.**

The Rise of the ALM: An emerging risk management discipline to navigate through the dynamic financial landscape

Arjun Sunder S
Manager
IRMD, HO

I. Introduction

It is said that "Trust is the life blood of business". This old but golden adage is extremely relevant in banking business. Banking runs on 'Trust' and depositors' distrust can bring down the biggest and most powerful bank in no time. The credibility of a bank stems from the banks' unique ability to honor the demands of its depositors on time without any delay. The perceived lack of this ability can create panic among public and would result in long queues in ATMs and branches. The potential inability of a bank to honor its obligations as and when they become due is termed as liquidity risk. Improper liquidity risk management strategies have brought down many big banks across the globe; the latest casualties being Bear Sterns and Northern Rock in 2008.However this risk is inherent in banking and banks cannot conduct business by avoiding it.

Let us go a little closer and examine how liquidity risk hovers around a bank like an invisible eternal phantom. It is often accompanied by its cousin, interest rate risk. Banks make profit by accepting deposits at lower rates and advancing loans at higher rates. The deposits maturing within short duration tend to be cheaper than their long duration counterparts. The average maturity of deposits is shorter than the average maturity of advances for various reasons; the major one being individual's preference for keeping deposits for a shorter term, borrowers' requirement for longer term and banks' desire to extend long term loans for generating higher profits. This mismatch between maturities of assets (loans) and liabilities (deposits) of the banks forces them to refinance the deposits at the time of **maturity**. In an ideal scenario banks can easily refinance the deposits at the same cost without any constraint. But reality seldom matches with an ideal scenario. The burning desire of financial institutions to overpower the lurking shadow of this phantom gave birth to a new discipline christened as Asset Liability Management (ALM)

II. Scope of risks covered under ALM

The term ALM implies attempts made to match assets and liabilities in terms of maturity and interest rate sensitivity to minimize interest rate and liquidity risks. The organizational structure and information systems are vital components of the ALM function in any bank; since without these elements ALM techniques cannot be executed effectively. To understand the relevance of ALM it is necessary to understand the meaning and significance of liquidity risk and interest rate risk. The RBI has remarked that liquidity risk results from inability of banks to meet its obligations as they become due, because of difficulty in liquidating assets (market liquidity risk) or in obtaining adequate funding (funding liquidity risk).Interest rate risk may be defined as risk of bank's financial condition getting adversely affected due to movements in interest rates.

III. Emergence of ALM in India

The Indian banks were insulated from interest rate risk until nineties when interest rates were regulated by the RBI. Interest rates were strictly regulated and not influenced by market forces. Since interest rates on both assets and liabilities were fixed by RBI uniformly the risk was virtually absent. However when Indian financial markets were hit by LPG waves in 90s along with the benefits of foreign investment, rising competition and entrepreneurial spirit the interest rate risk also crept into the Indian financial landscape. Further, a globalization has increased the liquidity risk faced by banks because of the emergence of a plethora of financial products and rising responsiveness of Indian financial markets to their global policies and global financial indices. For e.g tightening of US's monetary policy now cuts the supply of funds to India thereby causing a fall in prices of Govt securities portfolio of banks. The RBI was shrewd enough to understand the risks arising on account of LPG and it issued the first guidelines on ALM way back in 1999. These guidelines were soon to be followed by fresh guidelines covering interest rate risk and other liquidity risk management practices.

IV. Commonly used techniques in ALM for identification and measurement of risks

The risk measurement techniques can be broadly grouped into two types namely a) techniques designed to measure liquidity risk and b) techniques for measurement of interest rate risk.

A. Measurement of liquidity risk

1. Projection of maturity mismatches using statement of structural liquidity (SLS):- Under this technique the cash flows arising from all items of assets and liabilities appearing on the balance sheet and off balance sheet items are grouped into pre-specified time bands (also referred as time buckets) and the difference between cumulative cash inflows and cumulative cash outflows in each time band is computed. The difference is termed as mismatch. The statement which shows the cumulative cash inflows and outflows in each time band is termed as SLS.

Interpreting the results of SLS: - A negative mismatch in a particular time bucket points to the need for refinancing the liabilities which fall due in that time frame. A positive mismatch implies that cash inflows arising from assets are higher than cash outflows maturing in that bucket. High cumulative negative mismatch appearing in different time bands is a main source of liquidity risk and banks need to develop appropriate short term and long term strategies to reduce it.

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2. Dynamic liquidity forecasting: - SLS is a tool based on the financial position of the bank on a given date. This approach does not take into account the cash inflows and outflows arising in future on account of fresh disbursement of loans and acceptance of deposits. Dynamic liquidity forecasting is a method of estimating cash outflows and cash inflows happening in future based on the business projections.

Interpreting the results of Dynamic liquidity statements (DLS): The projected fund requirements of a bank are estimated on: a) the maturity mismatches projected by SLS and b) The incremental mismatches reflected by DLS. Both these statements should not be viewed in isolation.

B. Measurement of interest rate risk

Interest rate risk manifests in various forms. For e.g when interest rates move up, rates on advances may rise at a slower pace than deposits due to competition. This would reduce the net interest income of the bank in short run and erode the value of net worth in long run. Similarly the magnitude of interest rate change occurring in response to market liquidity conditions may not be same across all tenors of deposits and advances. The commonly used risk measurement techniques are briefly explained below.

1. Traditional Gap Analysis (TGA):- Under this method the following are the steps taken:

- The rate sensitive assets (RSA) and rate sensitive liabilities (RSL) are identified: - The rate sensitive assets /liabilities in this context imply the assets and liabilities whose economic value is responsive to the movement in market interest rates. For e.g. the economic value of advances worth Rs. 1000 Crores comes down when market interest rates move from 9% to 8%, because we will be forced to reduce the rate of a large portion of these advances. Investment in equity shares and share capital of the bank are not sensitive to interest rate changes.
- Grouping of RSA and RSL into pre-specified time bands based on residual maturity (if fixed rate) or time remaining to next re-pricing (if floating rate)
- Computing the gap between RSA and RSL

Interpreting the results of TGA: - If the bank has a positive gap, it implies that the bank is expected to benefit from rise in market interest rates in short term. Similarly a negative gap implies the opposite.

2. Duration gap analysis (DGA):- Duration is the average life of asset or liability cash flow. Duration is a measure of the percentage change in the economic value of a asset or liability that occurs given a small change in level of interest rate. Under this method weighted average duration of each class of asset and liability is identified and duration gap for the bank is estimated. The size of the duration gap indicates the interest rate risk faced by the bank and higher the gap, greater is the risk and greater would be the impact of the adverse interest rate changes on net worth (also referred as market value of equity) .The major distinction between DGA and TGA is that while DGA assesses the long term impact of movement in interest rates; the latter assesses the short term impact.

Interpreting the results of DGA: - As explained in the previous paragraph, the DGA chalks out a number in form of duration gap. This number reflects the % by which net worth of a bank is adversely affected on account of change in interest rates. The guidance on interpreting this number in different interest rate scenarios is given in the table below.

V. Challenges involved in application of risk measurement techniques

A. Collection of data to be captured into ALM information systems: - The ALM information systems should be capable of capturing the data from transaction systems at the end of each day without delay. The ALM information systems should generate reports promptly because decision makers cannot rely on stale information and usage of such information may lead to incorrect decision making.

B. Estimation of behavioral maturities: - The grouping of cash inflows and outflows pertaining to *assets and liabilities with definite scheduled maturities* is fairly straight forward and does not involve usage of any assumption. However in respect of *other items* the following questions emerge:

- How do we group the cash out flow pertaining to amounts lying in current and saving bank account into pre-specified time bands?
- How do we determine the % of deposits rolled over, thereby reducing the net outflows arising on account of redemption of deposits?
- How do we know the quantum of un-availed portion, which would be availed in specified time bands?

These are examples of certain questions which are generally answered through behavioral studies. The results of these studies are used to group the cash flows pertaining to these items in preparation of SLS.

VI. Utility of ALM

Like any good risk management function, ALM does not end with identification and measurement of risks. It includes the

Status of Duration gap	Expected Direction of interest rate movement	Impact on net worth
Positive	Rise	Adverse. The net worth would fall
Positive	Fall	Beneficial. The net worth would rise
Negative	Fall	Adverse. The net worth would fall
Negative	Rise	Beneficial. The net worth would rise
Zero	Fall/rise	No impact

management and mitigation of this risk through appropriate constructive measures. In most of the banks, Asset liability Management committee acts as central body which co-ordinates the activities of various departments such as Treasury, Planning and Development (P& D) and Credit to mitigate these risks. Examples of certain strategies deployed in ALM based on the measures of risk revealed by the techniques explained earlier are given below.

Liquidity risk mitigation measures

- If SLS reveals high cumulative negative mismatches in a particular time band the bank raises funds maturing within longer time bands and invests those funds in asset maturing within that time band(that is, the time band in which the negative mismatch is observed) to reduce mismatches thereby preventing the liquidity crisis.
- Introduction of new products: - If a bank faces negative mismatches in shorter time bands it may introduce new products maturing within longer time bands.
- Reduction in reliance on short term bulk deposits - This is another measure under-taken by banks to reduce the quantum of negative mismatches in short run.

Interest rate risk mitigation measures

- Re-alignment of portfolio: - If the bank's duration gap is uncomfortably high, the bank takes steps to exit from positions with higher modified duration. For e.g holding of long duration securities can enhance the interest rate risk of bank's portfolio which is generally reflected in form of high duration gap.

VII. Issues associated with ALM

ALM is an evolving discipline. Common issues or limitations associated with different ALM techniques are given in the table below.

