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THE ASSOCIATED CHAMBERS OF COMMERCE AND INDUSTRY OF INDIA

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TOP SPEECHES

Customer Service in Banks: Time to Raise the Bar! (Shri S. S. Mundra, Deputy Governor – May 30, 2017 – at the Annual Conference of Principal Code Compliance Officers organized by the Banking Codes and Standards Board of India in Mumbai):-

This rating indicates level of implementation of important provisions of these Codes at the first customer touch point in the bank. A release now of these ratings in public domain is intended to increase transparency, generate public awareness and also instill a sense of competition among the member banks for achieving a higher level of customer service. A perusal of the ratings, however, does not exhibit any significant improvement in consumer service rating of banks. Only 12 of the 46 banks rated by BCSBI received 'high' rating in terms of performance while 24 were above average and 10 remained as 'average' performers. In fact, the position has marginally worsened since 2015 survey. Despite outlining of minimum standards for customer service through codification of banks' commitments to customers, we observe that the number of complaints received by the offices of Banking Ombudsmen continues to rise. For the first time since its inception in 1995, the number of complaints to BOs exceeded one lakh last year. The one lakh mark has already been crossed in the current year (July 2016 to May 2017). Our analysis has shown that percentage of complaints on non-Adherence of BCSBI Code – Clause 8(1)(s) and 8(2)(d) of BOS over a six year period from 2010-11 to 2015-16 has increased from 24 % to 34%.

A survey conducted by BCSBI suggests that the increase could be on account of disconnect in application and understanding of Codes among frontline staff of the member banks. Perhaps, engagement of the Top Management with implementation of codes in their respective banks has also declined. I urge PCCOs to take effective steps for creating greater awareness and understanding amongst the frontline bank staff by ensuring buy-in from the Top Management. In my address today, I intend to focus on few important measures which BCSBI, the PCCOs and the banks can initiate to further the cause of customer service in the sector.

a. **Updation of Codes:** I am aware that BCSBI has been periodically updating the Codes of Banks' Commitments by factoring in the relevant regulatory guidelines, developments in the banking sector and evolving customer expectations. I am glad to learn that the Code of Banks' Commitment to Customers is currently under review. As you are all aware, in 2014 RBI had released the "Charter of Customer Rights" declaring five basic rights of bank customers as broad, overarching principles for protection of bank customers. All banks have since reportedly adopted/ incorporated the Model "Customer Rights Policy" based on the Charter formulated jointly by IBA and BCSBI. I am sure that the committee reviewing the Code of Banks' Commitments to their Customers would be guided by the spirit of the principles listed out in the "Charter of Customer Rights". On its part, Reserve Bank will be monitoring aberrations/ non-adherence to the Charter during supervisory process. Specifically, I would urge the committee to factor in following recent developments in the sector and weave them into the Codes appropriately while reviewing the same:-

i) **New Branch Authorization Policy:** Use of Banking Correspondents

Business Correspondent (BC) Model has been a major facilitator for financial inclusion especially in unbanked/under-banked areas. Recent RBI circular on 'Rationalization of Branch Authorization Policy' recognizes BCs as an important pillar for delivery of banking services in under-banked areas of the country. Some of the BCs in the past have abused the trust placed in them by the banking system and defrauded their customers. As BCs generally serve a less 'financially literate' population, it is important that their activities are brought under closer scrutiny by the banks. The banks have to take ownership of BCs that they employ and also put in place appropriate grievance redressal mechanism for cases involving them.

ii) **MSMEs:** RBI has recently set out guidelines on 'Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises' for early resolution of stress in the accounts of MSMEs, following an ordinance by Government of India. Under this framework, the revival and rehabilitation of MSME units having loan limits up to Rs.25 crore is envisaged. Further, with a view to provide timely financial support to MSMEs facing financial difficulties during their Life Cycle, RBI had advised the banks to review their existing lending policies and incorporating therein, among others, provisions for sanctioning of Standby Credit Facility in case of term loans, Additional Working Capital Limits, Mid Term Review of Regular Working Capital Limits, and Timelines for Credit Decisions.

b. **Synergizing the roles of PCCOs and Internal Banking Ombudsmen (IBOs) in the banks:** As I understand the customer grievance redressal architecture in the banking sector suffers from certain structural inconsistencies. I am compelled to make this statement as I see scope for greater role clarity and synergy in how the PCCOs & the IBOs in the banks operate. I believe the PCCOs which act as BCSBI's nodal Point of contact with the member banks and serve as extended arms of BCSBI for monitoring implementation of Codes in the banks at all levels must play a more preventive role. For that to happen, the **PCCO needs to be suitably senior in hierarchy with reporting lines to the CEO/ Customer Service Committee of the Board.** I understand, however, that currently this is not uniformly so.

Similarly, the office of the Internal Banking Ombudsman which has been in place in the banks for almost last two years does not seem to have become an effective forum. Our objective in institutionalizing the office of IBO was to ensure resolution of a majority of the complaints at the level of bank itself. Office of IBO was envisaged as the ultimate authority to which all unresolved/partially resolved complaints were to be escalated before giving final verdict to the complainant. Only in cases where the customer remained unsatisfied with the resolution should she need to approach the BO. A continuous rise in the number of complaints to the BO is perhaps a pointer to the fact that **the institution of IBO has not been very effective or has not been empowered enough by the Management.**

It would be appropriate for the banks to invest in an efficient technology platform which doesn't merely aggregates and tracks the complaints but also undertakes a root cause analysis of various complaints received, thereby enabling proactive preventive action. Tthe PCCOs and IBO could collaborate in identifying areas where the frontline staff needed clearer operational instructions and provide them training/handholding. This is extremely important in a scenario where pace of staff attrition/staff rotation have risen significantly. The banks could also contemplate investing in a technology-aided FAQ platform which the frontline staff could consult for addressing customers' queries rather than misinforming them.

I wonder whether time has come to prescribe **some mandatory qualifications for the PCCOs also** in line with that for the CFOs/ CTOs. That said, RBI would be conducting an assessment of the efficacy of the IBOs during the supervisory visits and would expect the bank management to bring more synergy into the working of the PCCOs and the IBOs for a speedier and efficient grievance redressal.

c. **Electronic Banking – Security Issues:** Technology is being increasingly used in delivery of banking services in recent years. However, it has also brought in associated risks of security as is evident in few high profile cyber-incidents in the recent past. There have been several incidents of theft of personal information, fraudulent use of ATMs, net banking frauds, ATM/ Debit card incidents or cases of unauthorized access to bank servers. Hence, there is an immediate need for plugging all the gaps and vulnerabilities in tech-enabled service delivery.

With greater thrust on digital banking especially in the wake of withdrawal of legal tender status of specified bank notes and consequent increase in complaints relating to unauthorised/fraudulent transactions, a need for having a comprehensive policy to limit the liability of customers cannot be over-emphasized. RBI had come out with a draft circular on "Customer Protection – Limiting Liability of Customers in Unauthorised Electronic Banking Transactions" earlier and based on feedback received from the concerned stakeholders, final guidelines are expected to be issued shortly. In view of the impending guidelines it would be prudent on part of the banks to internally tighten their IT security systems and operating procedures so that grievances are minimized.

d. **Customer Service in the emerging Regulatory/Supervisory Environment:**

i) As you are aware, several new small finance banks and payment Banks have started their operations in the recent past. A significant chunk of the customer base of these banks would comprise of first- time bank customers belonging to rural and semi-urban population. It is imperative that these people are made adequately aware about the need for exercising due prudence while transacting else they can fall easy prey to fraudsters.

RBI has already advised the Small Finance Banks and Payment Banks to put in place a high powered Customer Grievances Cell to handle customer complaints as part of their licensing conditions. These banks are also to be covered under RBI's Banking Ombudsman Scheme as per the licensing conditions. On their part, BCSBI would need to enroll these new entities as member banks so as to ensure compliance to its codes and standards.

ii) The banks also need to be prepared for following impending regulatory changes as well as enhance their focus on some of the supervisory concerns relating to customer complaints that have been observed by RBI. On the face of it, these might look quite obvious but these are extremely important from the view point of customers.

- The narration in the passbooks/ bank statements at present is quite cryptic and generally inscrutable. This is despite extant RBI guidelines that mandate recoding of intelligible particulars in the statements. Of late, we have received numerous complaints not only from customers but also from the investigative agencies who find it extremely difficult to understand the transactions during the course of their investigations. RBI is in the process of reiterating its guidelines to banks to provide essential minimum relevant details in respect of various transactions in the passbook/statement.
- The safety of cheques put in the cheque drop boxes as also the quality of cheque leaves enabling printing of fake cheque leaves is a matter of concern for RBI.
- Customer service to senior citizens is an area of major concern for the RBI. Difficulties faced by pensioners in receiving updated pension, issuance of life certificates, verification of signature, need for periodic KYC etc. Several grievances have also been received from nominees of deceased customers while seeking settlement of death claims.
- Documents to serve as an address proof for KYC compliance continues to remain a major irritant even while the customers are permitted to submit a simple declaration about the current address which may be different from the address proof which was originally submitted to banks. Similarly, the customers are also allowed to open a small account in the banks even without "proof of identity and address" by submitting a recent photograph and signature.
- While banks have been **granted autonomy in fixing minimum average balance** or for charging for premium services, **it should not be used as an excuse to deny service or to drive away common man.**

6. Some of these and many similar issues facing customers would have emerged from the root

cause analysis which I alluded to a little earlier paving the way for banks to take corrective action. I would like to use this forum to inform that RBI would be extensively focused on mis-selling of third party products, instances of violation of KYC guidelines, imposition of usurious service charges during the current year's supervisory cycle. Further as you are aware, RBI has specifically established a department for examining the instances of regulatory violations with a view to taking enforcement actions on the errant banks.

Way forward

7. In view of new developments in the area of banking, BCSBI would have to proactively identify the areas in which the Codes need to be revised and made contemporaneous. Before concluding my talk, by way of setting out customer service agenda for the banks and a few specifically for the PCCOs for the ensuing year, I would like to reiterate following points:

   - Work towards operationalizing a query portal which will be useful for the inexperienced frontline staff especially in view of higher attrition/rotation. This would enable them to impart correct information rather than avoiding or giving wrong information.
   - Updation of Code of Bank's Commitment to Micro and Small Enterprises should include commitment on revival and rehabilitation framework and lifecycle financing of MSMEs.
   - Though the BOs don't intervene in credit decisions, several complaints about delayed decision-making in granting of loans to MSMEs, education and housing loans are received. There is a need to include a suitable clause in the code for setting deadline for decision-making on such loans.
   - The payment system area has become quite integrated with customers of non-bank players utilizing the banking channels to fund their e- wallets etc. In situations where conflict arises, it would be expected of banks, being the senior and long –established players to take initiative for quick resolution so that the customer is not put to harassment
   - Lessen the frustration faced by the customers while dealing with call centers or automated response systems. In this context, while the efforts by some of the banks to use artificial intelligence-driven chatbot for enhancing customer service are welcome, it needs to be ensured that the customers do not end up receiving robotic responses!

8. I would like to end this section by once again reiterating the idea of **'account number portability'** which I first advocated a couple of years ago. Back then the concept might have appeared somewhat abstract but with technological advancements in the field of payment system such as UPI etc. coupled with massive enrolments under Aadhaar and their linkage to individual bank accounts, it has come within the realms of possibility. As such, the prospect of an aggrieved customer silently moving her account to another bank in the near future has become very real.

TOP BANKING NEWS

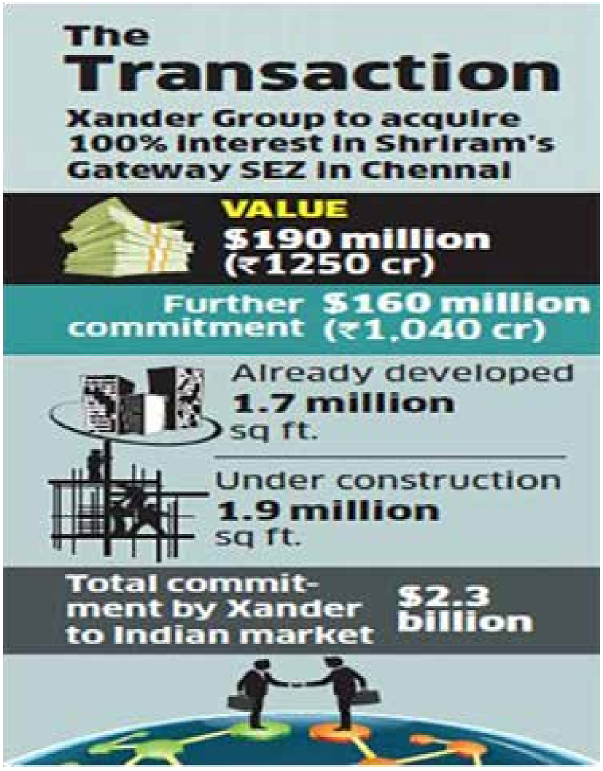
- **Private, PSU Banks To Take Cue From SBI In Lowering Deposit Rates:** Large private banks and some state owned banks are expected to take a cue from country's largest lender State Bank of India in lowering deposit rates. Countries largest bank has cut deposit rates by up to 50 basis points for maturities above two years but have retained the 7.40% on one year deposits for senior citizen. Also, the bank has decided that it will continue to offer 6.90% one year to 455 days which attracts maximum deposits. The bank has not decided not to revise the MCLR or marginal cost of lending rate which now stands at 8%. Some private banks such as ICICI Bank and Axis Bank as well as some PSU banks like Bank of Baroda and Punjab National Bank will follow SBI in lowering their deposits rates in the coming days. This is the first round of rate cut in deposits after the five associate banks merged with SBI, the parent bank. The rates have been revised for medium and long term deposits and for deposits below Rs. 1 Cr. For two to less than three years deposits, SBI will offer a rate of 6.25% against 6.75% earlier. For the similar maturity, the deposit rates for senior citizen are lowered to 6.75% from 7.25%. For deposits maturing between three years and 10 years, the rates have been lowered by 25 basis points to 6.50%. The new rates are with effect from April 29. Rates on short term deposits maturing between seven days to less than two years have been left unchanged. After the government scrapped high value notes, banks have seen a phenomenal jump in saving deposits as citizens deposited money in bank to exchange banned notes for new notes. Banks are lowering deposits rates to discourage inflow deposits since the demand for loans has almost dried up.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/private-psu-banks-to-take-cue-from-sbi-in-lowering-deposit-rates/articleshow/58464292.cms

Dated: May 01, 2017

- **Xander Group Agrees To Acquire Shriram's Gateway SEZ For $190 Million:** In the largest private equity buyout so far in India's real estate sector, Xander Group has agreed to acquire 100 per cent interest in Shriram's Gateway SEZ in Chennai for $190 million, or about Rs.1,220 Cr., with further commitment of $160 million to expand commercial component of the integrated township. It is a long pending transaction. Shriram Properties had also signed term sheet with Ascendas earlier for the same asset. The deal involves 1.7 million square feet of occupied and operational special economic zone, and a partnership with Shriram Properties to deliver the under-construction 1.9 million square feet. This acquisition demonstrates our continued interest in large, well-positioned assets with growth potential across gateway cities in India, and nicely complements our existing office portfolio. Shriram Properties will continue to develop and own the residential and retail components comprising 2.6 million square feet while Xander will develop an additional

1million square feet of office space. Xander, armed with a commitment of $2.3 billion, or about Rs.14,800 Cr., to the Indian market, will look at developing office space via SEZs in Delhi-NCR, Bengaluru, Pune, Mumbai and Hyderabad. Shriram Gateway is the first integrated township in Chennai with large office campuses. It has 4.6 million square feet of SEZ and IT office space with Accenture as is its largest tenant. Shriram Properties had recently announced plans to invest 15,000 Cr. over the next 7-8 years for the development of around 30 ongoing projects across six major cities Chennai, Bengaluru, Hyderabad, Visakhapatnam, Coimbatore and Kolkata. Its key investors include Walton Street, Starwood capital, TPG Capital, Tata Opportunities Fund, ASK, Motilal Oswal, Amplus and ICICI Prudential. PE funds have been investing heavily in core office assets.



