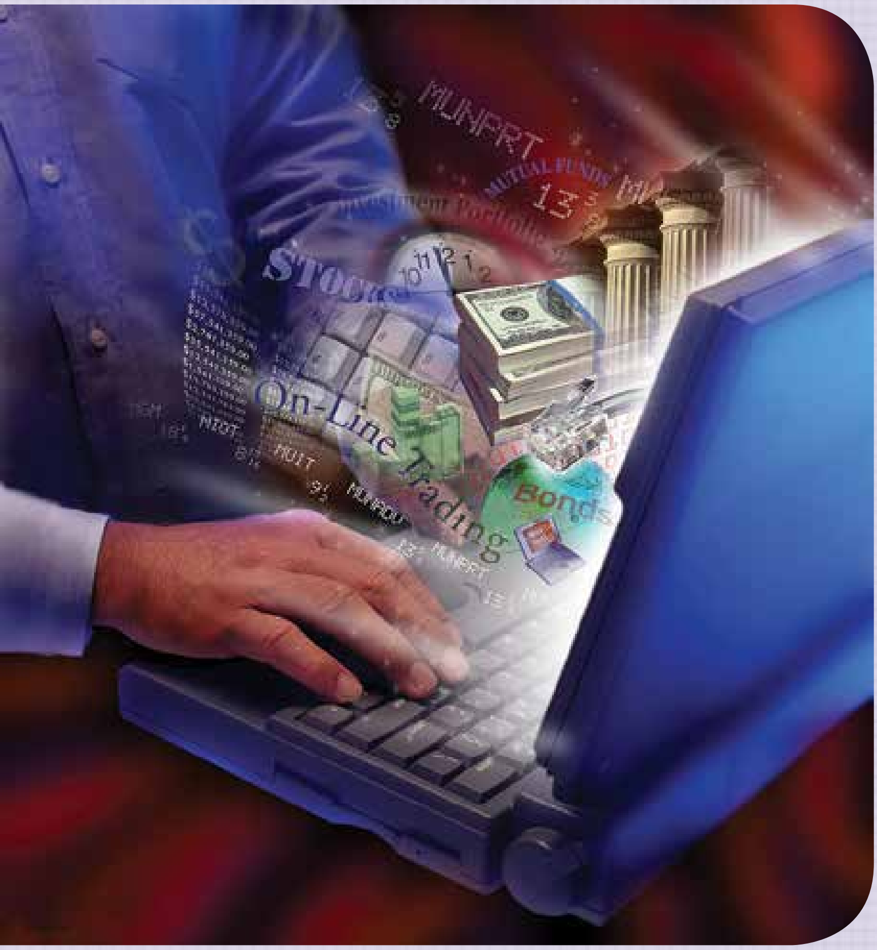
OCTOBER 2019 VOLUME-51

ASSOCHAM INDIA

Banking e-Bulletin



CONTENTS

THE ASSOCIATED CHAMBERS OF COMMERCE AND INDUSTRY OF INDIA

DEPARTMENT OF BANKING & FINANCIAL SERVICES

ASSOCHAM Corporate Office: 5, Sardar Patel Marg, Chanakyapuri, New Delhi-110 021

Tel: 011-46550568 (Hunting Line) • Fax: 011-23017008, 23017009 • Web: www.assocham.org

Dr. Rajesh Singh
Mob: +91-9871204880
E-mail: rajesh.singh@assocham.com

Kushagra Joshi
Mob: +91-8447365357
E-mail: kushagra.joshi@assocham.com

TOP RBI SPEECHES

Dimensions of India's External Sector Resilience (Shri Shaktikanta Das, Governor, Reserve Bank of India - Thursday, September 19, 2019 - Delivered at the Bloomberg India Economic Forum 2019 in Mumbai):-

The international environment is clouded with very challenging conditions. Global growth is slowing down and central banks across the world are bracing up to counter it by easing monetary policy; but there is no recession as yet. Trade wars have pushed world trade into contraction and threaten to morph into tech and currency wars, with no evidence of any significant gains accruing to anyone. Meanwhile, global commodity prices have weakened, with collateral benefits to net commodity importers and terms of trade losses for commodity exporters. The developments emanating from drone strikes on Saudi oil facilities are, however, still playing out. Sporadic flights to safety are driving capital flows out of emerging markets into advanced economy assets; but the universe of negative yielding bonds is growing disconcertingly large, posing a potential threat to financial stability.

Strengths and Weaknesses

In this hostile environment, India's external sector has exhibited resilience and viability. The current account deficit has averaged 1.4 per cent of GDP over the last 5 years and remains comfortably financed in spite of global spillovers imparting risk-on-risk-off volatility to portfolio flows. The level of foreign exchange reserves was at US$ 429 billion on September 13, 2019, sufficient to cover close to 10 months of imports or 21 months of debt of residual maturity up to 1 year. The Indian economy remains a preferred habitat for foreign direct investment (FDI) and is among the top 10 destinations for greenfield projects (Source: FDI Report, Financial Times, 2018). Net foreign direct investment at US$ 18.3 billion in April-July 2019 was higher than US$ 11.4 billion in the corresponding period of 2018-19.