Measurement technique Limitation/issue

DGA/TGA The grouping of assets and liabilities into different time bands depends on the estimated time for re-pricing these items. The base rate linked advances are bucketed in the 29 days to 3 months time bucket; however in actual practice base rate may not be revised every quarter. This incorrect estimation distorts the duration gap generated and hence it may not correctly reflect the interest rate risk faced by the bank.

SLS The SLS fails to take into account the emergency cash inflows and outflows. Further, the grouping of cash flows pertaining to items without scheduled maturities pose challenges in assessment of volatile and non-volatile portion.

Simulation/VaR These are sophisticated techniques used to measure interest rate risk. However their application requires purchase of systems with enormous computing power. Hence they are seldom used.

VIII. Conclusion

ALM is aimed at minimizing the interest rate risk and liquidity risk. The ALM quite often involves cost in terms of foregone profits. Since banks are institutions built on mutual trust, cost of performing ALM should not be viewed as a wasteful expenditure as it protects banks from financial disasters. So what is the appropriate way to perceive this function/ technique/discipline?

- Is this a regulatory compliance function performed to satisfy the whims and fancies of RBI; or
- Is this a wonder weapon in the wardrobe of risk managers which kills the interest rate risk and liquidity risk in one shot; or
- Is this a progressive risk management technique which delivers its results in a gradual manner, like a nutritional diet whose beneficial impact is steadily absorbed into the human body?

I agree with the third option. ALM is not a destination; it is actually a journey in itself, a journey which brings us closer to creation of safe and sound financial sector.

48th National conference of SIBOA: Our MD & CEO Dr. V.A. Joseph, Com. Harvinder Singh AIBOC National Gen.Secretary, Com.C.D. Josson UFBU State Convener, Com.P.V. Mohanan AIBOC Kerala State President, Thomas.N.I Gen.Secretary SIBOA, Sri Raphy Kunjappu President SIBOA, Com.T. Sasikumar Gen.Secretary SIBEA, Com. John Joseph Gen.Secretary SIBRSA are seen in the inaugural function

SIBOA new office bearers

Gopeekrishnan C.K.
President

Thomas N.I.
General Secretary

Davy T.J.
Treasurer

The 10th Triennial General Council of AIBOC elected Sri. Thomas. N.I. as the National Joint General Secretary of the Confederation for the period 2014-2017.

Banking Challenges and Priorities

Ms. Mamta Premkumar
Gota Br.

The contribution of banking sector to the economic development of the nation has been tremendous as well as remarkable. One can say banking sector is the 'core element' of economic development. Post-Liberalization, we have witnessed significant development in the banking industry and this has given a new room for competition across the nation. The growing competition has led to many positive changes in this sector. These changes, albeit positive, have certainly made the banking sector set more priorities and gear up to face challenges.

Some of the priorities for improvising the banking sector are:

♦ **Financial Inclusion – Expansion and Merger :**
Achieving financial inclusion in a country like India can prove to be both a challenge as well as a priority. In order to achieve this, the banks are given a chance to expand their business at every nook and corner of the nation. This also gives them an opportunity to render their services to the rural public. Merging with banks which are well versed with the rural population has also helped in strengthening the network across the nation. Moreover, the government has also given a helping hand to the common man by providing benefits such as subsidies through bank accounts. This encourages people to enjoy the benefits of the government sector as well as the banking sector under one platform.

♦ **Innovative Techniques :**
The 'survival of the fittest' theory makes the banking industry come up with innovative ideas that are extremely helpful. The reason as to why such innovative techniques are considered as a priority is because it contributes to the growth of the banking sector. Banks also have tie-ups with third party products such as insurance, mutual funds, pension schemes that cater to the needs of the customer.

♦ **Providing Personalized Services :**
'Providing and presenting the right product to the right customer' is the new mantra in the present scenario of the banking sector. Customers often prefer seeking advice from bankers for products and services that will benefit them the most. Hence, according to the needs of the customer, the bank should present the right product / service that will best suit and help the customer grow. The 'extra effort' taken by a bank in personalizing services will certainly help in sustaining itself amongst cut-throat competition.

♦ **Timely Technological Upgradation :**
All aspects of banking that were hitherto complex have been simplified with the help of technology. With the onset of e-banking, the banks need to ensure time to time upgradation of all the internet based activities such as online fund transfers, online passbooks etc. so as to ensure that that the customers face no delay and issues while operating such facilities.

♦ **Banking with Ethics :**
The banking industry works on trust. The customers find the banks trustworthy enough to invest their money without being at a loss. Hence, the banking sector must always work with ethics. If 'customer satisfaction' is the motto rather than 'profit maximization', the banking sector will certainly prosper and touch new heights.

Some of the challenges faced by the Indian Banking Industry is hereby cited:

♦ **Foreign Banks – Strong Competitors :**
With the onset of liberalization, the foreign banks took no time to spread their wings in a vast nation like India. There are around 36 foreign banks operating in India thus proving themselves as tough competitors to the prevailing domestic banks. The prevailing banks need to stand out uniquely in each and every aspect of banking so as to sustain their existence. Such competition proves to be one of the major challenges for the banking industry.

♦ **Globalization in the Indian Banking Industry** :
Indian Banking sector still lags behind in being recognized globally. Making a mark in the international platform has proved to be a real challenge as we are aware of the fact that foreign banks are far ahead compared to the Indian banks.

♦ **Management of Risk :**
In order to sustain in a competitive world, the banking industry comes up with innovative banking techniques. One should also keep in mind that, with innovation, the factor of risk comes hand in hand and hence, there should be equally innovative techniques to handle such risks.

♦ **Financial Inclusion :**
Achieving financial inclusion is a major challenge for the Indian Banking sector. Large sections of rural population still have no access to basic banking services. Only when the people who are unable to avail banking facilities have access to day-to-day banking, will the banking industry grow inclusively.

♦ **e-banking – A threat to Privacy and Safety :**
In order to compete with the foreign banks, the present banking scenario has become technology based. In the earlier times there were only specific services which could be operated through the internet. But these days, day-to-day banking transactions are just a click away. This has also resulted in cyber frauds. With the increase in the use of e-banking, cases of phishing have simultaneously increased which is a common challenge faced by the banking industry.

♦ **Strategic Marketing :**
Marketing has become inevitable in the present scenario of banking sector. The banking industry should put in more efforts in marketing in a manner that catches the eye of the customer. This way, strategic marketing makes people aware of the varied services provided by the banks that would benefit them. Hence,in a scenario where there are a number of strong competitors, marketing turns into a challenge.

One can say that, every challenge makes way for new opportunities and priorities which are the key factors in improving and strengthening the banking industry.

All the above stated priorities and challenges are the key elements that will help in strengthening the banking industry. Hence, if the customers are provided with the services they look for, they will invest whatever they have in the banking industry at the drop of a dime!

Integrated Treasury: Advanced approach for ALM

Prateek Ramchandan
Manager Mumbai Treasury

The commercial banking sector plays an important role in mobilization of deposits and disbursement of credit to various sectors of the economy. A sound and efficient banking system is a necessity for financial stability. Banks in India are moving away from the traditional lines of services and in the process, are exposed to many risks. One of the ways for managing the risks is Asset Liability Management (ALM).

Asset Liability Management (ALM)

ALM is a comprehensive and dynamic frame-work for measuring, monitoring and managing the structure of balance sheet (liabilities and assets) in such a way that the net earnings is maximized within the overall risk-preference (present and future) of the institutions. Asset-Liability Management has become the prime focus in the banking industry, with every bank trying to maximize yield and reduce their risk exposure.

Asset-liability management is a first step in the long-term strategic planning process. It can be considered as a planning function for an intermediate term and ongoing function for direction, control, changes and mixes of assets, liabilities, and capital. Asset-liability management includes not only a formalization of this understanding, but also a way to quantify and manage the risks.

In a fairly deregulated environment, banks are now required to determine on their own, the interest rates on deposits and advances in both domestic and foreign currencies on a dynamic basis. Intense competition for business involving both the assets and liabilities, together with increasing volatility in the domestic interest rates as well as foreign exchange rates, has brought pressure on management of banks to maintain a good balance among spreads, profitability and long-term viability.

Asset-Liability Committee (ALCO)

ALCO is one of the top committees in a bank to oversee the implementation of ALM system. ALCO considers product pricing for deposits and advances, the desired maturity profile of the incremental assets and liabilities and monitors the risk levels of the bank. They articulate current interest rates and make their decisions for future business strategy.

ALCO has the central purpose of attaining goals defined by the short-and long term strategic plans. ALCO ensures adequate liquidity while managing the bank's spread between the interest income and interest expense. ALCO tries to link the funding policy with needs and sources via mix of liabilities or sale of assets (fixed vs floating rate funds, wholesale vs retail deposit, money market vs capital market funding, domestic vs foreign currency funding...)

Risk Management: An ALM Prospect

"ALM is an attempt to match the assets and liabilities in terms of their maturities and interest rate sensitivities so that the risk arising from such mismatches mainly - interest rate risk and liquidity risk can be contained within the desired limit."

The ALM functions extend to management of foreign exchange/currency Risk, funding and capital planning, profit planning and growth projection. The net income of the banks is very sensitive to these factors or risk. It is therefore appropriate for Banks to focus on asset-liability management when they face financial risks of different types.

Liquidity Risk**:** Liquidity Risk arises due to mismatch in the maturity patterns of the assets and liabilities. This mismatch may lead to a situation where the bank is not in a position to impart the required liquidity in the system. In case of surplus the risk arises due to interest cost or the idle funds. Generally liquidity risk arises from funding of long term assets by short term liabilities.

Interest rate Risk: The risk that arises from movement in interest rates and their impact on future cash-flows. Gap between fixed or variable rates instruments on either side of the balance-sheet causes the Interest rate risk.