Recently, commercial property developer RMZ Corp had recently struck a $200-million, deal backed by Qatar Investment Authority to buy land assets and development rights for multimillion sq ft office space project from Adarsh Developers in Bengaluru.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/xander-group-agrees-to-acquire-shrirams-gateway-sez-for-190-million/articleshow/58467064.cms

Dated: May 02, 2017

- **23 ARCs Snap Up Rs 2.44 Trillion Bad Loans From Banks So Far (Assocham & Edelweiss):** As per a report preprared by ASSOCHAM & Edelweiss, Banks have sold Rs 2.44 trillions of bad loans to 23 Asset Reconstruction Companies (ARCs) and despite a surge in stressed assets to around 15 per cent, there was a slowdown in transactions in recent months. Around Rs 2.44 trillion worth of gross NPAs have been sold to ARCs till now. Even as opportunities are huge-the report has estimated total stock of stressed assets in the system at 15 per cent or Rs 11.80 trillion the pick-ups by ARCs have suffered since 2015-16. High incidence of stressed assets, which includes 9.84 per cent gross NPAs and 4.2 per cent in restructured assets, is a “matter of concern for the economy. One of the reasons for the slowdown is the price mismatch between the expectation of ARCs and the banks under the 15:85 structures where banks are paid 15 per cent of the agreed amount on an asset in cash and the rest is paid later through security receipts. Resource constraints at ARCs are also another prime reason for the dip in the sales. The number of ARCs kept mushrooming with a complete liberalization on foreign holding caps and has now touched 23. There has been a surge in capital among ARCs and several new high profile players are expected to commerce business in fiscal 2018. The report also called for a level-playing field for ARCs with banks when it comes to converting debt into equity and incentives for banks to sell dud loans to ARCs so that an ARC can aggregate the entire stock quickly.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/23-arcs-snap-up-rs-2-44-trillion-bad-loans-from-banks-so-far/articleshow/58476113.cms

Dated: May 02, 2017

- **Indian Bank To Raise Rs 5,000 Cr. To Fund Infrastructure, Housing:** Public sector lender Indian Bank will raise Rs 5,000 Cr. to support loans for infrastructure as well as affordable housing. The bank's board of directors will take up the proposal to raise money. A proposal for issue of long term bonds for financing of infrastructure and affordable housing up to an amount of Rs 5,000 Cr. will be taken up for approval. Providing affordable housing is one of the ambitious projects of the government, 'Housing for All by 2022'. Boosting infrastructure is another key area that has been accorded key priority.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/indian-bank-to-raise-rs-5000-Cr.-to-fund-infrastructure-housing/articleshow/58479369.cms

Dated: May 02, 2017

- **10 Bank Officials Arrested In Rs 6-Cr. Fraud Case:** Ten officials of Indian Overseas Bank (IOB), two of them retired, were arrested in an alleged Rs 6-Cr. fraud case. The officials, posted in different branches of the public sector bank in the city, have been accused of defrauding the Hyderabad Metropolitan Development Authority (HMDA) through fraudulent withdrawal of over Rs 6 Cr. The arrested accused include Senior Manager of Mehdipatnam Branch T Sreenivasa Rao, G Manjula, Assistant Manager of Adarsh Nagar Branch, Ravichandra, Assistant Manager of Chikkadpally branch, P Bala Krishna, V Rama Chary Padma Nabhan (Both Retired Assistant Managers). The others are T K Bayamma, N Krishna, Malini Narasimhan, K Radhika and R V Pandu Ranga Sarma (All Clerks). The bank officials fraudulently passed, cleared or altered cheques of HMDA in connivance with the prime accused Lunavath Shankar Naik and other accused Y Vijay Mohan Krishna and Raju Ahmed. All three were arrested in March. According to the police, the accused defrauded HMDA during 2008-2016 by forging cheques issued in favor of a private security agency, Sai Security Services. HMDA authorities had issued 55 cheques, to the tune of Rs 76,67,735, in the name of Sai Security for their services to the state-run body. But Naik, in connivance with Mohan Krishna, an audit officer in HMDA, and Ahmed, opened fake account in the name of Sai Security Services. They altered some of the cheques issued by HMDA and swindled an amount of Rs 6.03 Cr. in connivance with the arrested IOB employees (both serving and retired). They were booked on charges of cheating and forgery, among others under IPC, and placed under arrest.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/10-bank-officials-arrested-in-rs-6-Cr.-fraud-case/articleshow/58487449.cms

Dated: May 03, 2017

- **Australian Investor Looks To Exit IDFC:** First State Investments ICVC-Stewart Investors Asia Pacific Leaders Fund or FSAPLBA, an investment arm of Commonwealth Bank of Australia (CBA), is looking to exit IDFC, where it holds about 5.89% stake. The investment arm is looking to exit IDFC and this (exit) could happen within next three months. FSAPLBA had already scaled down its stake in IDFC from 8.17%. This comes months after CBA announced that it is looking to exit India. The bank applied to the Reserve Bank of India to wind up its India operations. The bank, which had only branch in India, entered the country about seven years back. However, it is understood that it could not expand its India operations as expected and announced exit from the country last year. IDFC had transferred its financing undertaking to its sister concern, IDFC Bank. As of now IDFC is primarily an investment holding company.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/ australian-investor-looks-to-exit-idfc/articleshow/58492645.cms

Dated: May 03, 2017

- **With '811' Service, Kotak Bank Looks To Double User Count To 16 Million:** Buoyed by the growing digital banking transactions, Kotak Mahindra Bank has set an ambitious target of doubling its total customers from 8 million to 16 million in the next 18-24 months. The newly launched '811' service of the bank will be a drive to achieve the target. The '811' service is an app based on all-digital zero-balance account facility, which can be used to open account through PAN and Aadhaar verification. Its 52 per cent customers do digital transactions, of which 54 per cent do it through mobile banking. Last month, Rs 6,700 Cr. worth transactions were done through mobile banking. There was 143 per cent rise in mobile banking transactions in FY17, which is 2.5 times growth. The newly-launched app-based savings account is seen gaining popularity among young banking customers as customers below 40 years are interested in the service. The 811 service is available at about 700 locations where the bank has its branches. It allows opening of accounts anywhere, anytime and takes roughly around five minutes using the Kotak's mobile banking app. In terms of features, the bank claims that 811 offers over 100 mobile features including complete financial transactions, managing investments, fund transfers and supports other e-commerce apps. Also it is fully integrated with Bharat QR code and its UPI enabled for instant payments. The bank claimed that 811 customers will not be charged with any fees for all digital transactions and will get a free virtual debit card.

Source: http://economictimes.indiatimes.com/news/industry/banking/finance/banking/with -811-service-kotak-bank-looks-to-double-user-count-to-16-million/articleshow/58496947.cms

Dated: May 03, 2017

- **RBI To Get Power To Act Against Loan Defaulters, Cabinet Clears Ordinance:** Facing criticism on slow progress in acting against those who figure in the non-performing assets of banks list, the union cabinet has cleared an ordinance empowering the Reserve Bank of India (RBI) to act against willful defaulters. The ordinance has been sent to the president for approval. The ordinance is aimed at empowering RBI to deal more effectively with stressed assets than earlier. It's part of a broader plan to resolve bad loans with banks' issue that has been a major hurdle in the economy from achieving its full potential. The ordinance may enable RBI to direct banks on how to deal with stressed assets. Moving an amendment to the banking regulation act may take time as the next session of parliament starts sometime after second week of July. The amended law will also empower RBI to set up oversight panels that will shield bankers from later action by probe agencies looking into loan recasts as a lot of discretion will be involved in the process. By December 2016, Non-performing assets (NPAs) or bad loans with Indian banks rose to Rs. 6.07 Lakhs Cr. of which the share of Public sector banks was Rs. 5.02 lakh Cr.. Sources in the Finance Ministry say the huge pile-up of bad loans have been blocking the lending process critical in kick starting the economy. This has also prevented banks from lowering interest rates thus making investments not so lucrative. On the other hands banks have been hesitant in resolving NPAs through settlement schemes or asset reconstruction fearing probes by agencies. Now RBI may able to provide specific solutions for specific instances of bad loans. Even relaxation can be provided within current guidelines. The amendment may empower the RBI to use the new insolvency laws to target willful defaulters. Sources say the banks may initially focus on the top 50 defaulters in terms of loans. Once in place the ordinance may help RBI to cut short the red tape and under the insolvency and bankruptcy code provide directions to the banks to deal with defaulters.

Source: http://profit.ndtv.com/news/economy/article-cabinet-clears-ordinance-to-fast-track-action-against-indias-bad-loans-1689204?pfrom=home-lateststories

Dated: May 04, 2017

- **SBI Declines To Share Quantum Of Money In Suspended Accounts:** The SBI has declined to share the quantum of money lying in suspended bank accounts in which the interest amount of customers, who do not claim it due to religious reasons. As per State Bank of India (SBI), it does not maintain such information in its database "in normal course of business and extraction of the same will be voluminous and time taking activity". The section bars disclosure of information which would disproportionately divert the resources of the public authority or would be detrimental to the safety or preservation of the record in question. The bank was asked to provide details of suspended accounts including their total number and amount lying in them. It was also asked to share details of guidelines to deal with such amount of interest. The interest money which is not claimed by people due to religious obligations is kept in suspended bank accounts. According to an article published in Reserve Bank of India's journal in 2005, it was reported that in India thousands of Cr.s earned in interest is kept in suspended accounts. Research reveals that a handsome bulk of money in India owned by believers is lying idle, which if invested in profit sharing basis and utilized properly, can have a major impact on the Indian economy," reads the article. As an initiative towards the introduction of Islamic banking in India, a single window can be set up in banks like

SBI to do Islamic banking. This can tap the unused money lying idle that can be utilized for the economic and social benefit of the nation".

Source: http://economictimes.indiatimes.com/news/industry/banking/finance/banking/sbi-declines-to-share-quantum-of-money-in-suspended-accounts/articleshow/58514218.cms

Dated: May 04, 2017

- **SBI Says Bad Loan Mess Will Be Resolved In 3 Years:** State Bank of India, sees a "positive turnaround" in the nation's bad loan mess after the government implements a new rule aimed at resolving the problem. Many assets are good quality and required by the economy when growth turns up, they will perform again. India's cabinet has approved a plan to give the Reserve Bank of India more power to order lenders to deal with bad loans. The 10-member Bankex index added 2.8 percent and touched a record high on optimism that new government rules would help resolve the world's worst stressed-asset ratios. State Bank's shares rose 3.2 percent to 299.05 rupees, the highest since March 2015. Asia's third-largest economy is being weighed down because the soured loans on banks' balance sheets hinder credit growth and job creation. Various programs proposed by the central bank to resolve the problem have been unsuccessful, with lenders reluctant to write down assets sufficiently and company owners unwilling to negotiate repayment plans. Stressed assets made up of bad loans, restructured debt and advances to companies that can't meet servicing requirements have risen to about 16.6 percent of total loans, the highest level among major economies, data compiled by the government shows. India needs a lot more infrastructure than it currently has and therefore it does not make sense to throw it away rather it makes sense to revive them. The government has yet to announce her successor at the bank even with her tenure set to end in five months. Appointed in October 2013 as the bank's first female chairman and most-senior executive officer, Bhattacharya strengthened the lender's credit monitoring and measures to recover bad debt. State Bank is 57.6 percent owned by the government and will report March quarter earnings on May 19. After the merger earlier this year with five of its units, the bank is looking to consolidate and doesn't plan to do any more mergers for the moment.

Source: http://economictimes.indiatimes.com/news/industry/banking/finance/banking/sbi-says-bad-loan-mess-will-be-resolved-in-3-years/articleshow/58516445.cms

Dated: May 04, 2017

- **ICICI Warns Provisions May Remain 'Elevated' In FY-18:** ICICI Bank has warned that provisions may remain "elevated" in this fiscal due to uncertainties in resolving bad loans and a possible spike in the money to be set aside for standard assets in troubled sectors. Provisions, as a percentage of advances, will be lower in fiscal 2018 compared to fiscal 2017. Given the uncertainties around the operating and recovery environment for the corporate sector, and the ageing-based provisions on existing NPAs, provisions are expected to remain elevated in fiscal 2018. In spite of the warnings on multiple counts, the market lapped up the ICICI stocks to a 52-year high of Rs 299.90 on the BSE, rallying over 11 per cent intra-day and closing the trade with a 9.24 per cent jump at Rs 297.95, against a gain of 0.77 per cent of the benchmark Sensex. The rally on the ICICI counter also pushed up the BSE Bankex to over 9 percent gains. Bank reported a five-fold rise in net income at Rs 2,082.75 Cr. for the three months to March despite a record high bad loans and a provision of Rs 2,898.22 Cr. as the bank saw fresh slippages of over Rs 11,000 Cr., including a Rs 5,378 Cr. to JP Cements. Its gross non-performing assets ratio shot up to 7.89 per cent from 5.21 per cent in the year-ago period and 7.20 per cent in the December quarter. The bank also needs to assess the impact of the Reserve Bank guidelines requiring banks to consider making higher provisions for standard assets at a rate higher than the regulatory minimum based on evaluation of risk and stress in various sectors. Margins and core net interest income will be impacted by competition between banks for loans amid the lingering slowdown in credit growth, deposit rates, increasing shift of loans to the MCLR rates, reductions in the base rate and non- accrual of income on NPAs. The bank will continue to focus on collecting interest from borrowers classified as NPAs or under the strategic debt restructuring scheme. The bank expects overall credit growth to inch up to up to 16 per cent in fiscal 2018 from 14 per cent in fiscal 2017 driven by retail loans but corporate loan growth will continue to be lower at 5-7 per cent. The bank will target a double-digit growth in fee income on the back of an expected jump in retail fees, but the overall fee income growth will depend on market conditions especially developments in the corporate sector. The bank added 8,745 employees in the just-concluded year taking the total staff strength to 82,841 which led to a 16.3 per cent increase in operating expenses. For fiscal 2018, it wants to contain the operating expenses to a “significantly lower” level than 16 per cent. Going forward, the bank would focus on fully leveraging existing resources and infrastructure. Further, the bank would also look at implementing additional cost optimization measures during the year, while growing its retail franchise. ICICI’s closest rival HDFC Bank has reduced its total headcount by over 10,000 in the second half of fiscal 2017, due to increasing automation.

Source: http://economictimes.indiatimes.com/news/industry/banking/finance/banking/ icici-warns-provisions-may-remain-elevated-in-fy18/articleshow/58518520.cms

Dated: May 04, 2017

- **Bank Of Maharashtra To Focus On Retail Loans And Recovery:** Bank of Maharashtra the first public sector bank to announce its results for the fourth quarter, posted historic loss Rs 455 Cr., indicating that the troubles of such banks due to mounting bad loans are far from over. In the corresponding period, the bank had incurred losses of Rs 120 Cr.. Shares of Bank of Maharashtra fell almost 0.92% after the results were declared to close at Rs 37.50 a share. Losses resulted because the net interest income shrunk due to reversal of income as some accounts were identified as non-performing loans. So, operating profit shrunk to that extent. Also, provisions almost doubled and there was impact of ageing of last year’s bad loans. Provisions on bad loans almost doubled to

Rs 1833 Cr. as the share of bank's loans rose to 16.9% of the total loans. Slippages when a standard loan turns into non-performing loan due to non-payment of dues stood at Rs 3500 Cr. which led to higher provisions in the fourth quarter. Net interest income fell 16.6% to Rs 763 Cr. while non-interest income rose 48% to Rs 1508 Cr.. During the year March 2017, deposits remained flat at Rs 139,052 Cr. while advances dipped 8.7% to Rs 102,217 Cr.. The share of low cost deposits rose to 44.8% against 36.6% mainly due to the government's demonetization drive with customers depositing scrapped notes of Rs 500 and Rs 1000 last November. During the year under review it had to make provisions of Rs 97 Cr. because of the asset quality review undertaken by banks. The divergence in accounting of bad loans between the bank and the RBI was about Rs 2700 Cr. and the bank had to set aside Rs 520 Cr. as provisions for these loans in the fourth quarter.