Significant progress has been made in external debt management since the external payment difficulties encountered in 1990 which triggered wide-ranging structural adjustments and reforms. The level of external debt at 19.7 per cent of GDP and the debt service ratio (principal repayments and interest payments as a ratio of current earnings) at 6.4 per cent of GDP are among the lowest in emerging market peers. This places India among the least externally indebted countries of the world, by the World Bank's classification. In terms of a broader measure of external liabilities – the net international investment position (NIIP) which includes both debt and equity liabilities, net of foreign assets – India's exposure declined to 15.9 per cent of GDP at end-March 2019 from a peak level of 18.3 per cent at end-March 2015. Foreign exchange reserves covered 76 per cent of external debt and 94.6 per cent of the NIIP at end-March 2019, up from 68.2 per cent and 89.3 per cent, respectively, at end-March 2014. Short-term debt by residual maturity declined to 57 per cent of foreign exchange reserves at end-March 2019 from a peak level of 59 per cent at end-March 2013. Short-term debt by original maturity constitutes barely 20 per cent of total external debt.

These healthy developments are underpinned by the innate strength of India's underlying fundamentals. The degree of openness of the economy, measured by the ratio of exports and imports of goods and services to GDP, has risen from 20 per cent in the first half of the 1990s to 44 per cent in the latest five-year period from 2014-19. The share of India's merchandise exports in world exports has gone up from 0.5 per cent in 1990 to 1.7 per cent in 2018.

In line with the expanding share of services in domestic output, India's services exports have grown rapidly over the past two decades. In fact, India's services exports have shown a higher degree of resilience to global shocks than merchandise exports. At US$ 81.9 billion, net services exports financed 45 per cent of India's trade deficit in 2018-19. In the area of traded services, India remains a world leader in software exports and information technology (IT) enabled services, accounting for around 12 per cent of world software exports. India's IT sector, which earned US$ 78 billion through net exports in 2018-19, is leapfrogging into new technologies including artificial intelligence, machine learning and robotics. The Indian diaspora is among the largest in the world and reflecting this, India currently receives the highest amount inward remittances in the world from Indians working abroad. Alongside, accretions to non-resident deposits have provided stable and reliable support to the balance of payments over the years. Financial openness, measured by the ratio of gross capital inflows and outflows to GDP, has increased three-fold from 15 per cent in the first half of the 1990s to 45 per cent during 2014-19.

Notwithstanding these achievements, there are several areas of concern as well which occupy center-stage in the conduct of external sector management. First, merchandise exports have lost momentum under the weight of the slump in world trade. In spite of export volume growth averaging 4.2 per cent during 2013-18 (UNCTAD, 2019), India's export growth in US dollar terms has weakened – as in a host of emerging and advanced economies - to 2.2 per cent over the same period, as falling unit value realizations have taken their toll. The slowdown in global demand has affected our exports of petroleum products as well – they constitute 14 per cent of total merchandise exports. Second, the deceleration in domestic demand has pulled imports, especially non-oil non-gold imports, into contraction and this has reduced the inflow of intermediates, capital goods and technology that is vital for modernizing our infrastructure and industry. Third, portfolio flows, which on average account for about 23 per cent of external financing in a normal year, have turned highly volatile, with net outflows of US$ 0.6 billion in 2018-19. During 2019-20 so far (up to September 13), portfolio equity outflows were of the order of US$ 1.4 billion but lower than US$ 2.9 billion in the corresponding period a year ago. Net inflows into the debt market of US$ 4.1 billion have, however, provided relief. Moreover, these portfolio capital movements have turned out to be conduits of global spillovers, impacting domestic equity, debt and forex markets, and asset prices. Nonetheless, the underlying resilience of India's external sector, anchored by the positive features I set out earlier, have cushioned these shocks and insulated the domestic economy.

Managing the External Sector

Against this backdrop, I would like to turn to several recent initiatives undertaken by the Reserve Bank of India and the Government of India to fortify India's external position and improve the capacity of the economy to deal with the headwinds that confront us in these testing times.

Exports

Exports hold the key to a sustainable balance of payments position. In the final analysis, liabilities in the form of debt and even equities cannot entirely substitute for foreign exchange earnings from exports of goods and services that create import purchasing power and liability servicing capacity. Over the years, the policy endeavor has been to secure a wide diversification in India's export profile in terms of both products and destinations. In particular, product diversification has enabled India to broaden its export basket relative to BRICS peers and reduce its vulnerability to trade shocks. Apart from diversification, India is now exporting sunrise products like electronics, chemicals and drugs and pharmaceuticals for which demand is expanding at the global level. In the smart phone segment of electronic goods, India has transformed itself from being a net importer to an exporter with the impetus from the phased manufacturing programme.

Looking ahead, several initiatives have been put in place and others are being launched on an ongoing basis to enable export industries to regain productivity and cutting edge competitiveness. They include upgradation of export facilities, integration of Indian farmers and their products with global value chains, and trade facilitation measures. More recently, efforts are going into reimbursement of taxes and duties, including electronic refund of input tax credits in GST. An action plan for 12 'champion' services sectors, including IT, tourism and hospitality, and medical services has been developed since February 2018. The Reserve Bank and the Government are actively engaged in the promotion of e-commerce platforms that will boost the exports of both merchandise and services. All these steps seek to create a more conducive climate for exports.