Tools & Analysis for Asset Liability Management

To manage the risk collectively, the ALM technique should aim to manage the volume, mix, maturity, rate sensitivity, quality and liquidity of the assets and liabilities as a whole so as to attain an acceptable risk/reward ratio. Depending on the primary objective of the model, the appropriate parameter should be selected. The most common tools for ALM in banks are:

Spread Management: Spread or margin, known as interest spread or interest margin or net interest spread/margin or net interest income refers to the difference between interest earned and interest paid over a particular period of time. Spread maximization is done through coordinating rate structure for stabilizing earnings over the long term.

The Bank has to deploy a proper strategy against policy rate changes by RBI. When interest rates fall and the bank has more Price sensitive assets compared to Price sensitive liabilities then NIM will decline. Banks will try to increase its fixed rate assets and reduce the gap between interest rate sensitive assets and liabilities. In an increasing interest rate environment, banks will increase their price sensitive assets and decrease its price sensitive liabilities. More focus will be given to floating rate credits and if bank does not have proper gap between Interest rate sensitive assets & liabilities, then NIM may be affected.

Maturity Gap Analysis: Maturity-gap analysis has a wide range of focus, not only as a situation analysis tool, but also as a planning tool. Through maturity gap analysis, banks try to maintain the maturity gap as low as possible in order to avoid any liquidity problems. Cash flows should be placed in different time buckets based on the behavior of assets, liabilities and off balance sheet items to maintain efficient management of funds.

Limit Structure: Limits on the mix of balance sheet assets is the easiest control framework to implement by Top management. Policy limits have to be realistic based on historical trend and comparable to the peers in the market. Policy limits must be arrived considering levels of risk and return and thus guided by annual planning targets, lending constraints and regulatory restrictions on investments.

Asset driven ALM: Asset driven strategies for correcting the mismatch focus on shortening or lengthening the duration of the asset portfolio. Typically the long-term asset portfolios like the lease and hire purchase portfolios are securitized; and the resulting proceeds are either redeployed in short term assets or utilized for repaying short-term liabilities. Apart from this, deployment of available lendable resources in long-term assets is also asset driven strategy.

Liability driven ALM: Liability driven strategies basically focus on lengthening the maturity profiles of liabilities. Such strategies can include for instance issue of external equity, issue of redeemable preference shares, subordinated debt instruments, debentures and accessing long term debt like bank borrowings and term loans. Shortening the maturity profile of liabilities include, raising short term borrowings (e.g.: fixed deposits with a tenor of one year) or issuing bank certificate of deposit (CDs).

Interest Rate Derivatives: Derivatives are used to minimise Interest Rate Risk by Hedging or Speculation. For short term, the bank may purchase Treasury contracts in future market. For longer durations, Interest Rate SWAPs for portion of variable Interest Payment Stream for Fixed Rate Interest Payment Stream. Banks can also enter into Floor Contracts with an intermediary and retain potential for profit in case of interest rate increase.

Integrated Treasury: Advanced Approach for ALM

Treasury management can be defined as looking at the management of liquidity, Investments, Trading, funding and financial risk. On the other hand ALM is a discipline for banks to manage balance sheets in an effective manner considering different challenges. The transformation of the Indian financial markets over the past few years, the growing integration of domestic markets with external markets, and the risks associated with banks' operations have become complex and large, requiring strategic management. Banks need to address the risks in a structured manner by upgrading their risk management and adopting more comprehensive approach for ALM.

Treasury and ALM are strictly interrelated and collaborate in managing liquidity, interest rate and currency risk at solo and group level in banks. ALM focuses more on risk analysis and medium/ long term financing needs whereas treasury manages short-term funding (mainly up to one year) including intra-day liquidity management, cash-clearing crisis, liquidity monitoring. The traditional ALM focuses on interest rate risk and liquidity risk because they represent the most prominent risks affecting the bank's balance-sheet (as they require coordination between assets and liabilities). But ALM also now seeks to broaden assignments such as foreign exchange risk and capital management.

The ALM process is a dual responsibility between risk management and strategic planning as it not only offers a solution to mitigate or hedge the risks arising from the interaction of assets and liabilities but also creating a roadmap for the bank from a long-term perspective. Integrated approach takes care of all the relevant factors which affect various components of balance sheet and helps to take decisions keeping in view the strengths of a bank. Insight to banking operations, economic forecasting, Investments, Credit Cycles and Risk Management Strategies are part of overall Asset Liability Management at Bank and better coordination between all relevant factors emphasize the need of integrated Treasury for better effective management.

Conclusion

The strategy for asset-liability management becomes more challenging because one has to adopt a modular approach in terms of meeting asset liability management requirements of different divisions and product lines. But it also provides opportunities for diversification across activities that could facilitate risk management on an enhanced footing.

In banks in India, most of the assets are floating rate based whereas liabilities carry fixed interest rate. This creates a big gap for the financial intermediary to manage asset liabilities in effective manner. Long-term secured funding in form of deposits is available with maximum maturity up to 10 years whereas infrastructure loans, housing loans are termed up to 20 years creating wide maturity gaps. Competitions from shadow banking or risky financial instruments are becoming a hurdle for smooth funding sources and credit intermediation.

Awareness of ALM among the Bank staff is required at all levels. Involvement of branches in Risk Management improves efficiency of the bank. Strong MIS support for reporting data from Branches/Departments and Supportive Management is a necessity. A dedicated ALM cell doing constant monitoring does a balancing act between risk levels and profit needs in a well planned manner.

To manage the risk collectively, ALM framework should be able to define, measure, monitor, modify and manage the risks arising in Banks. Gaps between assets and liabilities have to be addressed through an effective, robust and stable funding model. They should also ensure that one risk does not get transformed into any other undesirable risk. Multi-dimensional approach with great emphasis on ALM improves the performance of the Bank.

Mr. T.J. Raphael GM Delhi Region felicitating Mrs. Shiela Dixit, Kerala Governor

Asset Liability Management: Trade off between Profitability and Liquidity

Sreejith R.
Manager
IRMD

In a limited over Cricket match, while chasing a big score, the winning formula for chasing team is to accelerate the score rate in line with the required run rate without losing the wickets. This is the same thing banks do in Asset Liability Management. Generate the required profit without compromising on liquidity to meet both the expected and unexpected liabilities of the bank.

Let us take an example to understand this. Mr. A has placed a Term Deposit of Rs 100 with the bank for a period of one year at an interest rate of 10%. Due to statutory compulsion, bank has to keep Rs 23 in SLR investment at an average interest rate of 7% and Rs 4 with RBI as CRR, (Cash Reserve Ratio). CRR is not going to fetch any income for the bank. Bank is left with remaining Rs 73 to meet the interest expense of Rs 10 towards the depositor and to make profit for shareholders after meeting its operational expenses. Just imagine that bank has deployed Rs 73 in a one year loan at an interest rate of 13%. In this example the Bank is placed in a comfort zone as there is no maturity mismatch (difference between tenure of deposit and loan) between asset and liability and is also in a position to generate reasonable return though the risk of premature closure of the deposit exists.

But the ground reality is entirely different. Banks are accepting deposits and disbursing loans for different tenures from/to various customers. It is a widely accepted principle that risk and returns are directly related. If you want to get more return on your investment you have to invest in long tenure assets. Liquidity is costly as less liquid assets draw more return than liquid assets. Here comes the role of asset liability management. Asset Liability management is how the bank handles its assets and liabilities in order to maximise the profit without disturbing the liquidity.

Asset Liability Management is defined as "managing both assets and liabilities simultaneously for the purpose of minimising the adverse impact of interest rate movement, providing liquidity and enhancing the market value of equity". The principle function of Asset liability Management is to manage liquidity risk and interest rate risk.

Liquidity Risk Management
Liquidity risk management refers to banks' ability to meet expected and unexpected liabilities (Outflow) on time and support increase in the asset without incurring much cost. Liquidity risk for the bank mainly manifests on account of the following:

Funding Liquidity Risk: - Banks do not have sufficient fund to make payments or meet liabilities to its counterparties or customers without disturbing its day to day operations.

Market Liquidity Risk: - This is the risk that an asset cannot be sold in the market immediately; even if sale is executed it is possible only at high discount. Market Liquidity risk can soon result in the bank facing funding liquidity risk.

Two methods which are used for managing liquidity risks are Stock Approach and Flow Approach. In **stock approach,** banks identify certain ratios in order to assess the liquidity position of the bank based on their risk appetite and risk profile. Internal limits are fixed for these ratios and evaluation of these ratios gives indication about the liquidity profile of the bank.

In **flow approach**, asset and liabilities are grouped in to various time buckets based on their residual maturity pattern / behavioural pattern. Cash inflows are positioned by future dates on which asset matures and cash outflows are positioned by future date on which liabilities fall due.

Residual maturity is the time remaining in the life of an asset/ liability. Behavioural pattern has been used in cases where the assets or liabilities do not have contractual maturity i.e depositor has the option to withdraw fund at any point of time. This makes the analysis of cash inflow and out flow quite difficult. Consider the example of Current Deposits, Savings Bank Deposits and CCOD (Cash Credit and Overdraft). Since the above mentioned items do not have fixed maturity pattern, bank may try to understand the behavioural pattern of the same based on empirical studies.

Rollover of Term Deposit:-If actual proportion of term deposit renewal is more than what the bank expects, it is left with surplus funds which might have to be invested at lower rates. If the actual proportion of renewal is less than anticipated, bank faces liquidity deficit, which entail higher financing cost. In order to insulate itself from this situation,a bank needs to carry out a detailed roll –in and roll –out analysis of term deposits.

Banks also need to capture the impact of unavailed portion of CCOD, Off – balance sheet commitments(devolvement of Letter of Credit and invocation of BG) and embedded option in term loans (prepayment of term loan) and term deposits (premature closure of term deposit) in order to forecast the probable cash out flows to project the exact liquidity position.