Source: http://economictimes.indiatimes.com/news/industry/banking/finance/banking/ bank-of-maharashtra-to-focus-on-retail-loans-and-recovery-r-marathe/articleshow/58517771.cms

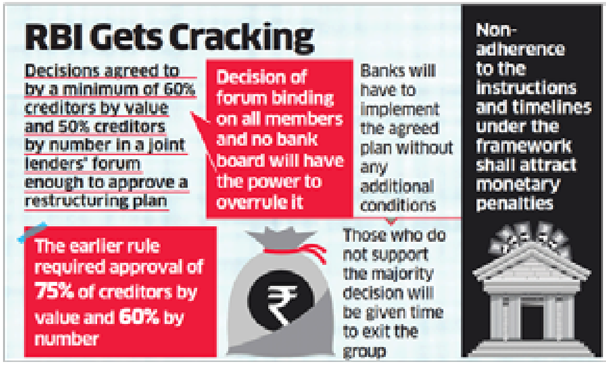
Dated: May 04, 2017

- **Still Scope Of Rate Cut Pass-Through For Borrowers:** Indian banks should further cut interest rates for borrowers to pass on the benefit of cash windfall from demonetization. The cash recall has seen about Rs 15 lakh Cr. making its way to the banking system. The Reserve Bank has slashed the policy rate by 150 basis points, or 1.5 percentage point, since January 2015, effectively reducing the cost of funds for banks. Speaking at the 50th Annual Meeting of the Asian Development Bank (ADB). The impact of demonetization on the economy was transient and will not spill over to the current fiscal. India is estimated to have grown 7.1 per cent in 2016-17 and is projected to grow 7.5 per cent in 2017-18. Impact of demonetization was very transient and has not spilled over to the current financial year. Post demonetization, the rates have come down, there is scope for further transmission of rates. Post cash ban, banks have reduced rates between 0.60-0.75 per cent, but on the ground, the effect of rate reduction is not visible. On November 8 last year, the government invalidated old 500 and 1,000 rupee notes, which made up 86.4 per cent of the total currency circulation. As people swapped old notes for new ones or deposited them in accounts, banks suddenly became flush with liquidity. A lot of cash has come into the banking system. After December 30, in the past 3-4 months, banks have reduced their lending rates because there are low-cost deposits. India will continue with its reforms and the Goods & Services Tax (GST) will transform the way Indian economy functions. GST is going to make a total transformation in the way Indian economy is functioning. It would improve competitiveness and make Indian economy far more efficient. GST will unify 10 different local taxes and make India one market for seamless transfer of goods and services. The government will simplify the FDI structure further and boost domestic manufacturing to maintain the growth trajectory. The loans to corporate whose books are stressed are not picking up, but a lot of credit flow is happening in the MSME sector, individual housing and other loans. The Asian countries should desist from protectionism because Asia has benefited from open trade over the last 2 decades. Each Asian country should not retreat into a shell of protectionism because open trade over the last two decades has helped global growth. There may be short-term attraction of becoming protectionist, but Asian countries need to continue with regard to globalization and open trade.

Source: http://economictimes.indiatimes.com/news/industry/banking/finance/banking/ still-scope-of-rate-cut-pass-through-for-borrowers-shaktikanta-das/articleshow/58529526.cms

Dated: May 05, 2017

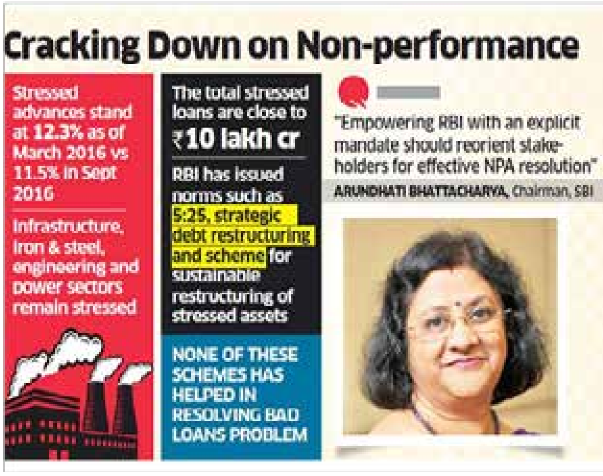
- **RBI Makes It Easier For Banks To Implement Joint Lenders Forum:** The Reserve Bank of India sprang into action as soon as the government notified the ordinance on bad loans, with the regulator offering more teeth to groups of lenders to deal with recovery proceedings and telling banks to stick to majority-agreed plans or face a penalty. Any resolution plan agreed to by 60% of members in a joint lenders' forum is binding on everyone in the group and no bank board will have the power to overrule the decision. Banks will have to implement the plan agreed upon without any additional conditions and there would be a monetary penalty on those who veer away from the decision. Delays have been observed in finalizing and implementation of the CAP (corrective action plan), leading to delays in resolution of stressed assets in the banking system. It is reiterated that lenders must scrupulously adhere to the timelines prescribed in the framework for finalizing and implementing the CAP. RBI's strong measures come on a day when the regulator was empowered by law to direct banks to take action against bad loans which have been plaguing the sector for the better part of the last decade. Banks, because of differences between them over the recovery procedures, had often failed to resolve the problem. The RBI henceforth decisions agreed to by a minimum of 60% creditors by value and 50% by number in the forum would be enough to approve a restructuring plan for the loans. The earlier rule required approval of 75% creditors by value and 60% by number. The new corrective action plan covers restructuring of project loans, change in ownership under strategic debt restructuring and the scheme for sustainable structuring of stressed assets.



Source: http://economictimes.indiatimes.com/news/industry/banking/finance/banking/rbi-makes-it-easier-for-banks-to-implement-joint-lenders-forum/articleshow/58538315.cms

Dated: May 06, 2017

- **NPA Ordinance To Make Borrowers, Bankers Behave More Responsibly?:** The bad loan ordinance will allow the Reserve Bank of India to ensure that dissenting banks come to the negotiating table and accept resolution plans adopted by the majority of lenders or the one that's most feasible in the circumstances. They won't be able to hold out for fear of write downs or getting caught up in subsequent investigations by government agencies. The fact that RBI has the power will be known to people and it will make the borrowers and bankers behave more responsibly. They will know that if they stall the process, RBI has the right to intervene and that RBI can make people behave more responsibly. Amendments to the Banking Regulation Act, coming on the heels of the enactment of the Insolvency and Bankruptcy Code and amendments to the SARFAESI and Debt Recovery Tribunal Acts indicate the government's firm commitment to find a satisfactory solution to the NPA (Non-Performing Asset) resolution problem. Empowering RBI with an explicit mandate should reorient various stakeholders for effective NPA resolution. The country and its banking system need to move quickly and decisively to take benefits of these enabling provisions. With most big loans being given by a consortium of 10-15 banks, one or two can end up spiking a resolution plan. Now, RBI can direct any erring bank to fall in line. Where JLF (Joint Lenders' Forum) resolutions took time and due to non-consent among bankers the process was delayed, there could be some announcements in that regard as well. Many of the measures taken by the regulator so far such as strategic debt restructuring, the scheme for Sustainable Structuring of Stressed Asset (S4A), or various debt restructuring mechanisms haven't been effective because the banks were given room for discretion. Things may be different this time around, although the markets didn't appear convinced. A lot of these things have the right intention but somehow get lost in the process but if RBI can oversee the whole process, it will help. The Indian banking industry's stressed assets are at 12.3% of total loans, crippling the system from lending to new businesses. This has been holding back banks from reducing interest rates as they had to provide for losses stemming from these large infrastructure accounts that have turned bad. The government has also sent a message to the industry that it is keen on resolving the issue. The RBI and the government would continue to work together on resolution of the challenge of stressed assets.



Source: http://economictimes.indiatimes.com/news/industry/banking/finance/banking/npa-ordinance-to-make-borrowers-bankers-behave-more-responsibly/articleshow/58535657.cms

Dated: May 06, 2017

- **War On NPAs To Speed Up PSBs' Capital Raising Via FPOs:** The government's all out war against NPAs will help in cleaning balance sheets of state- owned banks and expedite fund raising via markets to meet the global Basel III capital adequacy norms. As NPAs get resolved, the balance sheets of the public sector banks will get better, improving the valuation of their stocks. So, the banks would be in a better position to raise much needed funds from the capital market as envisaged in Indradhanush plan, reducing burden on exchequer, faster resolution of Non-Performing Assets means earlier than anticipated public offers from banks. The Finance Ministry expects about half-a-dozen banks to raise capital from the market during the second half of the current fiscal. Some banks like State Bank of India, Bank of Baroda and Punjab National Bank have potential to go for public offers during the course of the year. As per the Indradhanush plan, public sector banks need to raise Rs 1.10 Lakhs Cr. from markets, including through follow-on public offers, to meet Basel III requirements which kick in from March 2019. This will be over and above Rs 70,000 Cr. banks will get as capital support from the government. Of this, the government has already infused Rs 50,000 Cr. in the past two fiscals and the remaining will be pumped in by the end of 2018-19. SBI has already taken board approval for raising up to Rs 15,000 Cr. through various means, including public offer and overseas issuance of shares, during the current fiscal. The funds will be raised either through follow-on public issue, qualified institutional placement, rights issue, private placement, Global Depository Receipt, American Depository Receipt or a combination of these. The fund-raising will be done at an opportune time or as may be approved by the government and the RBI. Meanwhile, the government will continue to support public lenders based on requirements as was announced by the Finance Minister in his Budget speech. In the Budget 2017-18 speech on February 1, Finance Minister had announced capital infusion of Rs 10,000 Cr. for the current fiscal.

Source: http://economictimes.indiatimes.com/news/industry/banking/finance/banking/ war-on-npas-to-speed-up-psbs-capital-raising-via-fpos/articleshow/58558643.cms

Dated: May 07, 2017

- **Shareholders To Elect 4 Independent Directors Of SBI On Jun 15:** The country's largest lender SBI has invited applications for appointment of four independent directors to its central board who will be elected by the public shareholders on June 15. The election has been necessitated after the resignation of Shri Sunil Mehta and the expiry of the three-year-term of the three other directors, Shri Deepak Amin, Shri Sanjiv Malhotra and MD Mallya. The term of appointment for the four new directors will be for three years till 2020, and the election will be held during the forthcoming general meeting of shareholders on June 15. The election of directors is being held to fill in the vacancies arising out of the retirement/ resignation of the four directors elected by eligible shareholders of the bank, other than the government. Any shareholder having not less than 5,000 shares either in his/her name or as first named holder when jointly held is eligible to contest the election. Led by Smt. Arundhati Bhattacharya, who is on an extension till September, the central board of SBI comprises four independent directors, two government nominees, one representative from the Reserve Bank and also four of its managing directors. Nomination form and the format of declaration and undertaking to be submitted by shareholders is available with the secretariat of the chief general managers at all the local head offices and the central board secretariat at the Corporate Centre of the bank in Mumbai. The final date for submitting the documents is May 24. If the total number of valid nominations exceeds four, there would voting for the election at the general meeting. Any shareholder other than government with over 50 shares each for a minimum of three months prior to the date of the general meeting will be eligible to vote in the election.

Source: http://economictimes.indiatimes.com/news/industry/banking/finance/banking/ war-on-npas-to-speed-up-psbs-capital-raising-via-fpos/articleshow/58558643.cms

Dated: May 07, 2017

- **Shri Arun Jaitley Hopeful Of Resolving Stressed Assets Issue Through Ordinance:** Hopeful of resolving the problem of stressed assets of banks with the newly promulgated ordinance that permits the central bank to recover bad loans, As per finance minister Shri Arun Jaitley, the government will now wait for a few months for results to show. As per the latest government data, public sector banks' gross bad loans rose by over Rs 1 lakh Cr. in the first nine months of last fiscal year to Rs 6.07 lakh Cr. by end December, from Rs 5.02 lakh Cr. at the end of March 2016. Emphasizing that the NPA problem is limited to a certain set of accounts which are not very large in number but because of huge quantum, impact the balance sheet if banks, the government will wait for the result of this move for the next few months. The government has allocated Rs 10,000 Cr. for recapitalization of the NPA-laden public sector banks for 2017-18. They were given Rs 25,000 Cr. and in each fiscal 2015-16 and 2016-17. Besides, Rs 10,000 Cr. each would be infused in 2017-18 and 2018-19.

Source: http://economictimes.indiatimes.com/news/industry/banking/finance/banking/ arun-jaitley-hopeful-of-resolving-stressed-assets-issue-through-ordinance/articleshow/58571996 .cms

Dated: May 08, 2017

- **Stake Dilution In PSBs After Their Health Improves:** The government will dilute its stake in state-run banks to 52 per cent once the health of the lenders improve and the money will be used to inject capital in them. A resolution to the burgeoning bad loan problem following the government empowering the Reserve Bank of India (RBI) to order lenders initiate insolvency proceedings against defaulters and create committees to advise banks on recovering non-performing loans. This fiscal, the government has budgeted Rs 10,000 Cr. of capital infusion in public sector banks. The amount is lower than Rs 25,000 Cr. set aside in the previous budget but will be insufficient to help state-run banks raise about Rs 80,000 Cr. of equity capital that they will require over the next two years to comply with the Basel III norms and support credit growth. The Non-Performing Assets (NPA) problem is limited to "a certain set of accounts and these numerically are not very large in number but the quantums are high and therefore, they impact the balance sheet of banks.

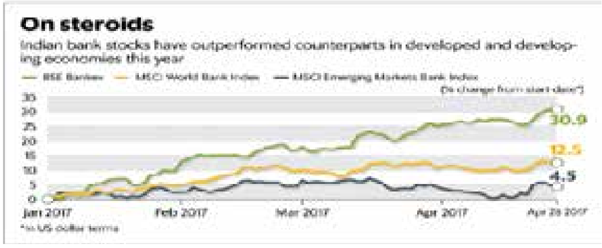
Source: http://economictimes.indiatimes.com/news/industry/banking/finance/banking/ stake-dilution-in-psbs-after-their-health-improves-arun-jaitley/articleshow/58572440.cms

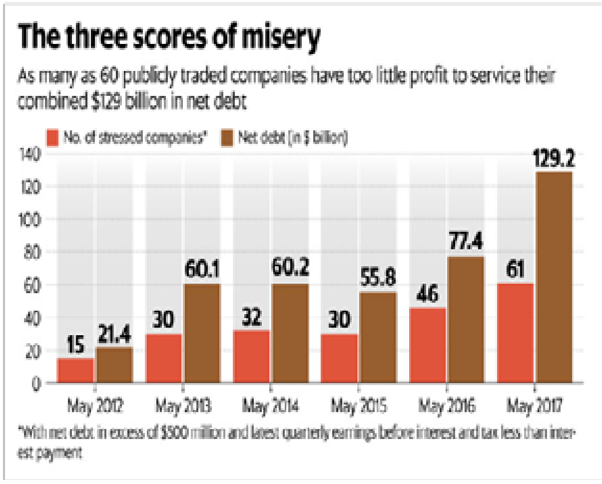
Dated: May 08 2017

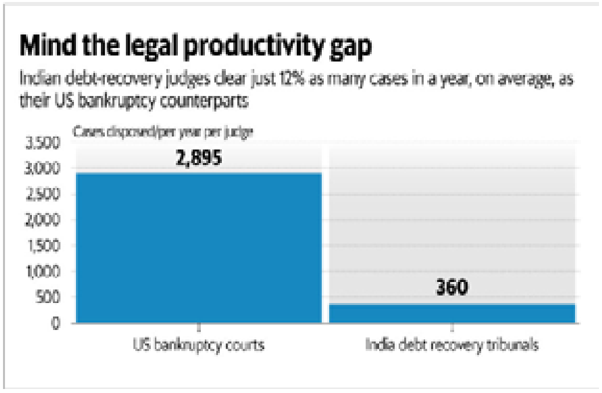
- **India Banks' Bad Loan Cleanup Faces A Long Day In Court:** India's bad-loan crisis, afflicting almost 20% of banks' assets, has moved tantalizingly close to a resolution. Giving the central bank the power to force lenders to shed soured debt is a welcome policy move. But a nine-month target to clear 60 large corporate delinquencies may be wishful thinking. The reason is an untested bankruptcy court. That's a risk investors aren't paying enough attention to, in their rush to buy Indian bank stocks. The Reserve Bank of India (RBI) can, under powers given to it by a new law, "issue directions to any banking company to initiate insolvency resolution process in respect of a default, under the provisions of the Insolvency and Bankruptcy Code, 2016." Note that the bankruptcy code is just a year old and the tribunal that will decide insolvency cases aren't ready to handle the 57 or so major stressed debtors that, by the government's own calculations, would require haircuts of 75% or more to become healthy again. Assume that the new RBI secretariat formed to oversee the handling of troubled assets conscientiously nudges banks to hand over these cases to the tribunal. As of last month, the National Company Law Tribunal (NCLT) was looking for four judges and 12 technical members, all of whom are required to be at least 50 years old with 10 years of legal or 15 years of accounting practice behind them. Five years spent adjudicating labor disputes are also acceptable. The new tribunal will handle not only the law board's case load, but the winding-up petitions now processed by high courts, plus all the debt recovery suits currently in front of an older institution that's being downgraded to deal with only individual insolvencies. That's tens of thousands of disputes. Only six of these are going to test the new bankruptcy law. The rest is all old stuff. According to a study by professional services firm Alvarez & Marsal, a debt-recovery judge in India clears 360 cases a year on average, compared with 2,895 by his counterpart in a US bankruptcy court. In other words, the RBI's efforts to ease strains in Indian corporate debt are likely to confront an already overburdened, ill-equipped, under-staffed, inexperienced judicial bureaucracy with a history of poor productivity. The pressure to handle the top 60-odd cases out of the top 100 stressed debtors, which represent the bulk of India's $180 billion bad-debt challenge, will either fashion the tribunal into a robust new institution and lead to a permanent upgrade in the nation's abysmal "ease-of-doing-business" rankings, or it will see the new system wilt. The creditor-friendly law is supposed to pave the way to liquidation in 270 days. The good news is that the government, as the owner of the country's largely state-dominated banking system, seems eager for a solution. Or at least that's the signal it has sent by changing the CEOs of seven state-run banks at the same time that it empowered the RBI to clean up the bad-debt mess. New bank bosses will be more likely to cut losses on their predecessors' mistakes provided the RBI gives them protection from prosecution and the government assures them of fresh capital. Yet the 30% surge this year in the benchmark index of Indian bank shares in dollar terms presents a risk. The bad-debt surgery may well turn out to be life-saving. After providing for soured credit, 77% of the banking system's assets would be with weak lenders those that have Tier 1 capital ratios of less than 10%, according to the International Monetary Fund.