Capital Flows

With regard to capital flows, India has adopted an approach marked by progressive liberalization but calibrated to the realities of the domestic situation, including the evolution of financial markets. A diverse range of instruments for managing exchange rate risk for an expanding investor base has come into play. India's hierarchical policy approach – preferring equity flows over debt flows, and preferring FDI flows over portfolio flows within equity flows and long-term debt flows over short-term flows within total debt flows – has influenced the composition of capital flows.

Turning to equity flows, FDI policy has been progressively liberalized across various sectors in recent years to make India an attractive investment destination. Sectors that have been opened up in recent years include defense, construction development, trading, pharmaceuticals, power exchanges, insurance, pensions, financial services, asset reconstruction, broadcasting and civil aviation. 100 per cent FDI has also been allowed in insurance intermediaries. In August 2019, FDI norms in single-brand retail trade have been further liberalized. FDI up to 100 per cent has been permitted under the automatic route in contract manufacturing and coal mining.

With regard to foreign portfolio investment (FPI), several measures have been undertaken to create an investor-friendly regime and to put in place a more predictable policy environment. FPI limits are now being revised on a half yearly basis under the medium-term framework. FPI has been allowed in municipal bonds within the limits set for State Development Loans (SDLs). Greater operational flexibility has been granted to FPIs under a Voluntary Retention Route (VRR) which facilitates investment in G-secs, SDLs, treasury bills and corporate bonds while allowing investors to dynamically manage their currency and interest rate risks. The initial response to the VRR scheme has been encouraging. The Union Budget 2019-20 proposed to ease KYC norms for FPIs and also merge the NRI portfolio route with the FPI route for seamless investment in stock markets. Outward direct and portfolio investment have also been progressively liberalized to give Indian entities a global scan and presence.

External borrowing norms have also been simplified under two tracks: foreign currency denominated ECBs; and rupee denominated ECBs. The list of eligible borrowers has been expanded to include all entities eligible to receive FDI, registered entities engaged in microfinance activities, registered societies/trusts/cooperatives and non-government organizations. A rule-based dynamic limit for outstanding stock of ECBs at 6.5 per cent of GDP is in place. Rupee denominated bonds or Masala bonds under the ECB route offer an opportunity to domestic firms to borrow from international markets without the need for hedging exchange rate risk. ECBs up to US$ 750 million or equivalent per financial year are permitted under the automatic route. Recently, end-use restrictions relating to external commercial borrowings have also been relaxed for specific eligible borrowers for their working capital requirements, general corporate purposes and repayment of rupee loans. The mandatory hedging requirement had earlier been reduced from 100 per cent to 70 per cent for ECBs with minimum average maturity period between 3 and 5 years in the infrastructure space. Net disbursement of ECBs rose to US$ 7.7 billion in April-July 2019, as against net repayments of US$ 0.8 billion in the corresponding period of 2018-19.

Exchange Rate

Before concluding, it is only fair to say a few words about the exchange rate of the rupee. Over the last couple of years, the exchange rate has seen large two-way movements with considerable volatility imparted mainly by global spillovers. During 2019-20 so far, the rupee has traded in a narrow range, with modest appreciation in Q1 giving way to some depreciation in August and the first half of September, accentuated by drone attacks on Saudi oil facilities on September 14, 2019. In its External Sector Report of July 2019, the International Monetary Fund (IMF) has employed a suite of models to assess the alignment of currencies with their fundamentals. For the rupee, the IMF estimates the REER gap to be zero, implying that the currency is fairly valued and broadly in line with fundamentals. India's exchange rate regime is flexible and market-driven, with the exchange rate being determined by the forces of demand and supply. The RBI has no target or band for the level of the exchange rate. Interventions are intended to manage undue volatility. This is reflected in the two-sided interventions conducted during the past two years – net purchases in 2017-18, followed by net sales in 2018-19. In fact, it is in recognition of this flexibility that the US Department of the Treasury has removed India from its watch list relating to currency manipulation.

Conclusion

Overall, the outlook for India's external sector is one of cautious optimism, albeit with some downside risks accentuated at this juncture. Among them, deepening of the global slowdown and escalation of trade and geopolitical tensions appear to be the most significant. Volatile international crude prices also continue to pose potential risks to the viability of the current account balance through trade and remittances channels. Yet, there are underlying strengths that can be built upon to buffer the external sector from these risks. The search for new export markets and new niches must go on so as to reap the benefits of changing dynamics of global value chains. Indian IT companies need to accelerate market diversification and invest in new skills and technologies to hone their comparative advantage. Remittances and non-resident deposits are likely to remain shock-absorbers over the medium term and need to be assiduously cultivated, including by ease of remitting/depositing and reducing transaction costs.