Liquidity Statement prepared under flow approach is being known as "Structural Liquidity Statement". In this statement we examine the mismatches between cumulative inflows and outflows under various time bands. RBI has prescribed tolerance limit (cumulative mismatches as a percentage of cumulative outflows) for the short term periods as the liquidity stress in short term bands has greater impact on the banking system than mismatches in the long term time periods.

Bank can mitigate the liquidity crisis mainly in two ways. Firstly, bank has to concentrate on efforts to attract stable source of funding that are less vulnerable to immediate withdrawal in a market crisis situation . Second line of defence available with the bank is to hold a buffer of highly liquid assets to meet an unanticipated liquidity crisis.

Liquidity risk management and Basel III.
Banks were not serious about liquidity risk till the occurrence of financial crisis in 2008.Financial crisis in 2008 started off as credit risk crisis and then suddenly turned into

liquidity crisis as banks were unable to meet their liabilities on time. On account of the above incidents, BCBS(Basel Committee on Banking Supervision) has decided to address the liquidity crisis by introducing two liquidity ratios under BASEL III regime:

Liquidity Coverage ratio is intended to provide defence against potential liquidity disruptions over a 30-day horizon (short-term stress scenario) with sufficiently high quality liquid resources.

Net Stable Funding Ratio is designed to ensure that long term assets are funded with at least a minimum amount of stable liabilities in relation to bank's liquidity profile. The aim of this ratio is to promote medium and long term resiliency.

RBI has published Draft guidelines on New Liquidity Ratios but yet to come out with final guidelines. Discussions are going on in connection with what percentage of SLR investments has to be reckoned as liquid assets for the computation of these ratios.

Interest Rate Risk

Interest rate risk is defined as risk to earnings or capital arising from the movement of interest rates. Capital refers to economic value of equity, which means present value of assets less present value of liabilities, with off balance sheet items adjusted. Four main sources of interest rate risks are (i) Repricing risk (ii) Yield Curve Risk (iii) Basis Risk (iv) Options Risk.

Repricing Risk: This risk arises from the timing difference in the maturity (for fixed rate) and repricing (floating rate) of assets, liabilities and off balance sheet exposure. Just imagine that a fixed rate long term loan for five years has been funded with a short term deposit for six months. If the interest goes up after six months bank has to replace the low cost deposit with high cost deposit to fund the asset portfolio. It has an adverse impact on the net interest margin (NIM) as the cost of liabilities have gone up and yield on asset remain the same.

Yield Curve Risk: - In a floating interest rate scenario, bank may price their assets and liabilities based on different benchmarks. In case the bank uses two different instruments maturing at different time horizon for pricing their assets and liabilities, any unparallel movement in the yield curve would affect the net interest income.

Basis risk: the risk that interest rate of assets and liabilities may change in different magnitude is termed as basis risk. It is due to the imperfect correlation between index (base) for pricing of assets and liabilities. In India, pricing of major assets are linked to base rate and if there is any increase in the RBI policy rate, bank may tend to increase their base rates to accommodate the increase in the funding cost and consequently there is an increase in the pricing of assets. In the mean time there may not be any change in the pricing of liabilities.

Option risk: - An additional and increasingly important source of interest rate risk arises from the options embedded in many bank assets and liabilities. Formally, an option provides the holder the right, but not the obligation, to buy, sell, or in some manner alter the cash flow of an instrument. For instance, depositors have the right to withdraw their term, savings and current deposits at any point of time. They are likely to withdraw their deposits when the market rates rise and banks have to replace such deposits at a higher cost and take a hit on their NIM (Net Interest Margin).The same can happen when the market rates decline as the borrowers prepay their term loan and banks have to replace their assets with less yield assets.

Interest rate risk to earnings of the bank can be measured through 'Earning Perspective' or 'Traditional Gap Approach' (TGA) and to market value of equity can be measured through 'Economic Value Perspective' or 'Duration Gap Approach' (DGA). In TGA, bank measures the impact of interest rate movement on net interest income of the bank over a time horizon of one year. Assets and Liabilities which are prone to interest rate movement have been grouped into various time buckets based on their residual maturity or repricing date whichever is earlier and computing the Earning at Risk (EaR). The focus of DGA is to measure the level of bank's exposure to interest rate risk in terms of sensitivity of Market Value of Equity (MVE) to the interest rate movements. DGA involves grouping of assets and liabilities which are prone to interest rate movement in various time bands and computing modified Duration Gap (MDG).

Regulatory Reporting

RBI is keen on monitoring the liquidity risk and interest rate risk. Banks are required to prepare structural Liquidity Statement (Flow approach) on daily basis and file these statement on First and Third Wednesdays of every month with RBI. Interest Rate Sensitivity return under traditional and duration gap approach has to be filed to RBI on a monthly basis. Our bank has been using Bank Asset Liability Management (BALM) software to facilitate the prompt reporting to RBI and monitor the liquidity risk and interest rate risk.

Conclusion

Asset Liability Management has become critical for the bank today because of higher volatility in the interest rates and liquidity, intense competition between the banks and pro active regulatory measures. Effective Asset Liability Management enables the bank to generate highest possible risk adjusted return. Bank has to protect the net interest income in order to satisfy the investors without compromising on liquidity position. A Bank can not eliminate the mismatches between outflow and inflow as it is inherent in the nature of banking business. Excess liquidity has an impact on profitability. To strike a proper balance between profitability and liquidity is the biggest challenge for a bank. A good bank hence should try to reconcile the twin conflicting objectives; Profitability and Liquidity through a proper asset - liability management.

Women's day celebrations: Ms. Biji S.S. Asst. Gen. Manager, inaugurating the celebration at St. Martin Church Palarivattom

85th Anniversary Celebration

Our Executives receiving the Chief Guest Shri. Nikhil Kumar, Hon'ble Governor of Kerala.

Shri. G. Padmanabhan, Executive Director, RBI lighting the lamp

Shri. E. Sreedhran receiving the SIB's Honour

Shri. ONV Kurup's daughter accepting the SIB's Honour bestowed on her father

Dr. PV Gangadharan, Shri. P. Jayachandran, Shri Innocent TV, Shri Kochouseph Chittilappilly accepting the SIB's Honour









Transnational Corporation (TNC)
A Legal Perspective

AMJITH G.K.
Asst. Manager (Legal)
RO
Thiruvananthapuram

It has been said that the Transnational Corporation (TNC) is the most powerful institution in the world today. Indeed, the process of globalization, which is radically transforming our world, is driven in large part by the rapid growth and spread of corporations. Since the end of the Cold War in 1991, nearly all nations in the world have reduced the role of the state in the economy and lowered barriers to the international movement of goods, services, capital, ideas and technology. As the walls imposed by nation-states have crumbled, Transnational Corporations have thrived, spreading across the globe in search of new markets and factors of production. TNCs have expanded across national borders in two ways: trade and foreign direct investment (FDI). Each has contributed to stable, lasting benefits to the world economy. Two major financial crises notwithstanding, the 1990s were a decade of substantial world economic expansion, due in large part to the rapid growth of trade and FDI.[1]

Expansion of size and scope became the rallying cries of corporate managers as they watched the barriers dividing the global economy fall down, yielding fewer, larger competitive arenas. The arrival of the Information Age paved the way for a new breed of powerful corporation, dramatically altering the competitive landscape. Compounded by economic liberalization, the digital revolution allowed corporations to develop complex, integrated production networks spanning large parts of the globe. The collapse of economic barriers brought formerly secluded corporations into direct competition with one another. New managerial techniques encouraged foreign affiliates to cater to local customers and suppliers while pursuing the strategies formulated by the home office. While new technologies and liberalization are helping big corporations to increase their efficiency and reach, these same forces also allow small, new firms to challenge even the most powerful multinationals for market share and the race for new products and services.[2]

By the early 1990s, much of the developing world had begun to welcome foreign goods, services, investment and technology. At the same time, liberalization contributed to the spread of developing country corporations, and these firms began to operate across national borders, effectively becoming multinationals in their own right. In the past decade, the multinational corporation has spread aggressively into the emerging markets of Latin America and Asia. With the collapse of the Iron Curtain, TNCs also expanded into Eastern Europe and the former Soviet Union. Through FDI, these TNCs – the major drivers of international trade and investment – incorporated developing and transition countries into the world trade system. As a result, developing countries have played, and will continue to play, a much larger role in world trade in this second wave of globalization (1973 - ?) than they did in the first (1848 – 1914).[3]

Today no regulation adequately makes multinational enterprises (MNEs) comply with minimum human rights, labor, and environmental standards. Although there are many international initiatives and corporate codes, they lack enforcement mechanisms sufficient to ensure compliance.

Further, individuals attempting to litigate claims against MNEs have to overcome many obstacles, such as piercing the corporate veil and forum non conveniens dismissals.

A positive change will occur if developing countries jointly set minimum standards and focus on implementation and enforcement. It is also recommended that the international community support this process by exerting pressure on a country or MNE that is not complying with the minimum standards. Finally, it is very important to make litigation against MNEs an available remedy for individuals by providing adequate forums, revising corporate law to prevent the evasion of responsibility by assertion of the separate entities principle, and applying a more sensitive forum non conveniens doctrine.

As traditional enterprises have evolved and grown to become the complex group of enterprises known as multinational enterprises (MNEs), they have become principal actors in the international arena.[4] Unfortunately, there is no parallel between the growth of MNEs and the creation of new laws to regulate them. There is no binding international law for MNEs that could regulate their conduct and provide for liability.[5] Nevertheless, this does not mean that MNEs are not subject to any law.