Source: http://www.livemint.com/Industry/9ugU2oCNzWKticnVAtWn2H/India-banks-bad-loan-cleanup-faces-a-long-day-in-court.html

Dated: May 09 2017







- **Focus On Q Results, Not Long-Term Growth Has Created India's NPA Conundrum:** India's NPA problem has a flip side to it: the issue of rising corporate debts. The IMF, in its latest Global Financial Stability Report, warned that rising corporate debts were a risk to growth in emerging markets and pointed out that India's debt is one of the highest among these economies. In fact, in 2016-17, trading in corporate debt securities at BSE and NSE shot up by 44 percent. There is a deep underlying problem within the system that is causing this issue of rising debt, which is so commonplace in corporate practices that it is often overlooked: The goal of "maximizing shareholder value". In the immediate post-War era, the role of shareholders was restricted and the managers of large corporations enjoyed relative autonomy. The financial sector was strictly regulated and limits were imposed on the movement of capital. Corporations tended to retain the profit they earned and the people they employed -- and they reinvested this profit in accumulating physical and human capital. In the 1960s and 1970s, this strategy of "retain and reinvest" hit a roadblock due to a massive growth of corporations. Through mergers and acquisitions, corporations grew too big with too many divisions in different kinds of businesses. Following this, there occurred two institutional changes that aligned the management's interests with that of the shareholders: Development of new financial instruments like junk bonds and tender offers that allowed hostile takeovers and changes in compensation of managers who were offered performance-related pay schemes and stock options. The 1970s also witnessed the financial and banking deregulation of the American economy, which would help hostile takeovers in the next decade by allowing the risky trade in junk bonds -- a corporate or government bond that the bond-rating agencies consider being below "investment grade". Managers responded to the "shareholder revolution" by a marked shift in their strategy. William Lazonick and Mary O'Sullivan famously wrote in 2000: "In the name of creating 'shareholder value', the period following the hostile takeover movement witnessed a marked shift in the strategic orientation of top corporate managers in the allocation of corporate resources and returns away from 'retain and reinvest' and towards 'downsize and distribute'." Under the new regime, top managers downsize the corporations they control, with a particular emphasis on cutting the size of the labour forces they employ, in an attempt to increase the return on equity. It has been empirically shown that "reduction in force" announcements have a positive effect on share prices. Rational pursuit of these managers led them to do whatever they could to keep the stock prices up and the shareholders happy. There was a rise in dividends paid out to shareholders and repeated stock buy-backs to reduce the supply of shares in the market and artificially prop up their prices. The shift towards shareholder value orientation of firms has resulted in a short-term strategy of boosting share prices rather than a focus on long-term growth of the firm with real investment for non-financial firms. Indian firms also began pursuing this self-destructive strategy, which ties to the corporate debt problem that they are currently facing and eventually to the country's ever-widening NPA crisis. During the boom years of 2004-08, India's corporate profit as a percentage of GDP rose from 4.5 percent to 7.1 percent, as per RBI data. Post-crisis, profits immediately started falling, eventually reaching 4.5 percent in 2014. However, between 2004 and 2014, corporate debt-to-equity ratio consistently rose from 0.68 to 1.1. In value terms, corporate debt rose by 8.1 times while net profit had merely climbed 3.2 times. It is quite clear that the debt was not being taken for productive purposes. On the contrary, despite troubling times, Indian corporates were generously handing out dividends. Between 2011 and 2016, the country's top listed companies had tripled their dividend payments while their profits rose by merely 50 per cent. They were quite honourably sticking to Narayana Murthy's idea of good governance. This is not to argue that shareholders are not an important constituent of a firm, but the obsession with such a metric creates the wrong incentives for managers. They are forced to focus on boosting quarterly results rather than enhancing long-term growth; and satisfying shareholder needs rather than those of its customers and employees. Indian firms are burdened with unmanageable corporate debt due to such misaligned goals. Firefighting the NPA issue will not help the economy in the long-run if inherent corporate practices maintain status quo.

Source: http://economictimes.indiatimes.com/news/industry/banking/finance/banking/ focus-on-q-results-not-long-term-growth-has-created-indias-npa-conundrum/articleshow/58591966.cms

Dated: May 09 2017

- **RBI Restricts Loss Making IDBI Bank From Hiring, Opening Branches:** The Reserve Bank of India (RBI) has initiated 'prompt corrective action' on IDBI Bank which will restrict bank from hiring, opening branches and giving big ticket loans. The directions from the RBI is aimed at ensuring that the bank takes measures to cut down its losses by reducing expenses and recovering problem loans. The bank had suffered historic loss of Rs 2,255 Cr. in the December quarter 2016 as it had to make huge provisions for bad loans. Within weeks of bank reporting huge losses, the government had directed the bank to freeze big ticket lending and curb expanses. The 'prompt corrective action' is triggered when a bank's bad loan is above 6%, it reports losses for two consecutive years and it falls short of minimum capital prescribed by the regulator. Depending on the severity, RBI prescribes corrective action that banks should take to improve its financial position. IDBI Bank's gross NPA had crossed 15% in quarter ending December 2016 and according to a report by rating company ICRA, its capital adequacy ratio is expected to fall short of the minimum capital requirements also known as CET-1 which is stipulated at 6.75% at March 2017. Also, the bank has reported last fiscal year of Rs 3,665 Cr. in March 2016 and is expected to report loss for fiscal year 2016-17 as well. IDBI Bank has been facing challenges in recovering loans given to infrastructure -a sector in which the bank has largest exposure since historically it was in the business of giving loans to this sector. Taking into account the grave situation, the government has recently swapped the CEOs of Indian Bank and IDBI Bank on grounds that they wanted a CEOs with longer tenure at IDBI bank.

Source: http://economictimes.indiatimes.com/news/industry/banking/finance/banking/rbi-restricts-loss-making-idbi-bank-from-hiring-opening-branches/articleshow/58597973.cms

Dated: May 09 2017

- **Banks Don't Need To Wait 90 Days To Start Loan Recovery:** Banks can initiate loan recovery proceedings without waiting for an account to be formally classified as non-performing, as the latest amendments to banking rules allow for faster resolution of their bad debt problem. Under Reserve Bank of India rules, a loan becomes non-performing if the interest or installment of principal remains overdue for more than 90 days. India's banks, especially state run ones, are sitting on a mountain of bad debt, hurting their financial performance and ability to lend. If there is a case where lenders are of the opinion that they need to look at other measures, including change of management, to recover their arrears from a defaulting company, they can now go ahead without waiting for the 90-day period to end before initiating the resolution process. It is not that they (banks) will know only after the 90 day period that the account is stressed. As per the Insolvency and Bankruptcy Board of India (IBBI) ordinance goes by the definition of 'default' as in the Insolvency and Bankruptcy Code. This means even if an asset in not classified as an NPA, it can still be taken up for the resolution process. The ordinance clearly states that, and there is no ambiguity. It is up to the banks to take a call whether it is the right time to really invoke bankruptcy or other options, he added. Some experts, however, sought more clarity. The Reserve Bank should clarify what should be the provisioning requirement for companies going under bankruptcy in the first day of default, in the event a bank decides to file it the same day. The RBI will identify cases of bad debt to be taken up for resolution under the new NPA ordinance in consultation with the Indian Banks' Association.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/banks-dont-need-to-wait-90-days-to-start-loan-recovery/articleshow/58617571.cms

Dated: May 11 2017

- **Bad Loan Ordinance To Improve Transparency, Says SBI Chairman Smt. Arundhati Bhattacharya:** The new ordinance that empowers RBI to nudge banks to deal with stressed assets will improve transparency and provide higher assurance when dealing with bad loans. India's largest lender had lobbied to involve government agencies in dealing with bad loans. People having to take difficult decisions can now feel they are doing it in the proper way, with a transparent process. The government approved an ordinance enabling action by RBI in case of bad loans. RBI can now instruct banks to act against defaulters and propose resolutions. Even as deteriorating loan books plague the Indian financial sector, Bhattacharya is charting plans to take the country's largest bank to a global top 30 position.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/bad-loan-ordinance-to-improve-transparency-says-sbi-chairman-arundhati-bhattacharya/articleshow/ 58617803.cms

Dated: May 11 2017

- **SBI's Merger Could See The Banking Behemoth Leapfrogging Into The Global Top 50:** In mid-February, when the government approved the proposal to make India's largest lender even larger by combining forces with subsidiaries, Smt. Bhattacharya and her lieutenant, Shri Dinesh Khara, managing director of SBI's associates and subsidiaries, decided to take this "once-in a-lifetime challenge as an opportunity. On April 1, a unified behemoth with State Bank of Bikaner & Jaipur (SBBJ), State Bank of Mysore (SBM), State Bank of Travancore (SBT), State Bank of Patiala (SBP) and State Bank of Hyderabad merged into the parent kicked off operations. But big-bang reorganization in a prodigious government setup can be tough, particularly when past experiments have yielded mixed results. Unions are always recalcitrant towards change. Morale inevitably hits rock bottom. The last instance of such a merger State Bank of Indore in 2010 was anything but smooth. There was agitation from officers about seniority and pay. Such consolidation is the best way forward to maximize synergies through branch rationalization and increasing balance sheet strength as well as profitability over the longer term. The scale the mega-merger brings with it is no laughing matter an asset book of a whopping Rs 32 lakh Cr.

serving over 37 Cr. customers. It also puts SBI among the top 50 global banks. The five subsidiary banks collectively add 27% to SBI's loans, 25% to net worth and around 35% to SBI branches. A merger will also help to cut duplication, rationalize branches, streamline workforce, mechanize, upgrade technology and take on private sector competition like never before. Cost savings on account of treasury operations, audit, technology, among others, will lower the cost-to-income ratio in the long term, analysts say. And all that adds to the bottom-line as well. The biggest savings should be in costs, coming from employees, branches, ATM rationalization. Since April 24, the bank has begun shutting 127 administrative offices out of 264 to reduce duplication of infrastructure. On the accounting and financial side, the books have already been combined. In the run-up to the merger, loan books of all banks were aligned, including additional provisioning on debt of the subsidiaries. SBI's norms on treatment of loans were more stringent than its subsidiaries, but these have been factored keeping in mind that their impact on the merger be minimal. The second stage is rationalisation of duplicate infrastructure. Just shutting down administrative offices will free up Rs 1,000 Cr. worth of real estate. Offices will be rejigged so only self-owned properties function, saving cost of rentals. The process of reducing administrative offices will continue till June. Thereafter, the bank will move to branches. While branches in adjoining locations will be shut, the bank is most likely to open another one within the licensed region rather than annulling the licence. Corporate loan books between SBI and its arms overlap over 80%. However, so far, independent teams were serving the same client across the banks. The management has been preparing themselves for the integration. They had already ensured that balance sheets of the subsidiaries are cleaned up," says Aalok Shah, a banking sector analyst at Centrum. SBI group's net stressed loans stand at over 7% and those of the subsidiaries at over 9%. The immediate negative impact will be from pension liability provisions on account of different employee benefit structures and harmonisation of accounting policies for NPA recognition. The cost of adding staff benefits could be as high as Rs 5,000 Cr., depending on voluntary retirements ahead of the merger. Over the next year, the merged banks are expected to reach the efficiency of the parent. SBI's current cost-to-income ratio is 49%, compared with 52% for subsidiaries. On April 1, when accounts were merged, the ratio for SBI nudged upward to 50.5%; benefits of synergy should restore to 49% by year-end. Over the next two years, it should be further brought down to 46%. India's largest lender will focus on adding three new aspects to the bank increased innovative risk assessment, a nimble approach to India's burgeoning SME sector and feet on the street for ancillary product sales. The banks' age profile is young and embraces technological change. On average, its 2,71,000 staff is 43 years old. The rejig is expected to make a seventh of the total workforce redundant. After the planned voluntary retirement scheme, around 5,000 free staff will still remain in the system for the bank to move around. Besides, corporate customers will be unhappy because now they will interact with a junior officer of a bigger bank, not the managing director of the subsidiary, he added. “Integration of over 70,000 employees (34% of the parent workforce) will be a key challenge. As for customers, some locals may feel the pinch from a slightly slower experience as data integration is on the way, but most aren’t concerned. The bank has become more focused in providing solutions designed for conglomerates. The model they have adopted is replicating what private banks do. It is a very competent, sensible and efficient way of managing big groups like ours. The merger will give it the wider reach and field force to offer personalized services. With a strong capital base and project net Non-Performing Loans (NPLs) expected to decline to 2.9% by fiscal year 2019 from the current 4.24% many believe SBI can push the growth pedal post-merger. The lynchpin in this entire plan is SBI’s ability to leverage people. In the past, unionization and litigation have made it a challenge for the bank. People have seen the merger coming, and accepted it. For those unwilling to accept terms, the bank is offering a voluntary retirement scheme. Office association in Hyderabad has already filed for litigation to reevaluate benefits and exit options for those unwilling to stay in the merged entity. Subsidiary bank staff gets two of three employee benefits provident fund, gratuity and pension. SBI gets all three and the cost of adding the third for the staff was huge, who also faced stiff opposition when merger plans cropped up during his tenure. But on the positive side, he feels, a merger would improve quality of the loan book, obliterate cannibalization and achieve massive synergies in operations, including combined treasury operations and large value transaction groups. In the private sector, Kotak Mahindra Bank faced a similar challenge in its merger with ING Vysya, as the latter’s officers were unionized but Kotak’s were not. Eventually, after negotiations and agreements, the union relented and people amalgamation became smooth. Interestingly, the union still exists. The Kotak management posted progress of the merger and timelines for every activity so people weren’t left guessing. This completely killed the need to gossip or resort to the grapevine for information. At SBI, meanwhile, the top brass remains hopeful and does not expect that any of those staying on with the bank will do so reluctantly. Like SBI, Shenoi recalls the Kotak merger needed rejigging of the entire combined staff, department by department. The surplus staff was put in an in placement

unit where their skills were assessed; the bank invested in training and re-skilling them. The challenge SBI has is nothing short of daunting, but it can truly make an institution that will give international banks a run (For Their Money). The volume of transactions handled by SBI is second to none and the merger will mean bigger cheques and better products will mean better business this will be SBI's virtuous cycle.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/sbis-merger-could-see-the-banking-behemoth-leapfrogging-into-the-global-top-50/articleshow/58617431.cms

Dated: May 11 2017

- **NPA Norms Welcome, Will Force Decisions:** Axis Bank has welcomed changes in NPA resolution as moves that will "force" decisions by cutting layers, and is looking for one more life insurance distribution tie-up. There are layers of process (in resolution). The government's last week ordinance has been a "great boost" and the bankers were seeking similar measures for a long time. The trouble with Joint Lenders Forum at present is that decisions do not get taken for want of having adequate ratio of bankers on board, or the boards do not approve decisions taken by the bankers. The government's ordinance, followed by notifications by the RBI creates a "forcing mechanism" to take decisions. Getting the mechanism is important. Axis Bank is looking to tie-up with one more life insurance player for distributing policies. Axis Bank is not interested in entering the segment itself because of big opportunities in core banking business. Though the digital transactions have gone down with the inflow of cash into the system, there has been a 50-60 per cent jump because of demonetization, which would have otherwise taken 12-18 months for system. Cash is not going to go away from the system anytime soon and the move is only aimed at making us a 'less cash' economy, rather than a 'cashless' one". On concerns surrounding a jump in retail lending, the growth is good till the banks are prudent.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/npa-norms-welcome-will-force-decisions-axis-ceo-shikha-sharma/articleshow/58627157.cms

Dated: May 11 2017

- **SBI To Allow ATM Withdrawals Via E-Wallet; Denies Charge Hike Reports:** The largest lender State Bank of India will be introducing a new facility that would enable withdrawal of cash through ATMs using the bank's mobile wallet. However, the bank will charge Rs 25 on every cash withdrawal from the mobile wallet via ATMs. Meanwhile, the SBI has denied media reports that it has increased service charges to Rs 25 on regular ATM transactions. The service charge on cash withdrawal from ATMs has not been changed for normal savings accounts. If a customer has money in SBI Buddy, our mobile wallet, he can now withdraw that money through ATMs. Also, now customer can deposit cash or withdraw cash through business correspondent (BC) from or into our mobile wallet. These facilities were not available earlier. For cash deposit of up to Rs 1,000 into its mobile wallet through business correspondents, the bank will levy a service charge of 0.25 per cent (minimum Rs 2 and maximum Rs 8) plus service tax. For cash withdrawal of up to Rs 2,000 from