Ultimately, the strength of the external sector derives from domestic macro-fundamentals. Investors and markets need to be credibly assured of our ability to maintain macroeconomic and financial stability through continued focus on these areas. At the same time, we need to persevere with structural reforms in various sectors of the economy to unlock productivity and competitiveness gains. The overarching objective should be to keep the current account deficit within sustainable limits and financed by a prudent mix of debt and equity flows. As I stated earlier, the global environment is challenging, but it offers opportunities as well. By the IMF's assessment, India will account for a sixth of global growth in 2020. Trade wars are presenting new business relocation avenues that seem to be favorable to India from the point of view of the economies of scale and scope. Indian entrepreneurship, the rupee and our people are progressively but inexorably internationalizing. Since 2018, India's working age population has grown larger than the dependent population, and this demographic advantage is expected to last till 2055. In this milieu, prudent external sector management with a close and continuous vigil on areas of external vulnerability assumes critical importance and will continue to receive RBI's close attention.

ARTICLE FROM MANAPPURAM FINANCE LTD.

Shri V.P. Nandakumar
MD & CEO, Manappuram Finance Ltd.

Tighter regulations, not the way forward

Ever since the IL&FS debacle, India's NBFCs have been under the microscope of regulators, analysts, investors, journalists and the public at large. Predictably, there are calls for further tightening of regulations governing the sector, in the belief that a move from the light-touch to the more heavy-handed will somehow improve matters.

To get to the crux of the issue, we may begin by asking why is it that NBFCs exist in the first place? After all, it should be theoretically possible for the well-regulated banks to take over this space. But that assumption is problematic because the banking system has gaps (and cracks) that leave out large sections of people in the cold. And it is precisely this failure of the banking system that has allowed the non-banks to thrive. Typical examples would include sectors requiring specialised knowledge such as infrastructure financing, or a cost-effective way to cater to marginal borrowers from the informal sector. NBFCs address these constituencies by acquiring specialised knowledge usually gained through focused attention, and by innovations that help contain the risks in catering to these segments. Be it the microfinance segment, used vehicle financing, personal loans for MSME employees or business loans for the smaller business entities, the list is long, and yet a good chunk of the demand for credit and financial services is unmet.

Regulations vs. innovations

Regulations are a product of rational thought, where as innovations emerge from out-of-the-box thinking. Innovations can not and do not thrive under a heavy hand. Innovations are like start-ups where the failure rate is high, yet the one start-up that survives and flourishes goes on to redefine the sector. Encouraging a culture of innovation requires a higher tolerance for failure.

A case in point is how Shriram Transport carved a niche for itself by financing second-hand trucks. Logic tells us that a second-hand truck is a troublesome asset to finance. On the one hand, it depreciates rapidly; on the other hand, you never know for sure where the asset is at any point in time. Besides, the borrower looking to get this truck financed is in all likelihood a truck driver himself, wanting to move up in life. He will be high on hope and short on money. A regulator evaluating the business would see red flags everywhere and be tempted to prescribe tight controls all around. And yet, Shriram Transport plunged headlong into this business and triumphed, brilliantly at that. They did that not just by advancing the money for the truck but by learning the nitty-gritty of the trade and building an entire eco-system around it. They took it upon themselves to ensure that the truck they financed would face minimum downtime and eventually fetch a reasonable resale price.

In the banking sector, failures come at a considerable cost and therefore it is rigorously regulated to prevent downsides. And that is why NBFCs have been at the forefront of innovations in financial services, which banks go on to adopt later. Any attempt to prevent downside risks by tighter, heavy-handed regulations will stifle innovation and will be counterproductive. Besides, regulators also have fiduciary responsibility to enable the growth of NBFCs. NBFCs have been the leaders in product and services innovations, such as second-hand truck financing or loan against gold jewellery. Lending against gold jewellery was for long left unaddressed by the banks, pushing borrowers into the grip of non-institutional moneylenders and pawnbrokers. The entry of NBFCs redefined the market by its innovations in products and processes. Now,almost all private and public sector banks lend without any reservation against gold jewellery, bringing millions into the institutional credit framework and freeing them from the clutches of moneylenders.

Regulations must evolve

In a dynamic economic environment, regulations must evolve with the times. The old rules and regulations which have outlived their relevance today, should be withdrawn. For example, in the era of digital lending, what worthwhile purpose is served by having gold loan NBFCs seek prior approval from regulators before opening new branches? The regulatory framework should strike an optimal balance between preventing downside risks and allowing the business to grow to its fullest potential. Ideally, regulators should cast themselves in the mould of guardians, who use rules and rewards to nudge their wards towards the desired behaviour.

In this context, the time is right for introducing risk-weighted capital requirements for NBFCs at par with banks. The existing system of 100 percent risk-weight across all assets and all durations does not serve the purpose of prudential risk management. Instead, if NBFCs are made to provide proportional additional capital for the extra risk they take, the incentive to take on excessive risk will reduce. Further, fine-tuning regulations to move away from caps on loan-to-value (LTV) ratios towards risk-weighted capital would reignite innovations in the risk underwriting process.

A blanket cap on LTV, such as the current 75 percent cap on gold loan LTV, amounts to a one-size-fits-all approach with all its attendant drawbacks. It not only pushes small borrowers back towards informal sources like moneylenders (where the cap won't apply), but it also restricts product innovations by withdrawing the lender's incentive. Moreover, it throws up the anomaly that a borrower today can borrow any amount without security under a personal loan but not when he is willing to furnish the liquid security of his gold jewellery. If the concern is that lenders may take on higher risk, the smarter option would be to prescribe risk-based capital norms as mentioned above. As loans go above a base LTV, regulators may prescribe higher and higher capital to be provided. Such a framework would ensure that only those entities who understand the risks and who have the capital to bear the consequences,would do so. That would allow the stronger, better managed, and better funded entities to drive innovations and lead the herd.