Under the sovereignty principle, a state has the right "to regulate and supervise the activities of transnational corporations within its national jurisdiction and take measures to ensure that such activities comply with its laws, rules and regulations and conform with its economic and social policies."[6] However, national laws are not always effective in controlling MNEs' operations.[7]

A corporation is a legal entity that is separate from the people who own it. As such, a corporation is viewed, in legal terms, as acting separately from its owners and workers when entering into business deals, borrowing money and performing other business-related activities. "Corporations have neither bodies to be punished nor the soul to be condemned. They have therefore do as they like."[8] A multinational corporation can be defined as a corporation that engages in international production and that bases its management decisions on regional or global alternatives.[9] Sometimes, such a firm is referred to as a "global corporation," "multinational enterprise (MNE)" or "transnational corporation (TNC),"Most notably, the terms "global corporation" and "TNC" sometimes are used to describe a firm that has "shed [its] home-nation identity and operates as [an] essentially stateless entity on a global scale."[10] This is the type of firm described by Kenichi Ohmae in his book, *Borderless World: Power and Strategy in the Interlinked Economy*[11] While modern TNCs may be evolving toward this truly global reach, few, if any, seem yet to have attained this level of sophistication.
The modern multinational corporation has its roots in the Dutch and British East India Companies of the 17th century. These companies imposed some semblance of order, often forcefully and illegitimately, on the world of commerce, which until then was ruled by

economic anarchy. Arguably, the most important lesson to draw from the experience of the East India companies is that no matter how much harm these mighty firms caused, they also produced valuable innovations and efficiency gains. One serious defect in the structure of 18th century corporate commerce was that the very companies that conducted the commerce also designed and enforced the rules of commerce. The challenge for future generations would be to harness the good that large multinationals could create, while placing checks and balances on them to prevent abuses of power. The next step in the process was to separate economic from military power, and allow corporations to conduct commerce, while national governments protected commercial interests from would-be pirates. This separation of power and division of responsibilities enabled commerce to flourish while limiting the potential for abuse of corporate power. Eventually, governments also would assume the role of designing and enforcing the rules of commerce[12].

The Great Depression and the Second World War cast doubts on the viability of laissez faire capitalism. Afterward, most countries, especially Japan and Germany, built their economies on a foundation of large corporations and big government. Businessmen and bureaucrats worked together to reap the benefits of free markets, while imposing, via regulation, some semblance of order. It was easier for governments to regulate a few mega-corporations than a whole slew of smaller firms. As a result, large corporations spread quickly after the war. Free trade prospered between the industrial economies as a result of the General Agreement on Tariffs and Trade (GATT) and the Marshall Plan. Developing countries did not offer a fertile ground for these corporations since the GATT permitted the erection of barriers to foreign trade in these countries. The developing world was permitted under GATT to protect its "infant industries," which often led to rent-seeking and inefficiency[13].

Meanwhile, membership in labour unions swelled in the industrial world, and a "post-war bargain" emerged between national governments, corporations and labor. National governments comforted workers by providing pensions, welfare and unemployment and health insurance. Corporations were free to conduct commerce and workers were free to organize. The state enforced the rights of each and attempted to ensure that the relationship between labor and management ran smoothly.

Today, capital markets, especially in the Anglo-Saxon world, are far deeper and more accessible than thirty years ago. Some of the biggest industries (*e.g.*, IT, telecom, e-commerce) rely more on human capital than heavy machinery, and value efficiency and flexibility more than size or market share. A new deal has been struck to replace the post-war bargain: "the promise of more wealth in exchange for the readiness to change, adjust, be alert, move people, money and resources in and out of various activities, geographic locations and industries."[14] Labor traded a measure of stability for more opportunity.

The global corporate model is premised on

Promoted as General Managers


Mr. V.L. Paul
Personnel Dept.


Mr. Bobby James
HO Insp & Vig Dept


Mr. Anto George T
Delhi RO

Promoted as Deputy General Managers


Mr. Satheesh Kumar K.S.
Trivandrum RO


Mr. Rajeevu M.A.
Madurai RO


Mr. Joy Stanslus Mathew
HO Credit Dept


Mr. Sony A
HO Sec. Dept


Mr. Ramesh K.
Ahmedabad RO


Mr. Paul Thaliath
Thiruvalla RO


Mr. Jose Manuel
Kannur RO


Mr. Saravanan M
Coimbatore RO


Mr. Jose Paul P.
HO P & M Dept

Siblink wishes the best in their new responsibilities the concentration of power over markets, governments, mass media, patent monopolies over critical drugs and seeds, the workplace and corporate culture. All these, and other power concentrates, homogenize the globe and undermine democratic processes and their benefits."[15]

Transnational Corporations can bring cutting-edge technology and large sums of foreign direct investment into a technology- and capital-scarce economy. But their entry into a market could spell trouble for domestic competitors and the environment. After all, an inherent duty of any state is the protection of its nationals. Moreover, the threat of TNC relocation, which is the main fear of poor countries, would be eliminated if all of the poor countries together adopt higher standards and the poor countries again would hold the balance of power which is now in the powerful hands of TNCs. In this context, it is essential that the same standards apply to TNCs as well as to domestic corporations; such practice would be in accordance with the notion of "national treatment" which imprints most trade and investment liberalization.

Coin Vending Machine inauguration at Thrissur Main Branch premises by Sri. Cheriyan Varkey

Bulk Note Acceptor Machine inauguration at Thrissur Main Branch premises by Sri. Rajan C. Pallan, Hon'ble Mayor, Thrissur Corporation.

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13. See also Hartwell, Christopher A. (2000.) "East Asia: The Changing Role of the State in aGlobalized Economy." EMP Financial Advisors. Washington, DC.
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SOCIAL BANKING "The Next" in Next generation banking

Dain Matthew Thomas
Assistant Manager
Br. Angadipuram

The retail banking industry is suspended in a state of continuous evolution - a hyper competitive environment where the rules of the game keep changing. Today's net savvy customers, including Gen Y, expect their banks to meet them using what has emerged as their most preferred communication channel - *Social Media*.

Bank tasks no longer have to entail a tiresome trip to your branch, at least in the big cities and metros. The days of standing in long queues to deposit some cash in your account are ending. People, especially youngsters, prefer clicking away at a few buttons to transfer cash and make payments from the comfort of their homes.

Banks, which have gone all out to project their 'top class' service and 'low' interest rates, are trying to get at this little pie of the demographic dividend. This young population has decent income at its disposal and craves for better, faster service, and what better place can a bank scout for them than the Internet, where they spend most of their time.The Head of Marketing Dept of a highly performing bank says, "We have to be present where our customers are ... and customers are increasingly present on social media, voicing their views, opinions and engaging with others."

A new generation bank, for instance, has created several offerings on Face book – a bank account app, a money personality app, a deal-of-the-day offer section and promos on banking products/services, and recent grapevine says they are trying to bring in transactions through face book. An impressive logo and an emotional tagline,of course add value to the image of a bank thereby reaching closer to the younger population. The young want to be served. They want somebody to listen to their demands. Loyalty is as good and as limited as the service of the bank itself.
In fact, in a recent survey, when asked to list out the preferable ways consumers would like to interact with their banks via social media, they listed the following:

- Alert me about upcoming promotions and specials
- Offer customer service
- Let me read reviews from other customers
- Offer financial advice
- Present relevant financial offers to me
- Reward me for recommending the brand
- Post educational information about personal finance
- Let me post reviews, complaints, and questions
- Access applications to improve my financial situation
- Create a profile page so that I can become a fan

It should come as no surprise that consumers have this long list of expectations: Such interaction via social media is what they have come to expect from the other brands. Currently, retail banks in mature markets are cautiously starting to use social media to connect with their customers. In fact, banks have taken to social media, especially to face book, in a big way. Figure this: one of India's largest private sector banks, has got over 2.1 million 'likes' on its official Face book page. Another bank has about 1.5 million likes on its official Face book homepage and yet another bank has more than 1.2 million likes. Not surprising, given that the number of Face book users in India has gone up considerably over the years. In the first three months of 2013, Face book said there were 78 million monthly average users on its platform in India.

"SIB Enroute SOCIAL BANKING"

SIB, our bank camouflages with times which adapts to change in such a way that we don't feel that there is actually a change happening. The bank marked its presence in social media on 16th November, 2012. The bank has its own official fan pages in Face book, Twitter and YouTube. The bank's official Face book page contains various information about the mission and history of the Bank. Entering the page, you will also see a product enquiry app, which gives an opportunity to the customers to provide their valuable suggestions/ feedback and also to make clarifications regarding the products & services through queries. The bank's page as well provides information about the interest rates of Deposits (Domestic/NRI) and in identifying the nearest branch and ATM (branch/ATM locater app).

The bank's official Face book page also provides information about general banking and the bank's product information through various photos daily. The bank has also introduced a"branch of the week "segment in fb, wherein a branch of the bank in a special place is introduced every week. Bank's official YouTube page lists out all the latest ads, interviews, and anything new happening at the bank. The Bank's official Twitter page is integrated with Face book and the contents shared in the Face book page are posted as "tweets". As a whole, *we are much ahead in the social race of banking.*

>>Some Latest Catch-up's<<

"Word Maze" & Cross word puzzle by SIB: - In its FB page, our bank has introduced a "Word Maze" & a crossword puzzle, through which a visitor should identify a banking term from a group of letters, or fill the puzzle with the help of a list of clues. Through this,our bank is helping the customer to familiarize the banking terms and grow along with the bank.

https://www.facebook.com/thesouthindianbank

https://twitter.com/OfficialSIBLtd

http://www.youtube.com/user/OfficialSIBLtd

"As private banks engage in fierce competition with each other to manage the finances of India's middle class, Face book has proven to be a deciding battleground. However, many banks are finding their understanding of effective communication tools being challenged by the phenomenal rise and reach of social media.