SBI Buddy through business correspondents, the service charges will be 2.50 per cent of the transaction value (minimum of Rs 6) in addition to service tax. The service charges will be effective from June 1, 2017. The bank levies a service charge of 3 per cent plus service tax using immediate payment service (IMPS) for fund transfer through SBI Buddy to bank account. The cash withdrawals from ATMs have not been changed for normal savings accounts and that there were some errors in the circular earlier.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/sbi-to-allow-atm-withdrawals-via-e-wallet-denies-charge-hike-reports/articleshow/58628269.cms

Dated: May 11 2017

- **Shri HN Sinor Resigns From Banks Board Bureau After Surprise Changes In Top Management Of State-Run Banks:** Veteran banker Shri HN Sinor has resigned from the Banks Board Bureau (BBB). The BBB, which is headed by former comptroller and auditor general Shri Vinod Rai, was established in April 2016 with an agenda to take on the administrative task of appointing top executives and overseeing governance standards at banks, freeing up the government. The BBB has played a key role in recommending top-level appointments at state-run banks since then. Shri Sinor departure followed recent, surprise changes in the top management of state-run banks. They referred specifically to chief executives of two large banks being shifted to lesser roles. But, according to the people cited above, BBB members were disappointed that they were not consulted nor informed prior to the transfers cited above. Shri Rai could not be reached for comment. The BBB spokesperson didn't respond to queries. Last week, Smt. Usha Ananthasubramanian was transferred to Allahabad Bank from Punjab National Bank and Shri Melwyn Rego to Syndicate Bank from Bank of India, both CEOs moving to head up smaller lenders. Before this, in the middle of March, the government had issued orders swapping the CEOs of Indian Bank and IDBI Bank Shri MK Jan was asked to move to the latter with Shri K. Kharat taking his place. Members of BBB were not kept in the loop about the transfer even as one of the functions of BBB is to advise government on top-level appointments. When BBB was formed, the general impression was that the government would distance itself from the appointments of the top management and the task would be entrusted to BBB. As per the government transfers were aimed at having chief executives with enough length of tenure at the bigger banks so they can have a long-term strategy to deal with problem loans, one of the key concerns of the administration. The government has put together a package, including an ordinance empowering the central bank to take stronger action, aimed at resolving the bad asset situation. Stressed loans of banks have crossed 20% of the total loan book and provisions on these are eating into their earnings. Shri Sinor, with four decades of experience in the banking sector, was handpicked by Shri KV Kamath to head ICICI Bank when he was Executive Director of Central Bank of India.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/hn-sinor-resigns-from-banks-board-bureau-after-surprise-changes-in-top-management-of-state-run-banks/articleshow/58635142.cms

Dated: May 12 2017

- **RBI Puts Restriction On UCO Bank's Business, Asks Board To Take Corrective Action:** Reserve Bank of India has put restriction on UCO Bank's lending and branch expansion plans as the state-run lender made net losses for the two successive fiscal amid severe stress on asset quality. There would be check on management compensation and directors' fees as well as the sector regulator has invoked Prompt Corrective Action (PCA) for the bank, aiming to bring it back on recovery path.

  UCO has become the second lender to face business restrictions after IDBI Bank after RBI revised its PCA framework last month. The central bank of Asia's third largest economy has been on a mission to clean up the banking system which saw a surge in stressed-assets. UCO's Gross Non Performing Loans stood at Rs 22541 Cr. at the end of FY17, which was 17.12% of total advances. The NPA ratio was one of the poorest in the industry. It was 15.43% a year ago and 17.18% at the end of December last year. It reported fourth quarter loss of Rs 588 Cr. on dipping income compared with Rs 1715 Cr. loss in the year ago period. Its net annual loss stood at Rs 1851 Cr. for FY17 as against Rs 2799 Cr. in the preceding fiscal. UCO board would now have to review its business model under RBI's guidance and chart out a roadmap for achieving medium and long term viability to make the bank profitable again. It has to activate a plan to recover loans and undertake a business process re-engineering. UCO's board has approved the issuance of 75 Cr. fresh equity shares to raise capital by way of follow-on public offer or institutional placement or preferential allotment. The government has infused Rs 1150 Cr. in March by subscribing its preferential shares

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-puts-restriction-on-uco-banks-business-asks-board-to-take-corrective-action/articleshow/58647480 .cms

Dated: 12 May 2017

- **Yes Bank Under-Reported NPAs By Over Rs 4,000 Cr. In FY16:** Mid-sized private sector lender Yes Bank has disclosed the RBI has found a divergence of over Rs 4,000 Cr. in the non performing assets reported by it and the same assessed by the Reserve Bank for 2015-16. As against the Rs 748.98 Cr. of gross NPAs reported by the city-headquartered bank as on March 31, 2016, the RBI assessment showed the same to be at Rs 4,925.68 Cr., leading to a divergence of Rs 4,176.70 Cr.. The same was also seen in the case of net NPAs, with a divergence of Rs 3,318.67 Cr.. This disclosure spooked investors and the scrip corrected by over 6 per cent to close at Rs 1,483.85 a piece on the BSE as against a marginal fall in the benchmark. It can be recalled that divergences observed by the RBI was an important factor in the bank's GNPAs nearly tripling to over Rs 2,000 Cr. as at end of Q4FY17. The statement added that there is no "carry forward impact" of the divergence observed by RBI in FY17-18. The remedial actions undertaken by the bank during FY17, including several reductions/exits/partial sale to ARCs/improvements in account resulted in the gross NPA outstanding reducing to Rs 1,039.9 Cr. as on March 31, 2017. After duly taking into account provision impact of the divergences, its credit cost was at 0.53 per cent for FY17, including 0.19 per cent for Q4 FY17.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/yes-bank-under-reported-npas-by-over-rs-4000-Cr.-in-fy16/articleshow/58650307.cms

Dated: 12 May 2017

- **Post-GE Exit, SBI May Merge Two Credit Card Joint Ventures:** State Bank of India may look at merging the two companies of its credit card joint venture SBI Card after the exit of the foreign partner GE Capital. SBI Card is a joint venture between SBI and GE Capital, wherein SBI owns 60 per cent and the balance is being held by GE Capital, which has announced its plans to exit as part of the American giant's global business revamp. SBI Card is operated through two joint-venture companies--SBI Card & Payment Services (SBICPSL), which focuses on the marketing and distribution of the credit cards, and GE Capital Business Processes Management Services (GECBPMSL), which handles the backend technology and processing needs of SBI Card. When SBI will own 74 per cent stake in both, there is no sense to run two entities for same business as there will be significant overlap. A merger of these two JVs will happen after a new investor comes on board. Two years ago, General Electric had announced it would be exiting the financial business. Three global private equity players--Warburg Pincus, Carlyle and Japanese financial services group Credit Saison-- have emerged as final bidders for GE's stakes in SBI Card. The bank would hike the JV stake to 74 percent-mean partially buy back GE stake-from 60 percent earlier. currently SBICPSL and GECBPMSL exist separately under which SBI owns majority in SBICPSL while GE holds higher stake in the other JV.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/post-ge-exit-sbi-may-merge-two-credit-card-joint-ventures/articleshow/58685689.cms

Dated: 15 May 2017

- **Big Banks Cut Home Loans Rates, Special Discounts For Women:** India's largest private sector lender ICICI Bank cut its home loan rates by 0.3 per cent for loans up to Rs. 30 lakh, a move that was matched by HDFC Bank bringing them in line with the country's largest lender State Bank of India. SBI is the biggest player in the home loan segment with around 26 per cent market share, followed by HDFC. With the cut in interest rates, salaried borrowers can avail home loans at 8.40 per cent while salaried women borrowers will get home loans at 8.35 per cent. The bank is committed to supporting the government's vision to provide housing for all by 2022. With this announcement, customers of Economically Weaker Section (EWS) and Low Income Group (LIG) can avail the dual benefit of low interest rates and the Credit Linked Subsidy under the Pradhan Mantri Awas Yojana. Customers taking home loans from ICICI Bank in the affordable segment will also have the option to select the type of interest rate. In both these cases, the reduction in interest rates is 30 basis points from the previous rates. The reduced rate will be effective from May 15, 2017 for new borrowers. SBI and LIC Housing Finance had dialed back interest rates on housing loans

Source: http://profit.ndtv.com/news/banking-finance/article-icici-hdfc-lower-home-loan-rates-for-affordable-1693862

Dated: 15 May 2017

- **RBI To Initiate Prompt Corrective Action Against More Banks With Bad Loans After IDBI, UCO:** Many Public Sector Banks (PSBs) that have made headlines over their falling financials have now caught the eye of the Reserve Bank of India. RBI officials have been in correspondence with the top management of banks to determine their stability and initiate prompt corrective action (PCA), if necessary, under the new regulatory guidelines. The guidelines under PCA allow the RBI to take strong action against the management of banks, if they have faltered, and the power to restructure, including carrying out merger of poorly performing banks with stronger ones. Now, the RBI is looking into other banks burdened with bad loans. The RBI officials are reportedly holding meetings with such banks to discuss the state of affairs and plan a course correction, before they announce their financial results. Among the banks whose future could be in the hands of the RBI are the Dena Bank and the Central Bank of India which have reported gross NPAs above 6%, and suffered losses for two consecutive years. Gross NPAs as a ratio of total gross advances have increased from 3.4 per cent in 2013 to 8 per cent in 2016 and the public sector banks have accounted for more than a lion's share of these. In 2013, they accounted for 88 per cent of the total gross NPAs of the banks and in 2016, their share increased to 91 per cent. There are two conclusions to be drawn here. First, the banks' loan growth rate has been tepid for the period when NPAs have witnessed a sharp increase. Second, the NPAs seem to be more concentrated in the books of PSU banks. The latter is not surprising, given that PSU banks account for more than 70 per cent market share of the Indian banking sector.

Source: http://www.businesstoday.in/sectors/banks/rbi-to-initiate-prompt-corrective-action-against-more-banks-with-bad-loans-after-idbi-uco/story/252220.html

Dated: 16 May 2017

- **Singapore's DBS Bank Adds Over A Million Customers In India:** When many foreign banks are shrinking their operations, Singapore's DBS Bank, has added more than a million customers through its digital banking foray even as it awaits a RBI approval to open a wholly owned subsidiary in India. The so-called digi-bank lunched last April allows customers to transfer money to an e-wallet initially and later open a fully fledged savings account using Aadhaar card based fingerprint authentication. The bank will sell life insurance policies from three companies under the IRDA permitted open architecture model which will allow customers to choose life insurance policies from Tata AIA Life and Birla Sun Life in addition to Aviva India Life. On the move to form a subsidiary, it is awaiting response on its 2015 application which included a plan to open about 50-75 branches over the next three to five years. The bank has 12 branches in India currently. Disclosures on the bank's website showed that gross NPAs were 8.67% of loan in December 2016 slightly lower than 8.81% reported in March 2016.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/ singapores-dbs-bank-adds-over-a-million-customers-in-india/articleshow/58735898.cms

Dated: 18 May 2017

- **Banking Changing Rapidly, Lenders Should Have CFOs, CTOs, RBI:** With "rapid" changes in banking sector, the RBI has urged banks to appoint qualified chiefs to head the critical finance and technology functions. The central bank also came out with minimum qualifications for the Chief Financial Officers (CFOs) and Chief Technology Officers (CTOs). Rapid innovations in banking and technology call for better risk governance in the areas of finance and technology. A CFO and CTO in banks' management structure would play a crucial role in strengthening and sustaining the banks' risk governance framework. It can be noted that while banks have dedicated people handling these two functions, not all the banks have designated CFO or CTOs yet. As per RBI, CTO should be an engineering graduate, or hold a Masters in Computer Applications (MCA) or equivalent qualification with a 15-year experience in banking information technology-related projects. As per the notification, candidate's experience should include work on IT policy and planning, financial networks and applications, financial information systems, cyber security technologies and payment technologies. This experience should involve five years at the senior management level. For the CFO's post, the RBI recommended qualification as a Chartered Accountant and an experience of 15 years. The experience should include overseeing financial operations, preferably accounting and taxation matters, in banks or large corporate/ state-run enterprises/ financial institutions. Ten years of this should be with banks or financial institutions, including five years at a senior management level. The apex bank advised banks to stipulate minimum requirements while inviting applications for the posts of CFO and CTO.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/banking-changing-rapidly-lenders-should-have-cfos-ctos-rbi/articleshow/58736560.cms

Dated: 18 May 2017

- **RBI Issues New Branch Expansion Norms:** In a bid to take banking services to the remote locations of the country, the Reserve Bank of India has permitted the opening of mini branches or banking outlets across the country for all domestic scheduled commercial banks except Regional Rural Banks without having to take permission from the regulator on a case by case basis. In a fresh set of guidelines banks need to open at least 25% of their banking outlets in a year in unbanked rural centers. Banking outlet is a fixed point service delivery unit manned by either the bank staff or its business correspondents where services of acceptance of deposits encashment of cheques withdrawal or lending of money are provided. The RBI has clarified that ATM kiosks, cash depositing counters and mobile branches will not be treated as banking outlets. They have to be left open for at least 4 hours per day for 5 days in a week manned either by business correspondents or by bank officials. If the space is not kept open for the minimum hours mentioned it will be considered as a part time banking outlet. This set of regulations come as a breather for payment banks and small finance banks who are planning to take banking to rural India mostly through small physical business correspondent touch-points. The guidelines also give the scope to banks to open part time banking outlets in left wing extremism affected states and states in the north east to be counted as full-fledged banking outlets. In order to enhance the micro finance branches of small finance banks to banking outlets the RBI has given a time period of 3 years by which they should need to extent their infrastructure with the newly released guidelines. In an attempt to ensure that banking outlets are not mere lip service of banks towards financial inclusion the RBI has made the banks' management board responsible for overseeing their deployment and their proper functioning.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-issues-new-branch-expansion-norms/articleshow/58737333.cms

Dated: 18 May 2017

- **RBI May Impose Curbs On Branch Expansion By UBI:** The Reserve Bank of India may put restriction on United Bank of India's branch expansion and direct it to make higher provisions to cover risks due to its rising stressed loans. Continuous rise in its sticky loans makes the state-run lender a second category offender for risk threshold breach under Prompt Corrective Action (PCA) measures under the new guidelines issued last month. In case the central bank initiates the action, it would be the second time in four years that United Bank of India (UBI) came under regulatory sanctions and be forced to take corrective measures. In 2013, RBI had restricted the bank from lending freely after the then chairperson Archana Bhargava flagged off accounting malpractices. UBI would also be barred from distributing profit among shareholders as a mandatory measure, despite reporting Rs 74 Cr. net profit for the fourth quarter against Rs 413 Cr. loss in the year ago period. According to the latest data, UBI's non-performing assets rose to Rs 10,952 Cr. at the end of March from Rs 9,471 Cr. a year back. The gross NPA ratio deteriorated to 15.53% from 13.26% during the same period while net NPA ratio rose to 10.02% from 9.04%. Under the tighter norms, RBI has identified four risk areas, including high NPA, recurring losses and capital erosion, and breach of any the risk threshold would result in invocation of prompt corrective action. UBI breached the second category risk threshold with net NPA more than 9% and accordingly RBI may give direction to the bank management on credit risk and capital management. The lender kept aside fewer provisions at Rs 43 Cr. in the quarter ended March against Rs 292 Cr. in the year-ago quarter, helping it to show a net profit. Its gross profit was at Rs 116 Cr. for the quarter against Rs 121 Cr. losses in the corresponding period last year. The bank's capital adequacy ratio under Basel III was strong at 11.14% level.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/united-bank-of-india-face-rbis-prompt-corrective-action-dose/articleshow/58736716.cms