Needed, a developed bond market

The question may now be asked, does the case against tighter regulations and in favour of greater tolerance of failure mean that we should resign ourselves to more fiascos like IL&FS? Not necessarily. One reason why IL&FS had such drastic repercussions is that India's financial markets are still a work-in-progress and there is a dearth of alternatives sources to bank funding, especially for medium and long-term funding. Over-reliance on short term funding for long term lending is always a cause for worry. Our bond markets are still undeveloped, forcing NBFCs to borrow more from the banking system. Therefore, the first imperative is to develop and deepen the bond markets that would free the NBFCs from dependence on banks and make the occasional failure less traumatic. On-tap public issue of bonds where corporates use stock exchanges to sell bonds directly to investors (including retail investors)is a good way to get started. It would enable NBFCs to raise funds regularly, at lower issuance costs.

TOP BANKING NEWS

- **RBI To Pick Up Slack As India Stimulus Measures To Fall Short:**

  Recent stimulus measures announced by the Indian government will be insufficient to boost economic growth significantly, said a majority of economists in a Reuters poll who predicted two more interest rate cuts this year, in October and December. To revive the ailing economy, the government in September announced a steep cut in the corporate tax rate - to 22% from 30% - triggering the biggest intraday gain in Indian stocks in more than a decade. That along with other measures, including a rollback of a higher surcharge on foreign portfolio investment - introduced in the budget in July - led international investors to become net buyers of Indian assets in September. But nearly 60% of around 50 economists who answered an additional question said those stimulus measures were unlikely to have a notable impact on the economy."While the cut in corporate taxes is sharp, its actual impact on growth is uncertain. Given that the current problem is of weak demand, a demand augmenting measure would have been more productive," said Rini Sen, India economist at ANZ. Although the economy is expected to have recovered last quarter from the sharp slowdown in the three months prior, economists downgraded their growth outlook for this fiscal year and next from three months ago. The Sept. 24-30 poll of over 50 economists predicted gross domestic product growth to average 6.1% this fiscal year, the lowest since polling began for the period in April last year. If realised, that would mark the slowest pace of growth in seven years. The economy was then expected to expand 6.8% next fiscal year, a downgrade from 7.2% predicted in the July poll. That weak outlook was driven by lack of clarity on when and how the U.S.-China trade war will end, which has already hurt business sentiment, manufacturing activity and the global economy. But some economists argued recent measures announced by the Indian government, along with monetary policy easing, would likely boost Asia's third-largest economy. The Reserve Bank of India (RBI) has already eased policy by a cumulative 110 basis points this year. It is now expected to cut its repo rate by 25 basis points on Friday, making it the fifth meeting in a row of easing, and is then predicted to follow that up by with another 15 basis points slice in December, taking the key rate to 5.0%. But the RBI is then forecast to keep rates unchanged until 2021 at least. "It looks like the authorities - both the government and the central bank - are firing up all cylinders to provide stimulus to the economy...with stimulus announced so far should start to revive growth going forward," said Prakash Sakpal, Asia economist at ING. When asked how many more rate cuts it would take to boost growth significantly, nearly 45% of economists said cumulative rate cuts up to 50 basis points will be needed. Eleven said between 50 and 100 basis points would do the trick, while two said over a percentage point. The outlook for further policy easing was also backed by subdued inflation, which is not expected to breach the central bank's medium-term target of 4% until the fourth quarter of 2020. "With inflation remaining under control, monetary stimulus in combination with the recent fiscal measures are likely to be growth supportive," said Shashank Mendiratta, economist at IBM. But not everyone agreed with that view. Nearly 30% of respondents said boosting economic growth significantly is beyond the RBI's immediate control. "Not only monetary policy but also short-term measures that the government has taken so far, are used to sugar-coat the wrong policy trajectory from a structural point of view," said Hugo Erken, head of international economics at Rabobank. "Because what India really needs is a large-scale reform package on several fronts." A weak growth outlook, ongoing concerns about the U.S.-China trade war and the prospect of further RBI easing are all expected to hurt the Indian rupee in coming months. After rallying as much as 3% against the dollar in September, the rupee is forecast to reverse most of those gains to trade at 72.50 per dollar in a year, compared to 70.70 on Monday. "Despite the fact that both monetary and fiscal levers are now being deployed to prop up growth, a material recovery is still elusive," added ANZ's Sen. "We therefore see limited scope for the current (rupee) rally to last unless demand sharply recovers. In addition, global risks including worsening in trade uncertainties or an oil price surge could add to rupee volatility."