Why social media matters for banks?

The good news is that whether a bank's ultimate goal is enhancing its brand, reducing costs, increasing customer satisfaction, boosting innovation, or driving revenue, social media can be a valuable pursuit.

> Enhancing brand thru "People like me":- Social media can play an important role in differentiating brands and making them more relevant to consumers. Much of its power in this regard is derived from the fact that in a consumer's mind, the most credible spokesperson a company can have is a "person like me." In fact, research shows that the number of people who trust such a hypothetical person more than they trust brands or organizations increases around the world each year.ie, for example, a cliché – 'What would a person like me, do in this situation". How can banks take advantage of "people like me" ?For example, an American bank , created an OPEN Forum, an online community dedicated to connecting businesses with each other and providing valuable content to customers with which the company wants to have relationships. Now, OPEN Forum has more than 10,000 businesses involved, monthly traffic has reached as high as 1.5 million visits and the majority of content is produced by the community. The result is a new touch point that drives brand affinity, provides the banking company with an immense opportunity to create brand impressions, and gives the company a chance to be at the center of important conversations among its customers.

>**Engaging Customers**: - Traditionally, an unhappy customer could convey displeasure through a letter or email to the bank or share it with friends and family. The effect was generally minimal. Today, using social media, unhappy customers can reach hundreds of thousands of online users through tweets, viral videos and other social media avenues. The adverse impact to a bank's reputation through such outbursts can be staggering. Additionally, customers are increasing relying on communities of peers on social networks for their financial decisions. Customers can use the forum to blast the bank for its poor service resulting in a negative impression, especially to prospective customers. This poses a huge challenge to banks. Banks need to reach prospective customers, many who use social media extensively, in new ways.

>Cutting costs & Mounting revenue: - Social media can be a major contributor to banks' ongoing cost reduction efforts, especially as they pertain to service, sales, and marketing. For instance, banks can use social media as a low-cost channel to distribute messages, host conversations, provide customer service, identify dissatisfied customers, and increase the impact and reach

of traditional media efforts. Consider Bank of America, which was the first and largest bank in the world to use Twitter for customer service. The bank uses a dedicated Twitter page on which a wide variety of real people—with their actual photos—help customers solve their issues. User feedback reveals the sentiment among customers that receiving help through this page is easier and faster than traditional customer service. In addition to driving customer service costs down, the page creates brand impressions across consumers' social graphs, thereby allowing other consumers to see the value of the channel for a variety of goals. The channel also can enhance the impact of marketing. Consider, for example, how Discover Bank created a Face book identity for "Peggy," a character from its popular series of TV ads. Today, that character is "liked" by nearly 9,000 consumers, and interacts with them several times a day. Such campaigns create millions of additional brand impressions inside of Face book, as well as new opportunities for brands to interact with their customers in a low-cost format.

Social media also helps to unlock increased revenue and this requires banks to focus on fundamentals like providing service that customers want to talk about and delivering products that are worth recommending. If such conditions exist, the chance of successfully using social media to drive revenue goes up exponentially.

>Creating and Improving Innovation: - Banks can use the channel to create better, more innovative products and services that reflect real-time consumer demand. Chase Bank, an International bank, for example, created an online community of mass-affluent consumers and tasked the group with designing a credit card purpose-built to their specific wants and needs. The result: its highly successful Chase Priority Club Rewards Card. Chase also created a Community Giving Program that allows consumers to direct the bank's donations to specific charities. Community had directed more than $5 million to 100 local charities.

>>Best Practices to Keep It Going<<

- Be active :
- Have a real person talking to consumers
- Keep conversations interesting and relevant
- Respond quickly
- Create a sense of community
- Track customer sentiment

To conclude, the growth of social media is unstoppable and is increasingly becoming integral to a bank's success. Retail banks can no longer afford to ignore social media, if they have to remain competitive. Banks can reap immense benefits from the effective adoption of social media. They could leverage social media in aspects ranging from customer service and public relations, engaging prospects and customers, product research and development, gathering market intelligence, marketing and promotion, community building, improving transparency, providing collaborative support, expanding knowledge base, helping employee gain customer perspectives, in new social financial services. *In other words, social media will play a central role in their pursuit of high performance.*

End Notes

"The Rise of Social Media in Financial Services – Balancing Risk and Reward" – An article by Infosys

"Social Banking- A social networking imperative for retail banks"-An article by Accenture

"Social Media imperative by retail banks "–An article by Cognizant

Each Day : A Bright Day

Wake up Monday morning,
Put on my shirt and tie,
Lace up my boots, make my coffee,
Get breakfast on the fly.

Work at the branch is like a mélange
Each day is crammed with a new challenge
Travelling to work through the gentle morning wind
Targets and Profits whirling in the mind

Pull into work at 09:30
Boot up the PC first thing
Check the calendar, check e mail
The phones begin to ring.

Scan the BOD Report
SOL - Zero One Nine Four,
Look through Overdue report

It's10:30 , check the E Circular?

Scuffle with RO, struggle with Legal; tussle with Credit
At the end my phone bill is at debit
But remember, there reigns the wisdom
Which, one can afford to forget seldom

I peruse the birthday list
As I devour my lunch
And muse within myself,
I work with a fabulous bunch.

So I attack my afternoon with fervor,
Answering questions, solving problems
Gently soothe the irate customer,
He's finally happy ! Awesome!
Motivate, empower, nurture, guide,
My subordinates at my side,
Firmly reprimand, gently advise,
Take them into confidence when I decide.

Day Book, General Ledger,
Statement of Affairs,
I'm knee deep in numbers Sir,
But my grin reaches my ears

Why do I grin you ask me,
In the organized chaos?
I love my job, I love these numbers
And I really like my boss.

Do I have any interest in my branch
Yes... I have earned the Interest for the INTEREST
Be it the Depositors Interest or the Interest on Advance
Let me confess here..with the latter I always have a romance

Check the clock, it's already 5
The EOD must be scrutinized
Make up a list of tomorrows tasks
Check off today's list, my day is almost done.

I'm tired ,no exhausted
I reflect on my long drive home,
Keeping all the worries at bay
I say to myself..... its just been another day

M. Saravanan
Deputy General Manager
RO Coimbatore



Family Meet: Ahmedabad Region



Family Meet: Bangalore Region

Family Meet: Chennai Region


Family Meet: DelhiRegion

Family Meet: Hyderabad Region

Family Meet: Ernakulam Region

Family Meet: Irinjalakuda Region

Family Meet: Kannur Region

Family Meet: Kolkota Region

Family Meet: Kottayam Region

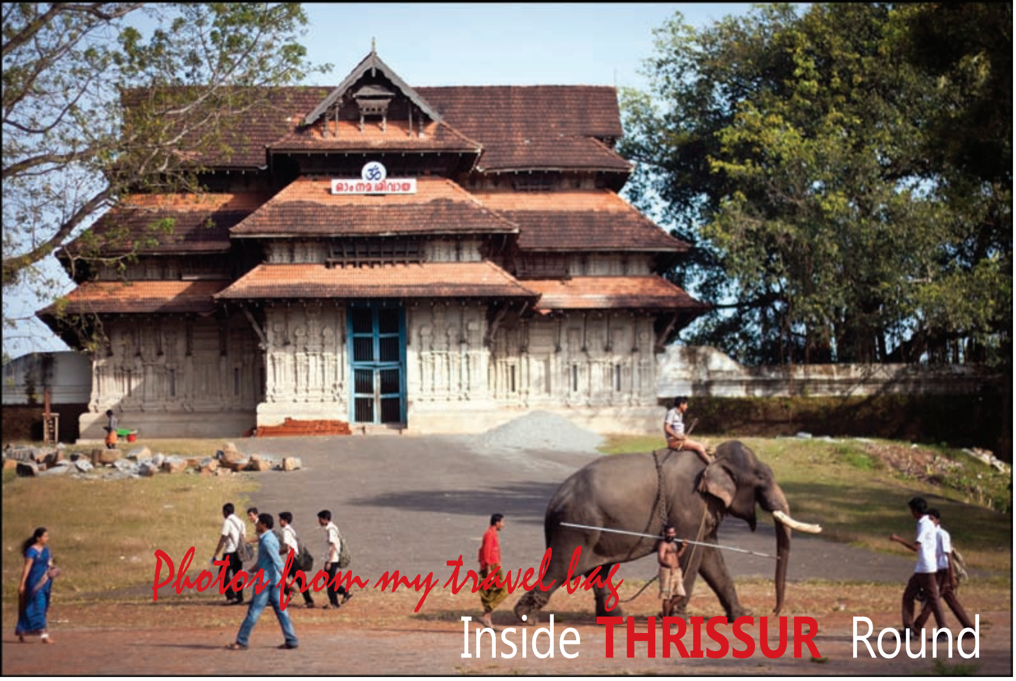
Family Meet: Kozhikode Region

Family Meet: Muvattupuzha Region

Family Meet: Palakkad Region

Family Meet: Thiruvalla Region

Family Meet: Thiruvananthapuram Region



Photos from my travel bag

Inside **THRISSUR** Round

Thrissur, where our Head Quarters is situated is my hometown, where I had spent my school and college days. In pursuit of a job, I left my home town long back. Years later during my recent visit to Thrissur, I had a chance to spend a day near Thrissur Round. I rented a room near the round with the intention of capturing the Puthenpalli through my lens at sun rise from the hotel terrace. The picturesque mountains, nature's serenity and beauty in the early hours of the day appeared so attractive that kept my camera clicking.