Dated: 19 May 2017

- **At This Rate, Fintech Will Slaughter India's Banks (McKinsey & Co):** As per McKinsey & Co., In the match for India's financial services future, fintech just scored twice while banks are still struggling to retrieve the ball they scuffed into their own net. It's just the start of what looks like a bruising battle for traditional lenders. India's banks, which still dominate the country's financial landscape, appear to have hardly a kick left in them. Stressed assets without any loan-loss cover now exceed $96 billion. An overwhelming 91 percent, or $87 billion, of the provisioning gap is at state-run lenders, whose net worth would be wiped out if they took the hit on their capital. Even as McKinsey was delivering this sobering reality check, fintech was running a victory lap of sorts. Paytm, a digital payments company announced a $1.4 billion investment by Masayoshi Son's SoftBank Group Corp. In another vote of confidence, Singapore's sovereign wealth fund GIC Pte, which is partly liquidating a disappointing decade-long stake in UBS Group AG, bumped up its holding in Capital First Ltd. to 14 percent. The Mumbai-based financier makes loans to small entrepreneurs and shopkeepers for everything from air conditioners and bikes to working capital after analysing their cash flows. It's an opportunity that a lazy banking system, obsessed with the collateral it's lending against rather than the business it's lending for, has handed on a platter to data miners. Capital First's retail assets have grown 24-fold in six years to about $3 billion. Its bad-loan ratio of less than 1 percent compares with almost 10 percent for banks. And the latter figure is an official estimate; the reality is probably a lot worse. McKinsey has several suggestions on how Indian banks can deal with the mess: by quarantining assets that would eventually find their footing, liquidating those that won't, and working with professional asset managers to turn around debtors that lie in between. But even if the delicate surgery is successful, banks -- especially state-run ones -- will end up ceding a lot of ground to fintech. The central bank's draft guidelines, for instance, propose locking all customer balances with non-bank digital wallets in escrow accounts at lenders. Banks' own wallets, however, won't have this restriction. Public policy researchers are puzzled by this stifling of innovation. Still, the hefty checks that SoftBank and GIC wrote last week send a clear signal. All that India's banks have to show for decades of mollycoddling is a combined balance sheet on which taxpayers' equity has effectively dwindled to zero. Only a handful of the 21 public-sector lenders have a rightful claim on survival, and even they had better raise their game.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/at-this-rate-fintech-will-slaughter-indias-banks/articleshow/58782969.cms

Dated: 22 May 2017

- **IDBI Bank Wage Revision, Unions Warn Of More Strikes:** Two major unions All India Bank Employees' Association (AIBEA) and All India Bank Officers' Association (AIBOA) will chalk out separate agitation and strike programmes in support of early wage revision in IDBI Bank. Wage revision in IDBI Bank is due from 1.11.2012. While wage revision has been completed in all other banks with the signing of the Bipartite Settlement in May, 2015, the IDBI Bank management and the government are unwarrantedly delaying wage revision in that bank, charged AIBEA and AIBOA. According to the unions, the ostensible reason given by the management is that the bad loans in the bank have increased and the bank has not been performing well. Everyone is aware that the employees and officers of IDBI Bank are no less efficient than other bank employees and are in no way responsible for the mismanagement of the bank or the losses incurred by the bank due to huge bad loans. Instead of taking action on the officials responsible for such mismanagement, it is unfortunate that the employees and officers are sought to be penalized in this manner.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/idbi-bank-wage-revision-unions-warn-of-more-strikes/articleshow/58786353.cms

Dated: 22 May 2017

- **Corporation Bank To Raise Rs 3,500 Cr.:** Public sector lender Corporation Bank has approved plans to raise capital up to Rs 3,500 Cr.. The board of directors at their meeting has approved for raising of capital to the extent of Rs 3,500 Cr. in one or more tranches with green shoe option. The fund will be raised either through allotment of equity shares on preferential basis or follow on public issue or rights issue or Qualified Institutions Placement (QIP) or by way of additional tier-I bond or tier II bonds or debt issue. The fund raiser may also come up in a combination of these ways as per Basel III requirements. The bank will determine the issue price at an appropriate time.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/ corporation-bank-to-raise-rs-3500-Cr./articleshow/58794156.cms

Dated: 22 May 2017

- **Payment Banks Want More Freedom, Seek Nod For Differential Rates:** Payment banks, the newest entrants in the banking fold, have asked the Reserve Bank of India for permission to offer differentiated rates of interest on savings accounts with a balance of less than Rs 1 lakh. The limit on deposits of customer accounts in payment banks is Rs 1 lakh, while differential interest rates can be offered only on amounts above Rs 1 lakh, a restriction that payment banks say denies them an attractive way of getting more customers. While calculating interest on domestic savings bank deposits, banks are required to apply the uniform rate set by them on end-of-day balance up to Rs 1 lakh and for any end of-day balance exceeding Rs 1 lakh, banks may apply the differential rate(s) as fixed by them. When India Post Payments Bank started, it announced different interest rates for three categories of accounts basic savings, regular savings and small account. It was forced to replace them with a flat rate of 5.5%. Airtel Payments Bank had announced a flat rate of interest at 7.25%. The RBI has not given very positive signals about reducing the minimum balance required for differential interest rates for payment banks. Even small finance banks would be interested in offering different interest rates for small value savings accounts as they are also trying to attract small value depositors.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/payment-banks-want-more-freedom-seek-nod-for-differential-rates/articleshow/58814517.cms

Dated: 24 May 2017

- **SBI Extends Date Of Filing Nomination For Directors To May 29:** Country's largest lender SBI has extended the last date for submission of the nomination for appointment of four independent directors to its central board to May 29. The last date advised notice for submission of the nomination form and the format of declaration and undertaking is extended to May 29 by 3 pm as against May 24, 2017, by 5 pm. However, the reason for the extension was not given in the notice. The election for the post of independent directors by shareholders will take place on June 15. The election has been necessitated after the resignation of Shri Sunil Mehta and the expiry of the three-year-term of the three other directors Shri Deepak Amin, Shri Sanjiv Malhotra and MD Shri Mallya. The term of appointment for the four new directors will be for three years till 2020. Any shareholder having not less than 5,000 shares either in his/her name or as first named holder when jointly held, is eligible to contest the election. The nomination form and the format of declaration and undertaking to be submitted by shareholders is available with the secretariat of the chief general managers at all the local head offices and the central board secretariat at the Corporate Centre of the bank in Mumbai. If the total number of valid nominations exceeds four, there would be voting for the election at the general meeting.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/sbi-extends-date-of-filing-nomination-for-directors-to-may-29/articleshow/58824150.cms

Dated: May 24, 2017

- **RBI May Have A Deputy Governor From Private Sector For First Time:** The government has, for the first time, advertised to choose a deputy governor for the country's central bank, casting its net wide to include directors and consultants with significant experience in banking and financial markets. The advertisement on the Web site of the Reserve Bank of India (RBI) has sought applications from candidates with over 15 years of experience in banking and financial market operations: Candidates seeking selection must also have been whole-time directors or board members. Potentially, the RBI could appoint a deputy governor from the private sector for the first time when the term of Shri S.S. Mundra ends in July this year. The advertisement does not specify whether the candidate should be from the public sector or private sector banks. An appreciation, as a practitioner, of the role of banks in large corporate lending, in an environment with strong bond markets" is desirable, besides seeking an "understanding of bankruptcy/ restructuring/ turn-around/ credit models, and/or overseen the risk management function in a large financial institution. The eligibility criteria show that the government is seeking candidates from beyond its traditional recruitment base. Besides practicing bankers from both private and public sectors, it makes even consultants who have worked closely with banks eligible for the post. Significantly, the advertisement comes within a week of the central bank seeking applications for the newly created post of Chief Financial Officer and the RBI getting a broader mandate to appoint a larger oversight committee to address the stressed assets in the banking sector. The RBI has traditionally appointed four deputy governors: Two of them are from within the central bank, one is an economist generally from the government, and the other is from the banking sector. So far, the deputy governor from the banking sector has been from the public sector banks. While Shri N.S. Vishwanathan and Shri B.P. Kanugo are from the RBI itself, Shri Viral Acharya was recently appointed to the position meant for an economist in charge of monetary policy: Shri S.S. Mundra is the banking sector representative. The government has clarified that the appointment will be for a term of three years in the pay scale of Rs 2,25,000 pr month and has capped the age limit at 60, which could be relaxed in exceptional cases.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-may-have-a-deputy-governor-from-private-sector-for-first-time/articleshow/58828004.cms

Dated: May 24, 2017

- **IDBI Bank To Focus On Raising Capital, Retail Lending And Recovery Of Loans:** IDBI Bank has finalized a turnaround plan with a focus on raising capital, recovering sticky loans and rebalancing loan portfolio in favor of retail loans. The bank would look to reduce operational cost and sell non-core assets over a period of time to unlock capital. The bank has already initiated the process but this is likely to be long drawn process as it would face constrains in raising capital amid regulatory restrictions to do business. The exact schedule and quantum of such a sale will depend on market conditions. As per the rating company ICRA, bank would require an equity infusion of Rs 9,500-12,000 Cr. in the next two financial years, at 70-85% of its current market capitalization. If the bank reports further losses in next quarters, then the capital requirement would increase by a similar amount. ICRA and Moody's Investors Service have downgraded IDBI Bank's debt instruments on significant deterioration in the bank's financial profile due to severe asset quality stress and the heightened risk to its solvency position. The bank received Rs 1900 Cr. from the government in March but as net annual loss of Rs 5158 Cr. in FY-17 far exceeded that, the Core Equity Capital (CET-I), including counter cyclical buffer, fell to 5.64% as on March 31 as compared with 7.98% a year back. The minimum core capital level is prescribed at 6.75%.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/idbi-bank-to-focus-on-raising-capital-retail-lending-and-recovery-of-loans/articleshow/58841447.cms

Dated: May 25, 2017

- **HDFC Among Top 10 Consumer Financial Services Companies Globally:** Mortgage lender HDFC Ltd. is the only Indian company to be named among the top 10 consumer financial services companies in the world, with American Express claiming the first position. With profits of $1.6 billion and sales of $8.1 billion HDFC was ranked seventh on the Forbes Global List 2017 in the consumer financial services sector same as last year. The company has been featured in the coveted list for the third consecutive year. American Express topped the list, followed by Capital One Financial and Visa in the second and third place, respectively. The other consumer finance services companies that made it into the list include Orix at the fourth place, Synchrony Financial (5th), Discover Financial Services (6th), Mastercard (8th), PayPal (9th) and CIT group (10th). As many as 58 Indian companies appeared in the overall Forbes Global 2000 list. This comprehensive ranking of the world's biggest, most powerful and valuable publicly listed companies is based on a mix of four metrics: sales, profits, assets and market value. Forbes gave an equal weighting of all four metrics to rank companies according to size.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/hdfc-among-top-10-consumer-financial-services-companies-globally/articleshow/58843808.cms

Dated: May 25, 2017

- **Demonetization Effect: Digital Payments India's New Currency; Debit Card Transactions Surge To Over 1 Billion:** According to Reserve Bank of India data, Amid the ongoing raging debate on the benefits of demonetization, there's been a strong growth in digital payments and transactions in the months since the currency swap was announced on November 8. Digital transactions have trebled and quadrupled in volume and value across various modes from wallets to cards and interbank transfers from a year earlier. Card transactions at point of sale (PoS) terminals at merchant locations have surged, reflecting a positive for the economy as more people start using their debit cards for payments rather than for withdrawing cash at ATMs. Debit card transactions rose to more than 1billion in January from 817 million last year. While ATM transactions have remained constant at around 700 million, the incremental growth has been driven mostly by card swipes at PoS terminals. Transactions on these trebled to 328 million against 109 million in January last year by way of volume. The acceptance infrastructure of the country has expanded significantly, which allowed card transactions to report the biggest growth post demonetization. Further, with so many different initiatives from the government, card transactions at terminals will only grow. After note recall, under pressure from the government, banks deployed 1million additional PoS terminals within three months, taking their total number to around 2.52 million. Besides plastic, the government has also been promoting smartphone-based transactions through the Unified Payments Interface (UPI) and the Bharat Interface for Money (BHIM). Both use the Immediate Payment Service (IMPS) network of the National Payments Corporation of India. IMPS has seen a 160% jump with 67 million transactions in March against 26 million a year earlier. According to data released by NPCI, of the total IMPS transactions, BHIM and UPI clocked 6.4 million in March of this year, up from 4.4 million in January and a mere 100,000 in October 2016, just before demonetization. The change in the mode of transaction from cash to digital needs a tectonic change and a huge thrust from the banks. While installing terminals at shop counters, UPI and BharatQR have been revolutionary initiatives driven by RBI and adopted by the Indian banking system and mobile wallets which first disrupted the payments space in the country, playing a crucial role. Prepaid Payment Instruments or PPIs, which include wallet services such as those offered by MobiKwik and Oxigen, have shown the highest growth in percentage terms in the first quarter of the calendar year from the same period in 2016. PPIs reported an average 350% jump in transactions in the January-March period from the year earlier. In March, transactions from PPIs stood at 342 million, up 375% from 72 million a year earlier. While digital transactions had been consistently growing over the years, demonetization gave it an additional legup.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/digital-payments-indias-new-currency-debit-card-transactions-surge-to-over-1-billion/articleshow/ 58863652.cms

Dated: May 27, 2017

- **Banks Write Off Rs 2.2 Lakh Crore In Five Years, Said To Be Highest Ever:** As per the Reserve Bank of India (RBI), All scheduled commercial banks (SCBs) wrote off Rs 2,25,180 crore cumulatively in the five-year period ended March 2016. SCBs represent all public sector banks, private sector banks, foreign banks, regional rural banks and some co-operative banks. These represent over 95% of the formal credit given out by all financial institutions in the country. This could be the highest ever write-off in a five-year period in absolute terms as are the total stressed assets in the banking system. Banks and the RBI have often stated that these write-offs are just technical in nature and an exercise to clean up the balance sheets. They have further argued that banks continue to retain the right to recovery from these written-off accounts. Writing off of non-performing assets (NPAs) is a regular exercise conducted by banks to clean up their balance sheets. A substantial portion of this write-off is, however, technical in nature. It is primarily aimed at cleansing the balance sheet and achieving taxation efficiency. In 'technically written off' accounts, loans are written off from the books at the head office, without foregoing the right to recovery. Further, write-offs are 'generally' carried out against accumulated provisions made for such loans. Once recovered, the provisions made for those loans flow back into the profit and loss account of banks. Be that as it may, the recovery from written-off accounts constitutes only a tiny fraction of the overall written-off accounts, available data shows. In the financial year 2014-15, banks could recover only 11.85% (Rs 6,968 crore) of the written-off accounts in that year and 13.8% (Rs 9,717 crore) of the written-off accounts in FY 2015-16. The data for previous three years is not available with the RBI. The information on recovery from written-off accounts from FY 2011-12 to 2013-14 is not available with us. Though the amount from recovered loans in FY15 and FY16 might not pertain to that financial year alone, the numbers show the actual recovery to be only a tiny fraction of the total amount written-off and also to be a long protracted process. In each of these five years, loans written off showed an increasing trend at an average addition of over Rs 12,000 crore each year. The worst year was FY15, when banks cumulatively wrote off Rs 16,550 crore more than the previous year. Banks reduce written-off loan accounts from their overall non-performing assets. Adding the same back, the actual gross NPAs at banks could look a lot worse every subsequent year than it already does. Written-off loans accounted for 11-16% of overall bad loans of the bank in each of those years (see table). Since 2011, banks started lending heavily to large corporates and, according to analysts, the problem suddenly became a lot bigger as "corporate leveraged built up". The traditional tools of recovery like debt recovery tribunals, and Securitization and Reconstruction of Financial Assets and Enforcement of Security

Interest (SARFAESI) Act, 2002, have become blunt in the face of such huge bad loans from large corporate accounts. Newer mechanisms are needed to deal with these big loans and they have to be dealt with on a going-concern basis. The usual recovery mechanism will not work. The recovery will take time and won't happen in a hurry.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/banks-write-off-rs-2-2-lakh-crore-in-five-years-said-to-be-highest-ever/articleshow/58867172.cms

Dated: May 27, 2017

- **Payments Banks Have An Opportunity In The Millions Of Unbanked, But Are These Viable?:** Early this week, when India's largest mobile wallet player Paytm morphed into a payments bank the third one to roll out operations since the RBI granted licences to 11 entities way back in 2015 it was a momentous occasion for founder Shri Vijay Shekhar Sharma, who recently raised $1.4 billion from Softbank and counts China's Alibaba among its major investors. RBI has given us an opportunity to create a new kind of banking model in the world. Customer deposits, will be safely invested in government bonds, and be used for nation building. None of our deposits will be converted into risky assets. Paytm Payments Bank, which claims to be India's first bank with zero fee on online transactions, will have no minimum balance, will issue a free virtual debit card, will keep every online transaction (such as IMPS, NEFT, UPI) free, and will make services like cheque book, demand draft and debit card available at a nominal fee. The bank, which will have 31 branches and 3,000 customer service points in the first year, has set an ambitious target of 500 million customers by 2020. A payments bank can collect deposits up to Rs 1 lakh, has to invest 75% of its deposits in government securities, can offer different payment solutions, but can't lend. A typical bank or NBFC, reckons Bhattacharya, does not stop at merely selling deposit accounts and credit products. Most offer a bouquet of investment and savings plans, and insurance products. It is unclear if or how a payments bank will offer such financial products as they call for either in-house specialization or strong channel partnerships with service providers. Payments banks are more likely to cross-sell services that are being offered on their platform. The model of the payments bank might turn out to be one that wallets specialize in: a high-volume, low-margin game.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/ payments-banks-have-an-opportunity-in-the-millions-of-unbanked-but-are-these-viable/articleshow/58874447.cms