Source: https://www.moneycontrol.com/news/business/economy/rbi-to-pick-up-slack-as-india-stimulus-measures-to-fall-short-economists-4491931.html

Dated: Oct 01, 2019

- **HDFC Bank, ICICI, Others InMeitY's Digital Good Books:**

  HDFC Bank and Paytm Payments Bank are among seven financial institutions that have topped the rankings in the number of digital transactions reported in July. The government is tracking the numbers as part of its agenda to achieve 40 billion digital transactions in the current financial year. HDFC Bank and ICICI Bank among traditional lenders, Paytm and Fino among payment banks, and Canara Bank and IDBI Bank among the public sector entities have been rated 'good' on a list by the Ministry of Electronics and Information Technology (MeitY). HSBC is the only foreign bank to figure in the top seven. In June, HDFC Bank and Fino were the only ones to get a 'good' rating from the ministry. MeitY comes out with a monthly scorecard for banks. The scores are calculated using factors such as the number of digital transactions, share of successful transactions on the Unified Payments Interface (UPI) railroads and number of merchants on boarded for digital payments. The result sheet is shared with banks. ET has seen a copy of the scorecard. HDFC Bank, which has received the highest score of 71, reported 110% achievement of its target set for the month, while Fino with a score of 70, reported 196% achievement of the target, as per the scorecard. Paytm was a turnaround story in July, climbing to the third position with a score of 69, and 102% in terms of the digital payments target and full achievement of merchant deployment targets. Paytm was ranked 26 in June. In absolute numbers, Paytm has reported the highest number of digital transactions among all banks. A Paytm Payments Bank spokesperson said the firm has set a target of 5 billion digital transactions for the year, but it has already recorded 1.3 billion transactions in the first three months of the year. The bank has also on boarded almost 1 million rural merchants in the same period, he said. As per the MeitY scorecard, Paytm was lagging behind on the target for on boarding merchants in northeastern states, achieving only 1,257 out of the 5,20,000 target. Paytm has displayed one of the highest rates of successful transactions in the month, with just 0.03% of the transactions on UPI being declined, among the best in the industry. For other banks at the top, the numbers are less than 1%, except for Canara Bank, which reported more than 1.4% transaction declines on UPI. "The MeitY report of July is a reiteration of our June performance that reflects Fino's commitment to increasing banking access in rural areas and pushing digital transactions through Micro ATM and AePS enabled strong merchant network," said Ashish Ahuja, chief business officer, Fino Payments Bank. The bank said it had reported 18 million digital transactions in July, compared to 15 million in June. As of August, it built a merchant network of 65,000 in rural areas.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/hdfc-bank-icici-others-in-meitys-digital-good-books/articleshow/71384721.cms

Dated: Oct 01, 2019

- **PMC Bank Created Over 21,000 Fake Accounts To Hide Loans:**

  Punjab and Maharashtra Co-operative Bank (PMC) used more than 21,000 fictitious accounts to hide loans it made, according to a police complaint lodged by Indian officials, in the latest banking fraud case to spook the country's depositors and investors. The complaint, filed with the Economic Offences Wing (EOW) of Mumbai Police on Monday and later seen by Reuters, accuses the bank's management of concealing non-performing assets and disbursing loans leading to a loss of at least 43.55 billion rupees ($616.5 million). A single realty firm and its group companies were the beneficiaries of 44 loans, according to the complaint. "The actual financial position of the bank was camouflaged, & the bank deceptively reflected a rosy picture of its financial parameters," said the complaint, noting that the fictitious loan accounts were not entered into the bank's core banking system - a factor key in the perpetration of a $2 billion fraud at Punjab National Bank that was uncovered in 2018. The complaint names the bank's Chairman Waryam Singh and its Managing Director Joy Thomas, along with other bank officials, and accuses them of criminal breach of trust, forgery and falsification of records. It also names bankrupt realty company Housing Development and Infrastructure Ltd, along with its former senior executives Sarang Wadhwan and Rakesh Wadhwan, who were beneficiaries of the loans. A senior government official late on Tuesday said that the serious fraud investigation office will look into the alleged wrong doing by HDIL in the PMC case, expecting to complete the investigation in the next two months. PMC and HDIL did not immediately respond to requests for comment. The Reserve Bank of India (RBI) said it had no comment. The PMC case has sparked renewed concerns about the health of India's troubled banking sector, which has been rocked by a multi-billion dollar fraud at a state-run lender, the collapse of a major infrastructure lender, bad loan issues at state-run banks and a liquidity squeeze that has hit shadow lenders. More than two dozen co-operative banks are now under RBI administration, but PMC Bank - with deposits of 116.2 billion rupees as of March 31 - is by far the largest. The RBI last week moved to take charge of PMC, one of India's top five co-operative lenders with more than 900,000 depositors, and suspended Thomas and the bank's board after uncovering lending irregularities. The RBI has barred the bank from renewing or granting any loans or making investments without prior approval of the central bank, while depositors have been informed they can only withdraw a maximum of 10,000 rupees ($140) from their PMC accounts over the next six months. Dozens of account holders gathered outside an RBI office in Mumbai on Tuesday to protest against the curbs and demand that the central bank and government intervene to release their funds. In a letter written by Thomas to the RBI that allegedly blew the lid off the scam, he says that he oversaw the fraud and hid details from the regulator for fear of reputational risks to the bank. Reuters reviewed a copy of the letter. The police complaint against PMC and HDIL officials was filed at the behest of an administrator, whom the RBI appointed last week to oversee the bank's operations. The complaint alleges that the PMC officials misled the RBI for over a decade from 2008 to August 2019 by failing to disclose big accounts that had become non-performing assets by producing forged audit reports. Indian media outlets on Sunday reported that PMC's exposure to bankrupt HDIL stood at 65 billion rupees, which accounts for 73% of its overall 88.8 billion loan book - well above the RBI's permissible exposure levels to a single entity.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/indias-pmc-bank-created-over-21000-fake-accounts-to-hide-loans-complaint/articleshow/71397002 .cms