Thrissur round had always fascinated and surprised me and hence I took this opportunity to understand the life inside the Round better. Historically speaking, the Maharaja of Cochin, Rama Varma Sakthan cleared the 65 acre teak forests around Vadakkunnathan Temple and developed the Thekkinkadu Maidan which is now the heart of the city. He constructed a circular concrete road named now as Swaraj Round or popularly known as Thrissur Round. It is the largest circular road around a ground in India.

When you enter the maidan you see people in a very relaxed and calm mood contrary to the busy town outside the round. Even at 10.00 am you see people sleeping beneath the trees. On enquiry, I was informed that most of them were completing their sleep after late night factory duties. And to my surprise they were regulars there

Even at that point of time the maidan is full of people and many of them are seen either chit chatting or playing cards, or idling away time preoccupied with their own thoughts .In between you can see a bus full of devotees on a pilgrimage from distant places doing their cooking, bathing and washing and one can see stray cows, dogs and crows waiting for their throw away food.

A tea vendor on a cycle offering delicacies of Kerala like bonda, sukhian, vada etc to the people is a common sight. While having a cup of tea from him, I realised that he was also making sales on credit to his regular customers. It was a little surprising to note that a few were not regulars though the chai wala was confident that he would get back his dues. Elephants are part of a Thrissurian's life. You can see them everywhere. There is an enclosure in the maidan, where you can see many elephants feeding themselves on palm leaves oblivious of their strength and might.A lottery seller is also a common sight within the maidan. People try their luck with the lotteries, may be with the belief that the Lord Almighty guarding the maidan will also

bring luck to them. I had a brief talk with one of the lottery sellers. He said that he had no family or kith or kin. He spends his nights beneath the Baniyan trees and his sole possession was a small carry bag. He seemed to be happier than any one - A fortune seller with no fortune for himself.

You can find another person in front of the temple entrance, who sells Jasmine Garlands sitting beside a Dust Bin, with the confidence that fragrance can overcome any odor. The maidan is also known as Thekkinkadu meaning Teak Wood Forest.A patch of teak wood trees is a spectacular sight from our Training College adding value to the meaning of Thekkinkadu.By evening, the temple gate is brightly lit spreading tranquility in and around the Thrissur Round.

As the day drew to a close, I remembered a line written by somebody about the Thrissur Round, "One can reflect on any topic, be it life and death or heaven and hell. The maidan provides you with the privacy required."

Vinod K. K.
Manager
RO, Ahmedabad

Recent CAIIBians at SIB


Abin Jose
Asst. Manager
Mangalore Main


Gopinath E
Asst Manager
Insp. Dept. HO


Ashish Gandhi
Asst Manager
Surat Udhana


Aneesha Mol A
Asst Manager
Thalayolaparambu


Harish Kumar P.
Prob. Officer
Kakinada


Chandrasekhar C
Manager
Guntur


Arun Thomas K
Thippasandra


Alex Johnson
IBD


Anu Thomas
Thellakom


Ajith Kumar AJ
Karthikapally


Anu John
Kothamangalam


Lekshmi Pillai SK
Vyttila


Jobin Joy
Asst Manager
Pala


Jeslin Grace
Asst Manager
Thrissur North


Krishnan M
Asst Manager
Uduma


Lakshmi B
Asst Manager
Kottayam RO


Neethu Ravindran
Asst Manager
Thiruvamkulam


Rejeesh K
Manager
Manarkkad


Rekha P Issac
Kothamanagalam


Sanoop TS
Cheroor


Navya Mary George
Nagampadam


Shivshankar K
Poonamallee


Sinimole Joseph
Murikassery


Sonu Joseph
Nedumkandam


Sha C Sebastian
Manager
Damal


Hemanta Kumar B.
Asst Manager
Burra Bazar


Shahbaz Ahmad
Asst Manager
Burra Bazar


Sibu George
Prob.Officer
Dehradun


Srikanth R
Asst Manager
Bhavani


Suba John
Asst Manager
Monippally


Soorya PB
Pulpally


Soumya Thomas
Piravanthur


Subramanian V
Manager
Odayakulam


Uma Jayaprakash N
Asst Manager
Eraviperoor


Vishnu M
HO Credit


Bharath Kumar V.S.
Asst Manager
Thumpamon

Congratulations !!

Coral Paradise in India

Jose Thomas M.E.
Chief Manager
RO Coimbatore

Our dream of visiting Lakshadweep was fulfilled when the aircraft landed in the airstrip of Agathi Island. Representative of my class in school, the Superintending engineer of Lakshadweep was waiting for us. We were really astonished to see 20 seater arrival and departure lobby of the airport, with only 2 policemen. They checked our permit and gave clearance, with instructions to report at the police station. Our host directly took us to their guest house, and from there to the police station.

Lakshadweep, the group of 36 islands is known for its exotic sun-kissed beaches and lush green landscape. The name Lakshadweep in Malayalam and Sanskrit means 'a hundred thousand islands'. All these islands have been built up by corals and have fringing coral reefs very close to their shores. All Islands are 220 to 440 km away from the coastal city of Kochi in Kerala, in the emerald Arabian Sea. The natural landscapes, the sandy beaches, abundance of flora and fauna and the absence of a rushed lifestyle enhance the mystique of Lakshadweep.

Kavaratti serves as the capital of the Union Territory and the region comes under the jurisdiction of Kerala High Court. The islands are the northernmost of the Lakshadweep-Maldives-Chagos group of islands, which form the top of a vast undersea mountain range, the Chagos-Laccadive Ridge. Lakshadweep forms a single Indian district and is governed by an administrator appointed by the President of India under article 239 of the constitution.

The islands are restricted area and permit from the Administration is required to visit the islands. Lakshadweep is not a budget destination: in addition to the permit issue, there is a little tourist infrastructure (hostels, restaurants, public transport etc) for backpackers.

Consumption of alcoholic beverages is prohibited in all islands except Bangaram. Picking up corals is a punishable crime.

History
In the 17th century, the islands came under the rule of Ali Rajahs/Arakkal Bheevi of Kannur, who received them as a gift from the Kolathiris. The Portuguese took control to exploit coir production until the islanders expelled the Portuguese. The islands are also mentioned in great detail in the stories of the Arab traveller Ibn Batuta.

To safeguard India's vital shipping lanes to the Middle East, and the growing relevance of the islands in security considerations, an Indian Navy base, INS Dweeprakshak, was commissioned on Kavaratti island.

Geography
The beach on this island is white and lusty because it consists of calcium carbonate from coral reefs whereas normal beach sand is silicate. All the islands except one have a lagoon on one side and deep see on the other side. The coral reef separates the lagoon from the deep sea. Ariel view clearly demarcates it. The sea beyond the coral reef is too deep to the tune of 600 to 800 metres.

In Lakshadeep the source of power is Diesel generators as well as solar power stations. As there is no transportation between the island and main land during monsoon, the people have to store every resource including diesel for generators every year, for the next monsoon.
On getting the permission to stay at Agati, we had a walk through the white sandy beach, and calm lagoon. We saw the preservation of Tuna Fish into "mass" and drying of octopus, mainly for export. The charm and beauty of the beach and lagoon at sunset cannot be explained in words.

We walked through the entire length of the island and the one end has the maritime control tower and the other end the air strip. We were taken to the maritime control tower. Their "National Highway"is a 12 ft wide concrete road and there was no means of conveyance other than taxi and cycles. Total length of road from one end to the other end

was hardly 7 km and how could they possibly engage a public transport system?On a detailed enquiry, it was understood that price of petrol there was more than 170% of the normal, even though tax is exempted.

Next day we decided to visit Bangaram Island by a hired motor boat. The sunrise observed from the boat was eye catching.At Bangaram, we were given a warm reception by SPORTS. We were given tender coconut to drink and typical Kerala food, Idli, Dosa etc for breakfast. We paid a visit to the coral reef by a glass bottom boat.

Our host and his friend did fishing all the way from Agati to Bangaram and back. They showed the Octopus they caught.

Next day we went to the archeology museum and their old Mosque. The archeology museum presented detailed information about the culture and life of the people. We were given to chew "Mira" the sweet toddy extracted from coconut palm.

On the next day we took a helicopter flight to Kavarathi, the Administrative head quarters of Lakshadweep. Our host had arranged our accommodation in Kavarathy SPORTS (Society for promotion of Nature Tourism and Sports) guest house. SPORTS has been recognized as a nodal agency for the promotion of tourism in Lakshadweep.

We went for a swim in the blue lagoon. We were equipped with life jacket, life sling and snorkels. It was thrilling to see the coral so close. We were advised to keep away from eel and clam shell which may hurt us. The biodiversity we saw beneath the sea cannot be explained in words.

Desalination

Public supply water here is through bore wells and is hard and saline. Rainwater harvested during the rainy season is the major source of drinking water. Unavailability of drinking water accounts for a number of islands being uninhabited. A low-temperature thermal desalination plant was opened on Kavaratti in 2005, at a cost of ₹50 million (•922,000).

Snorkeling

Snorkeling is the practice of swimming on or through a body of water while equipped with a diving mask, a shaped tube called a snorkel, and usually swim fins. In cooler waters, a wetsuit may also be worn. Use of this equipment allows the snorkeler to observe underwater attractions for extended periods of time with relatively little effort.

Snorkeling is a popular recreational activity, particularly at tropical resorts and scuba diving locations. The primary appeal is the opportunity to observe underwater life in a natural setting without the complicated equipment and training required for scuba diving. It appeals to all ages because of the little effort required and absence of exhaled bubbles of scuba-diving equipment.

Scuba diving

Scuba divers carry their own source of breathing gas, (usually compressed air), allowing them greater freedom of movement than with an air line. Scuba diving allows divers to stay underwater for a significantly longer

time than with breath-holding techniques as used in free-diving. As scuba diving requires training, we did not attempt it.