Dated: May 27, 2017

- **Some Banks Use Service Charges To Drive Away Customers:** As per RBI deputy governor Shri S.S. Mundra, some banks are using charges on maintaining minimum average balance in accounts and offering other facilities as an excuse to deny or deter a few customers from availing some of their services. He also batted for introduction of bank account number portability using Aadhaar and various platforms of NPCI (National Payments Corporation of India). While banks have been granted autonomy in fixing minimum average balance or charging for premier services, it should not be used as an excuse to deny or drive away services to the common man. Most of the banks have introduced charges on non-maintenance of minimum balance in accounts and for using banking-related facilities. There is no harm in banks charging customers to offer select services but norms should not be designed to keep some customers away. The RBI's concern is limited to ensuring availability of banking services to all customers and it is not looking into amount banks are levying on customers to offer these facilities. In the last two years, the Aadhaar enrolment has happened, platforms have been created by NPCI, many apps to do banking transaction like IMPS have been introduced. With all these, account number portability is a very much in the realm of possibility. Once account number portability becomes a reality, banks will see 'silent customer' moving away from them without even talking to them. RBI is soon going to prescribe the minimum narration for bank statement or pass book which would be easier for customers to understand.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/some-banks-use-service-charges-to-drive-away-customers-s-s-mundra/articleshow/58913051.cms

Dated: May 30, 2017

- **Banks Urge RBI To Soften Qualifying Norms For S4a Scheme:** Beleaguered bankers has demanded that the Reserve Bank of India ease conditions on loans that would qualify for restructuring under the so-called S4A scheme and permit them to spread the losses arising out of such a deal over many quarters. Bankers told the regulator during a meeting that changes in the rules governing restructuring is essential for the banking sector to overcome the Rs 12 lakh crore of stressed assets in the system and begin lending actively again. The crucial demand was that S4A should be permitted even if the sustainable portion of the loan is below 50%. Because there are huge loans, which even if 30% or 40% is restructured it would be a big boost to the industry. The RBI, banks and the government have been contemplating ways to resolve the bad loans logjam that's crippling the sector. Many state-run banks are precariously low on capital adequacy; and in cases like IDBI Bank, the regulator has imposed restrictions on lending and other activities. An e-mail sent to RBI spokesperson about the deliberations did not get a response. The RBI's S4A scheme which insisted that at least 50% of the loan of a defaulter should be sustainable to qualify for restructuring did not help resolve the issue since many companies' cash flow were insufficient to service even half their loans. The government on its part came up with an ordinance empowering the RBI to work around ways to direct banks to restructure loans and direct lenders to take companies to insolvency courts. Subsequently, the RBI ordered banks to have more co-operations in resolving potential bad loans by empowering the Joint Lenders Forum to be the final word on restructuring of loans that are yet to turn sour. Expanding the scope of the Oversight Committee and the role of credit rating companies in future restructurings were also discussed where some bankers expressed opinion that the sustainable portion of the debt could be rated investment grade.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/banks-urge-rbi-to-soften-qualifying-norms-for-s4a-scheme/articleshow/58917073.cms

Dated: May 30, 2017

ASSOCHAM VIEWS & RECOMMENDATION ON BANKING & FINANCE

- **Banks Sold Rs 2.44 Lakh Cr NPAs To ARCs Since 2003:** Banks have sold Rs 2.44 lakh crore bad loans to Asset Reconstruction Companies (ARCs) since 2003 as part of the resolution of the non–performing asset (NPAs), a study conducted by Assocham said. Though there is a huge level of stressed assets, as much as 15 percent of advances (9.84 percent NPAs and 4.2 percent restructured assets) is a matter of concern for the economy and it offers a huge opportunity for the ARCs, it said. The current stock of stress in the Indian banking system is estimated at Rs 11.80 lakh crore, the Assocham-SIPI-Edelweiss study said. As many as seven ARCs have largely been promoted by banks even as foreign direct investment has also been permitted into the asset reconstruction, which it said should be treated as a resolution and not a recovery business. The paper said there must be a level playing field and more teeth for ARCs in dealing with the promoters of companies owing a high level of bank debt which has decayed into NPAs. At least 51 percent conversion should be allowed to ARCs while reconstructing an asset. "The ARCs are not on par with banking system when it comes to equity conversion. While RBI has given sweeping powers to banks in the form of Strategic Debt Restructuring (SDR) and even in case of normal debt conversion, ARCs are restricted to maximum 26 percent of equity share in a particular company," it said. The paper stressed on introducing incentive structure for banks where 100 percent debt is sold to ARCs. Further, the banking system is completely against any new exposure including non-fund based to these companies, even if they have come out of their structural issues. "This leaves the responsibility of providing working capital finance on the ARCs and even non-fund based limits have to be raised against 100 per cent cash margins thus putting more pressure on the resources of stressed asset and impacting the viability," it said.

Source: http://www.moneycontrol.com/news/business/economy/banks-sold-rs-2-44-lakh-cr-npas-to-arcs-since-2003-assocham-2269241.html

Dated: May 02, 2017

- **ASSOCHAM Suggests Stressed Assets Fund To Tackle Growing NPAs:** Industry body Assocham has suggested creation of a Stressed Assets Fund with active participation from cash-rich public sector firms to tackle the burgeoning non-performing assets (NPAs). The suggestion comes at a time when the government last week empowered the RBI to ask banks to initiate insolvency proceedings to recover bad loans and promised more measures to resolve the NPA crisis. Bad loans of PSU banks have ballooned to over Rs 6 lakh crore. The chamber suggested creation of a Stress Asset Fund (SAF) to help revive assets under high leverage. "Once these assets are brought back in shape, the pay- backs to the SAF can take place. Different forms of the SAFs can be thought of, including some which can be neutral to creating a hole in the government finances," Assocham said. It recommended that some of the cash-rich public sector companies can be encouraged to participate either in the SAFs or take over some of the assets where the present promoter wants to exit. With the green shoots visible in several sectors, this could even be an opportunity for the government, or special purpose vehicles, to buy assets at much lower valuations, the chamber suggested. Lauding the government's move to amend the Banking Regulation Act, along with enabling changes in other related laws, Assocham said that while empowering the RBI to help the banks by way of oversight committees was a welcome move, more needs to be done in the future. "The key would be to have persons of high integrity on these oversight committees, which then should be given all out support from the government to help the lenders resolve the top NPA accounts within a time bound period. "What is equally important is that the persons mandated with the task can be rest assured that they would be of no fear of vigilance bodies after decisions involving some losses for the sake of reviving the stresses assets are taken in good faith," Assocham President Sandeep Jajodia said. Moreover, Assocham suggested that in cases where the stressed assets or NPAs can be turned back into healthy assets, the existing promoters should be extended adequate working capital for the purpose. It also impressed upon the RBI to quickly clear all the pending applications from foreign investors for setting up Asset Reconstruction Companies in India, providing a clear-cut framework for business of asset reconstruction. RSN JM ABM.

Source: http://timesofindia.indiatimes.com/business/india-business/assocham-suggests-stressed-assets-fund-to-tackle-growing-npas/articleshow/58558537.cms

Dated: May 07, 2017

TOP BANKING DEVELOPMENT

- **ICICI To Make 600 Villages Digitally-Enabled In 2017:** ICICI Bank has created 100 'digital villages' across the country within 100 days and now plans to add 500 more to the list by year-end. The 100-village project, which also included imparting skill training and providing credit linkages to people living there, was taken up by the bank after noticing that minimum inconvenience was caused to people living in a model 'digital village' in Gujarat during the demonetization period. During the 100-day period, the bank provided vocational training to 11,300 villagers, including 70 per cent women, and opened more than 2 Lakhs bank accounts a credit linkage facility was also given to many in these 100 villages to help them earn their livelihood. The bank has also provided loans to the tune of Rs 14 Cr. to customers of these 100 digital villages and with more addition, the credit flow is going up. It encompassed digitization of transactions and other commercial activities besides providing vocational training, credit facility and market linkage to help villagers earn a sustainable livelihood. The ambitious project, which began in November 2016, was inspired by the success of India's first digital village created by ICICI Bank at Akodara in Gujarat in 2015. ICICI Bank is now picking more and more states and villages for the next phase in which it would create 500 digital villages by December 2017. The credit linkages facilities have been extended to those wanting to start their own small business and also for the Self-Help Groups (SHGs). Credit linkage has been provided to about 1,000 people directly and for over 2,000 through SHGs. In terms of training, 70 per cent were women. Besides, 84 per cent of those having been given training are now earning their livelihood on their own. Free vocational training was provided in association with ICICI Foundation for Inclusive Growth, the CSR arm of the group. The 100 villages covered so far include 16 in Gujarat, 14 each in Maharashtra and Madhya Pradesh, 12 in Tamil Nadu and Karnataka and 11 in Rajasthan, among others. ICICI Bank is using Aadhar-based e-KYC to help villagers open accounts in a paperless manner, without submitting physical documents. There is a dedicated ICICI Bank branch in each village to service these accounts. The bank has provided an SMS-based mobile service which facilitates the villagers to transfer funds, receive SMS alerts and mini-statements and know their account balance. It is available in 10 regional languages and functions on basic feature phones as well, without the requirement of smartphones. The training programmes included agriculture, dairy and vermicomposting, agriculture equipment service and repair, dress designing and sandstone cutting, mobile phone servicing and electrical home appliances.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/icici-to-make-600-villages-digitally-enabled-in-2017/articleshow/58472635.cms

Dated: May 02, 2017

- **Paytm To Become Payments Bank:** India's leading digital wallet player Paytm has received the final license from the Reserve Bank of India for its payments bank entity. With this, the road is now clear for the Noida-based payments player to kick start its much-awaited payments bank operations. Paytm Payments Bank Limited will begin its banking operations from May 23, 2017. As per the Central bank's guidelines, the company will transfer its wallet business to the newly incorporated payments bank entity under a payments bank license awarded to Founder and CEO Vijay Shekhar Sharma. Customers using the payment wallet will see it move to the Paytm Payments Bank Limited in the same capacity and have the option of discontinuing their wallet services with due communication sent to the company by May 23.The money will be transferred to the Paytm Payments Bank Limited as the wallet business will become part of the new company. It will happen automatically, and you need not do anything. Other banks too have their wallet businesses apart from their usual business.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/ paytm-to-become-payments-bank-know-what-will-happen-to-your-money/articleshow/58714436.cms

Dated: 17 May 2017

- **RBI Allows Co-Operative Banks To Issue Mobile Wallets:** The Reserve Bank of India (RBI) has allowed co-operative banks, who are permitted to install ATMs and issue debit cards, to also issue prepaid payment instruments PPIs like mobile wallets. In a notification issued, RBI laid down strict norms and conditions to be followed by co-operative banks before permitting them to issue wallets for utility bill payments and other activities up to a limit of Rs 10,000. It has been decided to permit all licensed co-operative banks having their own ATM network to issue semi-closed PPIs. This is subject to the compliance with eligibility criteria and other guidelines as prescribed by Department of Payment and Settlement Systems (DPSS), RBI from time to time. The apex bank also laid down various criteria like banks should be core banking or CBS compliant, with net non-performing assets being less than 3 per cent and also being profitable in the previous financial year. Further, the RBI has also mandated that the bank should have internal and audit inspection processes both for its branches as well as the head office. RBI has also mandated that there should be no monetary penalty being imposed on the entity during the last two financial years and the bank should also have a comprehensive customer grievance redressal mechanism. Commercial banks are allowed to issue mobile wallets like SBI have SBI Buddy, PayZapp from HDFC Bank among others. Customers can use these instruments to pay utility bills like electricity and water, recharge mobile phones and also buy goods and services online. After RBI permission, now even co-operative banks will be able to compete with their business competitors at the same plank.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-allows-co-operative-banks-to-issue-mobile-wallets/articleshow/58843697.cms

Dated: May 25, 2017

INDIA'S FOREIGN TRADE

- **Merchandise Trade:-**

o **Exports (Including Re-Exports):** In continuation with the double digit growth exhibited by exports during March 2017, exports during April 2017have shown growth of 19.77 per cent in dollar terms valued at US$ 24635.09 million as compared to US$ 20568.85 million during April,2016. In Rupee terms, duringApril 2017 exports were valued at Rs. 158913.79 crore as compared to Rs. 136720.11 crore during April,2016, registering a positive growth of 16.23 per cent. Non-petroleum and Non Gems & Jewellery exports in April 2017 were valued at US$ 17718.87 million against US$ 15136.41 million in April 2016, an increase of 17.06 %. The growth in exports is positive for all major economies, USA (4.74%), EU (0.16%),Japan (13.30%) except for China (-1.56%)for February 2017 over the corresponding period of previous year as per latest WTO statistics.

o **Imports:** Imports during April 2017 were valued at US$ 37884.28 million (Rs. 244380.52crore) which was 49.07 per cent higher in Dollar terms and 44.67 per cent higher in Rupee terms over the level of imports valued at US$ 25413.72 million (Rs. 168923.71 crore) in April, 2016.

o **Crude Oil And Non-Oil Imports:** Oil imports during April, 2017 were valued at US$ 7359.27 million which was 30.12 percent higher than oil imports valued at US$ 5655.92 million in April 2016. In this connection it is mentioned that the global Brent prices ($/bbl) have increased by 25.40% in April 2017 vis-à-vis April 2016 as per World Bank commodity price data (The pink sheet). Non-oil imports during April, 2017 were estimated at US$ 30525.01 million which was 54.50 per cent higher than non-oil imports of US$ 19757.80 million in April, 2016.

- **Trade In Services:-**

o **Exports (Receipts):** Exports during March 2017 were valued at US$ 14179 Million (Rs. 93406.57 Crore) registering a positive growth of 8.57 per cent in dollar terms as compared to negative growth of 3.76 per cent during February 2017 (as per RBI's Press Release for the respective months).

o **Imports (Payments):** Imports during March 2017 were valued at US$ 8267 Million (Rs. 54460.27 Crore) registering a positive growth of 14.26per cent in dollar terms as compared to negative growth of 13.96per cent during February2017 (as per RBI's Press Release for the respective months).

- **Trade Balance:-**

o **Merchandise:** The trade deficit for April 2017 was estimated at US$ 13249.19 million which was 173.47% higher than the deficit of US$ 4844.87 million during April 2016.

o **Services:** As per RBI's Press Release dated 15th May2017, the trade balance in Services (i.e. net export of Services) for March, 2017 was estimated at US$ 5912 million. The net export of services for April- March, 2016-17 was estimated at US$ 65214 million which is lower than net export of services of US$ 69419million during April- March, 2015-16.

(The data for April-March 2015-16 and 2016-17 has been derived by adding April-March month wise QE data of RBI Press Release).

- **Overall Trade Balance:** Overall the trade balance has improved. Taking merchandise and services together, overall trade deficit for April- March 2016-17 is estimated at US$ 40980.00million which is 16.87 percent lower in Dollar terms than the level of US$ 49297.53million during April-March 2015-16.

MERCHANDISE TRADE

Exports & Imports (US $ Million)	
	April
Exports (Including Re-Exports)	
2016-17	20568.85
2017-18	24635.09
% Growth 2016-17/ 2015-16	**19.77**
Imports	
2016-17	25413.72
2017-18	37884.28
% Growth 2016-17/ 2015-16	**49.07**
Trade Balance	
2016-17	-4844.87
2017-18	-13249.19
Exports & Imports (Rs. Crore)	
	April
Exports (Including Re-Exports)	
2016-17	136720.11
2017-18	158913.79
% Growth 2016-17/ 2015-16	**16.23**
Imports	
2016-17	168923.71
2017-18	244380.52
% Growth 2016-17/ 2015-16	**44.67**
Trade Balance	
2016-17	-32203.60
2017-18	-85466.73

SERVICES TRADE

Exports & Imports (Services) (US $ Million)	
	March 2017
Exports (Receipts)	14179
Imports (Payments)	8267
Trade Balance	5912
Exports & Imports (Services) (Rs. Crore)	
	March 2017
Exports (Receipts)	93406.57
Imports (Payments)	54460.27
Trade Balance	38946.31

TOP BANKING APPOINTMENTS

- **Government Demotes 2 Top Chief Executives Of Punjab National Bank And Bank Of India:** In a strong signal to state-run banks top executives to shape up or ship out, the government demoted two top chief executives Smt. Usha Ananthasubramaniam of Punjab National Bank and Bank of India's Shri Melwyn Rego. While Smt. Ananthasubramaniam has been transferred to a small lender Allahabad Bankand Shri Rego has been shunted out to Syndicate Bank. Shri Sunil Mehta, executive director of Corporation Bank would be the new CEO of Punjab National Bank while Shri D B Mohapatra, executive director of Canara Bank would be appointed as CEO of Bank of India. The government is expected to issue notification shortly. A recommendation to this effect has been put forward to the Prime Minister's Office for final approval. The CEO post is vacant at Allahabad Bank as Shri Rakesh Sethi retired in April, while Shri Arun Srivastava, CEO of Syndicate Bank is slated to retire in June.