Dated: Oct 01, 2019

- **A Chunk Of PMC's Loans Under Probe Linked To HDIL Promoters, States FIR:**

Nearly half of suspect loans of the Punjab & Maharashtra Co-operative Bank (PMC) were transferred into the accounts of the Wadhawans — Rakesh and Sarang — said the first information report (FIR) of the Mumbai Police. Sources added that the investigators fear this amount could have been laundered and through layered transactions diverted into foreign accounts held by the father-son promoters. Loans amounting to Rs 4,635.6

crore (as on August 31, 2019) are under probe by the Mumbai Police at the PMC, and Rs 2,145.8 crore was transferred to the two Wadhawans, the FIR states. While Rs 1,367.5 crore was granted to HDIL, the probe into the records of seven other accused 'borrowers' mentioned in the FIR (listed in the box) states that the account for the remaining loan of Rs 1,122.3 crore is linked to the HDIL group. The said firms have a common pool of directors. Five of them have their registered office in a slum rehabilitation authority (SRA) building developed by HDIL group located 69 metres from HDIL headquarters in Bandra, Mumbai. One is located in another SRA project of the group. The complainant has alleged that the bank officials and the promoters of HDIL group 'replaced' 44 loan accounts whose individual outstanding was higher with 21,049 fictitious accounts with comparatively lower individual balance. "These 21,049 fictitious accounts were actually not created in the core banking solution of the bank, instead they were mentioned in the advances master indent submitted to the RBI. By doing this with full knowledge of its banking executives including Thomas (former MD Joy Thomas), the bank had camouflaged the actual loan accounts of the defaulting borrowers to the detriment of the depositors interest," adds the FIR. According to the FIR, the deposits as on March 31, 2019, stood at Rs 11,617.34 crore. This was done to present a rosy picture before the regulators. "The bank in their regulatory reporting had understated the actual exposure of certain bad accounts which in normal course should have been disclosed and classified as NPAs. The bank while reporting to the RBI has suppressed information of certain actual loan accounts with huge exposure and surreptitiously replaced them with certain fictitious accounts. A sample of such suppressed loan accounts reveals that around Rs 4,355.46 crore (as on March 31, 2019) was involved in such an act of falsification," states the FIR reviewed by ET. When ET visited the Capri building, which houses five of the seven borrowing firms, the 'office' was locked. The residents told this reporter that the office is used by HDIL officials who visited occasionally. When inquired about the directors and the firms, none of them had heard about them. "There are no rooms numbered 2, 5, 6 or companies you have named. The office belongs to HDIL and one Abhay of HDIL visits it frequently. The building is built by HDIL under a SRA project, while three floors are used by the builder, the slum tenants have been rehabilitated between 4th and 7th floors," said a resident. Interestingly, the office of the statutory auditors of HDIL, Thar & Co, is located on the second floor of Capri building. Thar & Co audited HDIL books until 2017. When contacted, Nimesh Thar refused to comment on the issue. "My uncle used to audit HDIL and their group company but since 2017 they're not our clients," Thar told ET. When asked about the seven firms and whether their premises were on rent, he refused to comment. Queries sent to HDIL remained unanswered till press time Meanwhile, the Mumbai police on Tuesday carried out searches at HDIL headquarters and PMC's Bhandup branch. The police have seized documents related to loan agreements, minutes of the meetings held, balance sheet of last five years and audit reports. "The seized documents are being studied and summons to the accused will be issued after scrutinising the same," said Rajvardhan Sinha, joint commissioner of Economic Offences Wing (EOW) Rajvardhan Sinha. As a precautionary measure, the police have issued at least 17 lookout circulars in the matter including those against bank officials and HDIL promoters. The police are also probing an alleged conflict of interest between HDIL group and suspended chairman of the bank, Waryam Singh. “Singh and HDIL have a long association. He was on its board between 2005 and 2015 and he quit the post to return as the chairman of the PMC Bank. Until September 2017, he also held over 1% stake in the realty firm. This clearly amounts to conflict of interest and the probe will ascertain an instance of quid pro quo, if any, for favouring HDIL and the other related firms. This will only strengthen the case of conspiracy filed by EOW,” said an official in know. A team of the Enforcement Directorate (ED) visited the EOW office and is likely to register a money-laundering case after studying the documents.