We had planned to return from Kavarathi to Cochin by ship. Unfortunately the ship journey scheduled on that day stood cancelled due to bad weather (This often happens). But our host came to our rescue and provided us with Emergency quota VIP seats in MV Bharathseema which was to start off the next day. Journey from one island to the other takes a day normally. The ship took a circuitous route for the benefit of more people. It berthed in Mattanchery Warf by 10 am, thus ending our 10 day tour. It was with a heavy heart that we bid good bye to the coral paradise..

Someone lives when someone gives... Blood Donors saving lives....

Blood donation camp conducted by Hyderabad SIBians in connection with our 85th Founders' Day.

Fun & Frolic

Marketing Department, Ernakulam at Munnar

HO P & D at Munnar

Thiroor br team at Athirappilly

Pookkottumpadam Br. exploring Mysore

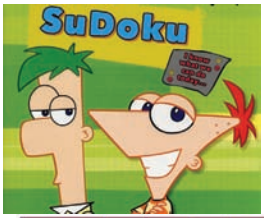
Br Peravoor at Koorg

"In the midst of the mist at Munnar." Teams of Br.Perumatty,Br.Vandithavalam & Br.Peruvemba

Ms Sherit Peters(third from left), daughter of Mrs. Mariane T.C., Service Br. Trivandrum crowned as **Miss All Saints Contest 2013-14** held at All Saints College ,Trivandrum

Deepak.A, Clerk, Branch Tuticorin

Haris M, Asst Manager, Br. Nelvoy



Sudoku Corner Puzzle No.11

6	4		7		3			5
	1		4					
					1	8	3	
					5		8	3
8			2		6			
5		7		9			6	
1	9						2	7
		3						
	7		5				9	

9	4	5	8	2	6	3	1	7
6	2	3	7	1	5	4	8	9
7	1	8	9	3	4	5	6	2
4	5	1	2	6	3	7	9	8
3	7	9	4	8	1	6	2	5
2	8	6	5	7	9	1	3	4
5	3	2	6	4	8	9	7	1
8	6	4	1	9	7	2	5	3
1	9	7	3	5	2	8	4	6

Solution for the previous puzzle. The lucky one to be picked out from the 278 entries with the solutions is **Mr. Venkatesh Kurra** Br. Karim Nagar.

Email us the right answer on or before **20th Sept, 2014** and you could be the lucky one to be featured in the next issue!

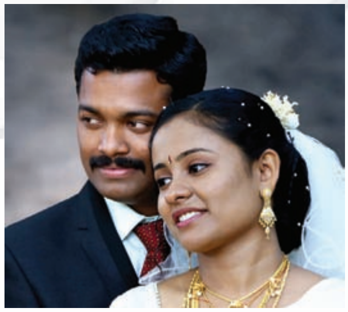
You will always remain a part of the SIBian family....

Siblink appreciates the dedicated service during their tenure. Their contributions will always be remembered with gratitude

PPC	Name	Branch/Office	Designation
2100	Venugopalan P.K.	Bangalore City	Manager
2054	Polachan V. Thaliath	Marketing Dept	Senior Manager
1837	Valsa Aravind	Ernakulam Serv. Br	Manager
1640	Marykutty Mathews	Changanacherry	Asst. Manager
2307	Francis K.P.	Meladur	Asst. Manager
1669	Baby John	Thiruvamkulam	Asst. Manager
1467	Philomina Antony	Kodakara	Clerk
5432	Shoba Jacob	Mulanthuruthy	Clerk
1270	Babu Sahadevan K.K.	Secretarial Dept	Chief Manager
2761	Sumangala K.K.	Tiruvalla RO	Manager
2858	Francis C.L.	Thrissur RO	Manager
1917	Balachandran P.	Prem. & Maint. Dept	Senior Manager
2709	Vinod Kumar M.K.	Thalassery	Asst. Manager
2074	Mohandas K.R.	Alapad	Asst. Manager
3149	Usha Anantharaman	Ernakulam Banerji Rd	Clerk
1996	Kochumol K.M.	Ernakulam Banerji Rd	Asst. Manager
3313	Mathai K.C.	Orumanayur	Asst. Manager
3097	Mary N.P.	Meladur	Clerk
1439	Chandrika T.	Koduvayur	Asst. Manager
2554	Joe Joe Mathew	Kaliyar	Clerk
2299	Devasagayam M.	Kumbakonam	Clerk
3283	Valsamma George	Vazhakulam	Asst. Manager
2970	Annamma K.O.	Changanachery M C Rd	Clerk
1539	Anto P.V.	Mysore Nr Mohalla	Manager
2230	Joseph A.J.	Arunapuram	Asst. Manager
2234	Elsamma Job	Thrikkakara	Clerk
2694	Francis Joseph	Ramapuram	Clerk
1598	Shyamala Aniyan T.N.	Holy Angels Road Ollur	Clerk
2625	Joseph P.A.	Cheruvally	Asst. Manager
3694	Gopalakrishnan P.K.	Ernakulam RO	Manager
2643	Baby John	Ernakulam RO	Asst. Manager
2118	Joseph Mangalamkunnel	Kozhikode RO	Manager
1845	Vincent V.P.	Chennai RO	Chief Manager
1318	Eapen P.A.	Thrissur RO	Senior Manager
2232	Krishnan C.	Palakkad RO	Manager
2494	Thomas Xavier	Tiruvalla RO	Manager
2738	Abraham K.M.	Tiruvalla RO	Chief Manager
1574	Mani J.S.V.	Madurai RO	Senior Manager
1531	Eugine Paul E.	Irinjalakuda RO	Manager
1832	Paul A.V.	Insp. & Vigi. Dept	Asst. Manager
2712	Chandrakumar K.	Insp. & Vigi. Dept	Manager
2705	George Antony K.	Insp. & Vigi. Dept	Asst. Manager
1719	Thomas V.J.	Credit Dept.	DGM
1262	Varghese V.G.	Credit Dept.	Chief Manager
1675	Thomas M.P.	Personnel Dept.	Chief Manager
2228	Thomas T.L.	O & M & Compliance	Senior Manager
2734	Lissamma Abraham	Bharananganam	Clerk
2906	Jose P.C.	Cochin Mattancherry	Clerk
3902	Joe Abraham	Angamaly	Typist \Clerk
3081	Thomas P.L.	Angamaly North	Clerk
3281	Stella Joseph	Ernakulam Serv. Br	Clerk
2797	Thomas Thamby X.	Trichy Cantonment	Manager
3087	Davis K.I.	Ernakulam , Kaloor	Clerk
2476	Dhanasekaran V.	Chennai RO	Manager
1829	Paul Davis Thottan	Thrissur RO	Senior Manager
2624	Vincent V.A.	Thrissur RO	Manager
1533	Thresiamma Joseph	Kottayam RO	Chief Manager
4111	Rosily Varghese	Cfm Dept	Clerk
1722	Muraleedharan K.	Credit Dept.	Chief Manager
1849	Philomina M.D.	Anchery Nehru Nagar	Clerk
1752	Govindankutty K.	O & M & Compliance	Senior Manager
1643	Vinod V. John	Kanjiramattom	Asst. Manager
1762	Varghese K.C.	Thiruvalla	Daftary
3177	Sivadasan P.	Pallassana	Daftary
3810	Jose C.P.	Chavakkad N R I	Daftary
1935	Joy K.T.	Pullloorampara	Daftary
4201	Athigurusamy K.	Madurai	Daftary
4579	Aleykutty M.J.	Palai	Sweeper
4469	Aleyamma N.V.	Muvattupuzha Main	Sweeper

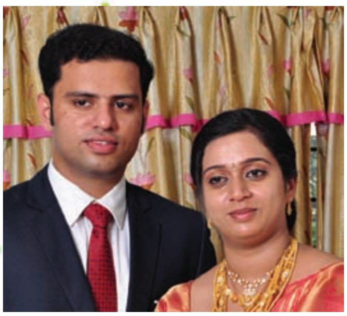
Dr. Aparna Sharma D/o Hari Sharma N, Manager, Kallara Br. with **Harish T.N.**

Valendu Tripathi , Asst Manager, Br. NR Mohalla & **Richa Sharma,** Br. MS Nagar, Bangalore



Ignatious S/o Antony K.I., Venkitangu Br. & **Gifty**

Naren V., Manager, Br. Mayiladuthurai & **Dr. Shivaani A.**



Esmy Thekketh D/o Thomas T.L. Sr. Manager & **Edwin**

Arun E M ,Br. Nadavarambu & **Surya**

Anuj Mohanty, Manager Br. Nariman Point & **Sheikha Gupta**, Br. Boriwali

Munny Joy Chirayath, HO Marketing & **Jibin Noble**

Jino Joseph, Asst. Manager, Br. Uzhavoor & **Kochurani Joseph**

Reema Roy D/o Ms. Mary Thottan Br. Varapuzha & **Renjit Cherian**.

Majo Jose, Asst Manager Br. Cheroor and **Linet Jose**

Remya Cherian, AM Kuttanellur and **Subin Babu**

Navjo Varghese and **Anju P Vithayathil** D/o Alice UC, Br. Lourde Hospital, Pachalam

Rony S/o K.A. Raphy Br. Ollur & Darly George Br. Holy Angels with **Jasmin**

Justin Joseph S/oJoseph NC Br. Mudappallur with **NIMMY**

Siblik wishes a happy and prosperous married life

Nikhil Dsouza
Asst Manager,
Br. Belgaum

Scintillating Sun rise.......

Anoop K.V.
Br. Dindigul

Amazing view up the hill

Krishna Kumar G
Br Kidangoor

Mother's Warmth

Clickz!!!
A Platform to showcase your Photographic skills ....
Your's might be the next......
Send in your entries to siblink@sib.co.in

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