Source: http://economictimes.indiatimes.com/news/industry/banking/finance/banking/ government-demotes-2-top-chief-executives-of-punjab-national-bank-and-bank-of-india/articleshow/58537916.cms

Dated: May 06 2017

- **Shri H.N. Sinor Rejoins Bank Board Bureau:** Shri HN Sinor, who recently resigned from Banks Board Bureau as a member of the board due to snail-paced progress of the implementation of its recommendations, has agreed to `re-engage' with it after consultations with its chairman Shri Vinod Rai. On May 12 reportedly Shri Sinor had resigned from the board due to differences over the policies, especially the surprise transfers of chief executives of Punjab National Bank and Bank of India. Subsequently, the government was engaging with CRISIL's former Chief Executive Pradip Shah, and Shubhalakshmi Panse, former chairman of Allahabad Bank to become a member of the board.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/hn-sinor-rejoins-bank-board-bureau/articleshow/58784266.cms

Dated: May 22 2017

- **Shri Meenkakshi Sundaram takes charge as Corporation Bank DGM:** Shri Meenakshi Sundaram assumed charge as deputy general manager of Corporation Bank. The deposits of bank increased to Rs 2.20 lakh crore from 2.05 crore (2016) registering a growth of 7.50 per cent. Credits of the bank stood at Rs 1.40 lakh crore as of March 31. Gross NPA ratio is at 11.70 per cent and net NPA ratio stood at 8.33 per cent as on March 31. In all, 62,270 bank accounts have been linked with MUDRA cards for easy access to working capital limits by MUDRA loan borrowers. Bank bagged three runner up awards under Social Banking Excellence Awards instituted by ASSOCHAM. The bank has been awarded National MSME Excellence Award.

Source: http://www.thehansindia.com/posts/index/Andhra-Pradesh/2017-05-26/Meenkakshi-Sundaram-takes-charge-as-Corporation-Bank-DGM-/302436

Dated: May 26 2017

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TOP RBI CIRCULARS

Circular Number	Date Of Issue	Department	Meant For
RBI/2016-2017/313 IDMD.CDD. No.3058/13.01.299/2016-17	30.5.2017	Internal Debt Management Department	The Chairman/ Managing Director State Bank of India/Associate Banks/ 17 Nationalized Banks/ Axis Bank Ltd., ICICI Bank Ltd., HDFC Bank Ltd., IDBI Bank Ltd./ Stock Holding Corporation of India Ltd.
RBI/2016-2017/312 Ref.No. IDMD/3053/08.02.032/ 2016-17	29.5.2017	Internal Debt Management Department	All Scheduled Commercial Banks All State Co-operative Banks/All Scheduled Primary (Urban) Co-operative Banks /All Financial Institutions/ All Primary Dealers.
RBI/2016-2017/311 DCBR.CO.LS.(PCB/RCB).Cir. No.5/07.01.000/2016-17	25.5.2017	Department of Co operative Banking Regulation	Chief Executive Officers of all Primary (Urban) Co-operative Banks / State Co-operative Banks District Central Co-operative Banks
RBI/2016-2017/310 FIDD.CO.LBS. BC.No.30/02.08.001/2016-17	25.5.2017	Financial Inclusion and Development Department	The Chairmen & Managing Directors All Lead Banks
RBI/2016-2017/309 IDMD.CDD. No.3031/13.01.299/2016-17	25.5.2017	Internal Debt Management Department	The Chairman/ Managing Director State Bank of India/Associate Banks/ 17 Nationalized Banks/ Axis Bank Ltd., ICICI Bank Ltd., HDFC Bank Ltd., IDBI Bank Ltd./ Stock Holding Corporation of India Ltd.
RBI/2016-2017/308 FIDD.CO.FSD. BC.No.29/05.02.001/2016-17	25.5.2017	Financial Inclusion and Development Department	The Chairman / Managing Director All Public & Private Sector Scheduled Commercial Banks
RBI/2016-2017/307 Ref. No. IDMD/3010/ 08.02.032/2016-17	22.5.2017	Internal Debt Management Department	All Scheduled Commercial Banks All State Co-operative Banks/All Scheduled Primary (Urban) Co-operative Banks/All Financial Institutions/All Primary Dealers
RBI/2016-2017/306 DBR.No.BAPD. BC.69/22.01.001/2016-17	18.5.2017	Department of Banking Regulation	The Chairman and Managing Director/ Chief Executive Officer All Domestic Scheduled Commercial Banks (Excluding Regional Rural Banks), Small Finance Banks, Payment Banks and Local Area Banks

RBI/2016-2017/305 DBR.No.BP. BC.70/21.04.142/2016-17	18.5.2017	Department of Banking Regulation	All Scheduled Commercial Banks (Excluding Regional Rural Banks)
RBI/2016-2017/304 DBR.Appt. No.BC.68/29.67.001/2016-17	18.5.2017	Department of Banking Regulation	All Scheduled Commercial Banks (excluding RRBs)
RBI/2016-2017/303 Ref. No. IDMD/2938/ 08.02.032/2016-17	15.5.2017	Internal Debt Management Department	All Scheduled Commercial Banks All State Co-operative Banks/All Scheduled Primary (Urban) Co-operative Banks /All Financial Institutions/ All Primary Dealers
RBI/2016-2017/302 Ref: DBR.CO.No.Ret. BC/66/12.07.144/2016-17	11.5.2017	Department of Banking Regulation	The Chairperson All RRBs
RBI/2016-2017/301 Ref. No.IDMD/2882/ 08.02.032/ 2016-17	08.5.2017	Internal Debt Management Department	All Scheduled Commercial Banks All State Co-operative Banks/All Scheduled Primary (Urban) Co-operative Banks /All Financial Institutions/ All Primary Dealers
RBI/2016-2017/300 DPSS (CO) EPPD No.2612/04.03.01/2016-17	08.5.2017	Department of Payment and Settlement Systems	The Chairman and Managing Director / Chief Executive Officer of member banks participating in NEFT
RBI/2016-2017/299 DBR.BP.BC. No.67/21.04.048/2016-17	05.5.2017	Department of Banking Regulation	The Chairman and Managing Director/ Chief Executive Officer All Scheduled Commercial Banks (Excluding Local Area Banks and Regional Rural Banks)
RBI/2016-2017/298 A.P. (DIR Series) Circular No. 46	04.5.2017	Foreign Exchange Department	All Category - I Authorised Dealer Banks

TOP EXPERT VIEWS

- **Ministry Of Finance Should Be Able To Infuse $27 Billion Into PSBs By 2019 (BOfAML):** As per a Bank of America Merrill Lynch (BOfAML) report, Ministry of Finance should be able to infuse $27 billion of capital into PSU banks by 2019 without breaching its fiscal deficit target. According to the global financial services major, PSU bank capital risks are overdone and government is fully incentivized to address their asset quality to support recovery. As per the report NPL (Non-Performing Loan) flow can be arrested only by cutting lending rates to spur recovery. OMOs are market operations conducted by RBI by way of sale/purchase of government securities to/from the market with an objective to adjust the rupee liquidity conditions in the market on a durable basis. If there is excess liquidity, RBI resorts to sale of securities and sucks out the rupee liquidity. Similarly, when the liquidity conditions are tight, RBI buys securities from the market, thereby releasing liquidity into the market. Banks have already cut MCLR by 50 bps after Prime Minister December 31 speech. BofAML expects base rate cuts by major banks like SBI and HDFC Bank. The government empowered the RBI to direct banks to initiate insolvency proceedings to recover bad loans. As per Finance Minister the ordinance (to amend the Banking Act) gives the Reserve Bank powers to issue "directions to any banking company or banking companies to initiate insolvency resolution process in respect of a default under the provisions of the Insolvency and Bankruptcy Code (IBC), 2016".

Source: http://economictimes.indiatimes.com/news/industry/banking/finance/banking/ ministry-of-finance-should-be-able-to-infuse-27-billion-into-psbs-by-2019-bofaml/articleshow/58595107.cms

Dated: May 09 2017

- **India Making Concerted Push To Tackle Bad Loan (Fitch):** As per Fitch Ratings, Indian authorities are making a more concerted push to clean up bad loans in the banking sector but the move would impinge on banks' profitability in the short-term. The asset resolution would be a dominant theme in the sector over the next few years and further losses may push some weaker banks closer to breaching minimum capital requirements, unless they receive pre-emptive capital injections. Recent regulatory actions in India suggest the authorities are making a more concerted push to tackle banks' bad loan problems. In the short-term, this is likely to create provisioning costs that will mean continued pressure on bank profits. Moreover, the clean-up exercise undertaken by the government may bring about consolidation in the banking space. Banks are straddled with anywhere between Rs 9 lakh Cr. and Rs 12 lakh Cr. of stressed assets - made up of bad loans, restructured debt and advances to companies that cannot meet servicing obligations. The government earlier this month through an ordinance amended law to give powers to the Reserve Bank of India (RBI) to order banks to initiate insolvency proceedings against defaulters and create committees to advise them on recovering NPAs. The increased powers given to the RBI to clean up asset quality, and to intervene at an early stage when risks build, represents an "important positive step" toward ensuring a healthy banking system in the future. RBI direction that pushes banks into initiating insolvency processes against borrowers could help to break a deadlock caused by concerns among bank officials that decisions on troubled borrowers will attract investigation by anti-corruption agencies. There is a "stronger intent and willingness" from the authorities to address the NPA problem. There will be significant implementation challenges, but asset resolution is likely to strengthen over the next few years. The resolution of non-performing loans is likely to require significant haircuts if the re-priced loans are to attract attention from private investors and asset- reconstruction companies. State-run banks, which hold the bulk of stressed assets, are likely to report low returns on assets for the current fiscal. Further losses at some of the weakest small-to-medium sized state banks could pressure them to shrink, or to eventually exit the system by entering into forced mergers. The authorities should manage this in a way that is least disruptive for the financial system, but the process will entail risks for investors of capital securities, at least in the case of weakest banks. Large state banks will also face higher provisioning costs these could eventually receive more capital from the government than has already been budgeted.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/india-making-concerted-push-to-tackle-bad-loan-fitch/articleshow/58639760.cms

Dated: May 12 2017

- **Rs 2.6 Trillion Of Bank Credit May Slip In Next 12-18 Months (IndRa):** According to Domestic rating agency India Ratings and Research the banking system has Rs 7.7 trillion of unrecognized stressed loans in corporate and SME sector and expects around 35 per cent of them to slip into the NPA category in the next 12-18 months. Indian banks are sitting on unrecognized stressed loans worth of Rs 7.7 trillion. The estimate that potentially Rs 2.6 trillion of corporate and SME loans, which is 3.2 per cent of total bank credit, will be recognized as stressed loans by fiscal 2019. It pegs stressed corporate and SME debt at 22 per cent of total bank credit. The recognized stressed corporate and SME loans in the system currently stands at around 12 per cent of total bank credit. The total unrecognized stressed book that banks are sitting on, around 1.8 per cent is to stressed public sector units, around 2 per cent of it either enjoys some group support and could flow to joint lender forum or would be subject to asset sale around 2.9 per cent could be the addition to the restructured book from infrastructure projects. The sectors which have the highest unrecognized stressed exposure include infrastructure, power, telecom and real estate among a few other sectors. While the iron and steel sector has seen lot of stress recognition in the asset quality review exercise conducted by the Reserve Bank in the last fiscal, provisioning continues to remain inadequate considering higher loss given default estimates. The impaired assets will peak at 12.5-13 per cent by fiscal 2019.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/rs-2-6-trillion-of-bank-credit-may-slip-in-next-12-18-months-indra/articleshow/58719349.cms

Dated: 17 May 2017

- **Low Investor Appetite May Dampen Bank Fundraising Plan (Morgan Stanley):** As per the report of Morgan Stanley, A number of state-owned banks have taken approval to raise significant amount of capital, but investor appetite for these fresh issuance is likely to be lukewarm. According to a Morgan Stanley research report, eight public sector banks have taken board approvals to raise fresh capital, while another five have informed exchanges that their boards will consider capital raising in upcoming meetings. State Bank of India, Bank of India, Oriental Bank of Commerce, Vijaya Bank, Bank of Maharashtra, Dena Bank, Indian Bank and UCO Bank have taken approval from the board to raise capital while those that would seek approval are Bank of Baroda, United Bank of India, Allahabad Bank, Corporation Bank and Andhra Bank. The report, however, noted that the investor appetite for fresh issuance is likely to be lukewarm. It noted that while large banks should be able to raise capital given relatively better fundamentals, smaller state owned banks may struggle. With all banks looking to raise capital, demand from investors may be muted- unless banks make this offering to government / government backed entities. Moreover, the amounts they are looking to raise is high at as much as 90 per cent of market cap (compared to 6 per cent at SBI). As government capitalization continues to be piecemeal and below requirements, state-owned enterprise banks will likely struggle to make proper provisions on bad loans, keeping the NPL (Non Performing Loans) problems alive.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/low-investor-appetite-may-dampen-bank-fundraising-plan-morgan/articleshow/58823821.cms

Dated: May 24 2017

- **Indian Banks' Bad Loans Seen At 15% Of Total By Mar 2018 (S&P):** As per S&P Global ratings, Indian banks' stressed assets are likely to increase to 15 per cent of total loans by March 2018 even as their regulatory capital requirements will continue to rise till 2019. Indian banks' credit profiles are unlikely to improve over the next 12 months. The banking sector's total stressed assets will increase to 13-15 per cent of the total by the end of March 2018, with PSU banks accounting for most of that loan. Year-over-year increase in non-performing loans (NPLs) led to higher provisions and lower profits and the capital available to absorb unexpected losses remained thin. Besides, loan growth was among the lowest in a decade. "India's public sector banks will have to continue to rely on external capital infusion to meet the Basel III capital requirements, or sell off their non-core assets or investments. The PSU banks operate with a thin capital cushion. In addition, they may be required to make large "haircuts" on loans to unviable stressed projects, the regulatory capital requirement will continue to rise till 2019, and profitability will remain subdued. The government has promised to infuse Rs 70,000 crore into its

PSU banks over 2016-2019, with Rs 10,000 crore allocated for fiscals 2018 and 2019 each. In our view, these amounts will not be sufficient to fully resolve the public sector banks' looming capital shortfall. The capital shortfall and asset quality problems could pave the way for consolidation among the government- owned banks. Also, consolidation needs to be accompanied by significant improvement in risk management practices, efficiency gains, capitalization and improvement in overall governance. The government's capital infusion and extraordinary support will be a key rating factor for India's PSU banks.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/indian-banks-bad-loans-seen-at-15-of-total-by-mar-2018-sp/articleshow/58912114.cms

Dated: May 30 2017

- **ICRA Downgrades Oriental Bank Of Commerce Citing Weak Financials (ICRA):** Rating company ICRA has cut the creditworthiness of state-owned Oriental Bank of Commerce citing weak financials as the lender, saddled with bad loans has already reported losses. The rating downgrade applies to various borrowing programmes. OBC has sold Rs 6,700 crore worth of bonds to domestic fund houses and institutions, which would be now sitting mark-to-market losses amid fear of missing repayments. Normally, bond yields shoot up pulling prices down after rating downgrade. The ratings downgrade and negative outlook on the ratings are driven by ICRA's weak outlook on the bank's asset quality, profitability as well as the increasing capital requirements under Basel III. The bank's gross bad loans increased nearly 14% to Rs 22,859 crore in the financial year 2016-17. The negative outlook on the ratings continues to reflect the weak outlook on the bank's asset quality and profitability. The limited headroom available to raise capital from non-government sources given the government ownership of 58.38% stake as on March 31 this year. Out of five series of bonds ICRA has withdrawn rating only in issuance of Rs 500 crore while the rest faced downgrades. But, a majority sovereign ownership is seen as a key positive for the bank, which could well obtain support from the authorities to repay interest on bonds. Coupon payments, which are non-cumulative, are discretionary and the bank has the full discretion at all time to cancel coupon payments. Last financial year OBC has reported a loss of Rs. 1,094 crore compared to a net profit of Rs 156 crore in FY2016. Earlier in the month, government-owned IDBI Bank faced the same downgrade ratings.

Source: http://economictimes.indiatimes.com/industry/banking/finance/banking/icra-downgrades-oriental-bank-of-commerce-citing-weak-financials/articleshow/58932550.cms

Dated: May 31 2017

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