Seven ‘Borrowers’

EMERALD REALTORS
Directors: Lakhminder Dayal Singh, Arvind Parshuram Patil
Address: Room no 02, Capri, 3rd floor, Anant Kanekar Marg, Bandra (east)
Loan Sanctioned: ₹145.01 cr

SAPPHIRE LAND
Directors: Lakhminder Dayal Singh, Arvind Parshuram Patil
Address: Room no 05,Capri, 3rd floor, Anant Kanekar Marg, Bandra (east)
Loan sanctioned: ₹145.59 cr

SOMERSET CONSTRUCTION
Directors: Arvindkumar Pratapnarayan Yadav, Mahesh Siddeshwar Donth
Address: Room no. 05, Capri, 3rd floor, Anant Kanekar Marg, Bandra (east)
Loan sanctioned: ₹239.16 cr

SERVEALL CONSTRUCTIONS
Directors: Minesh Chandrakant Shah, Arvind Parshuram Patil
Address: A-20, Kailash colony, New Delhi
Loan sanctioned: ₹190.68 cr

AWAS DEVELOPERS AND CONSTRUCTIONS
Directors: Lakhminder Dayal Singh, Arvind Parshuram Patil
Address: Room no 06, Capri, 3rd floor, Anant Kanekar Marg, Bandra (east)
Loan sanctioned: ₹140.43 cr

SATYAM REALTORS
Directors : Arvind Parshuram Patil, Lakhminder Dayal Singh
Address: Room no 04, Capri, 3rd floor, Anant Kanekar Marg, Bandra (east)
Loan sanctioned: ₹129.46 cr

PRITHVI REALTORS
Directors: Bhavesh Pramod Shah, Lakhminder Dayal Singh, Venkatavarathan Narasimhan Iyengar
Address: 3rd floor, Dheeraj Arma, Anant Kanekar Marg, Bandra (east)
Loan sanctioned: ₹131.96 cr

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/a-chunk-of-pmcs-loans-under-probe-linked-to-hdil-promoters-states-fir/articleshow/71401947.cms

Dated: Oct 02, 2019

- ## Yes Bank In Talks To Raise Capital, CEO Shri Ravneet Gill:

Yes Bank is engaged in talks with private equity funds and family offices to raise capital, and its September quarter performance on key operating parameters points to the lender’s ability to overcome operational challenges and boost growth, CEO Ravneet Gill told ET in an interview on Tuesday. “The quality of investors and ability to invest serous money into the bank is unquestionable with respect to each one of these,” Gill said, referring to various categories of potential investors into the Mumbai-based lender, and their likely ownership thresholds. Depositors and borrowers have continued to repose faith in the bank, and the lender is expanding business at a handsome rate, Gill said. This has made the just-concluded September quarter one of the most promising in its recent history, he said. “In the quarter just ended, we opened more savings accounts than we have ever done before,” Gill said. “Our new fixed deposits were up 39% quarter on quarter and our overall liabilities were very much in line with the quarter before that, and our CASA was exactly as in the last quarter at 30% plus.” Gill’s comments came on a day of pronounced weakness in Indian banking stocks, with 10 of the 12 Bank Nifty counters declining several in excess of 5%. Yes Bank fell 22%, and the extent of recent declines might have a bearing on the quantum of dilution during the targeted capital raise. But the bank has a quality investor base to tap into, Gill said. “Given that the market cap has come down and the dilution would be larger, I think it will have to be a mix of investors from each of the buckets because there will be restrictions on how much one investor can hold,” said Gill. There is no correlation between the inherent strength of the bank and the current market price, Gill said. Tuesday's secular decline in banking and financial stocks also hurt Indiabulls Housing Finance, Lakshmi Vilas Bank, IndusInd Bank and RBL Bank, with the banking decliners dragging down broader indices. Gill also said Yes Bank's loans to Indiabulls Housing are well collateralised, and that the exposure is declining. "If you look at the whole issue around Indiabulls, the conduct of this account has been outstanding, and we have not had even a day's delay," Gill said, referring to its advances to the non-banking financier. "Last week, there was a large repayment and it was met on time. Over the last two quarters, we have reduced our exposure to Indiabulls by 30%. This exposure is well collateralised."

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/yes-bank-in-talks-to-raise-capital-ceo-ravneet-gill/articleshow/71401989.cms

Dated: Oct 02, 2019

- **34 Functional Teams To Smoothen Merger Of UBI, PNB, OBC:**

A total of 34 functional teams have been formed to smoothen the process of merger of United Bank of India (UBI), Punjab National Bank (PNB) and Oriental Bank of Commerce (OBC), a senior official said. The merger is scheduled to come into force from April 1 next year. "Thirty four functional teams have been created to come out with solutions for the process of integration," a UBI official told PTI. A team comprises two members each from the three banks from different functional areas, he said. "The functional teams will also try standardising the loan process, credit terms and benefits extended to the customers in the interim period till the merger comes into effect to avoid customer-related issues in the future," the official said. The UBI had conducted customer meets at Kolkata, Guwahati and Patna to allay their apprehensions about the future of banking, the official said. UBI managing director and CEO A K Pradhan had earlier said that though the balance sheet merger is likely to happen by April 1 next year, it will take another three to six months after that for the HR and IT integration to be completed. He had said the complete harmonisation among the three entities would take another 12 to 14 months after the merger. Senior officials of the three banks had held a meeting recently. The merger will make the new entity the second-largest bank in the country after the State Bank of India (SBI) with a total business volume of Rs 18 lakh crore. This comes after the Centre's announcement to consolidate 10 public sector banks into four. Allahabad Bank will be merged with Indian Bank while the Union Bank of India, Andhra Bank and Corporation Bank will be amalgamated. Canara Bank and Syndicate Bank will also be merged. Last year, the Centre had approved the merger of Vijaya Bank and Dena Bank with Bank of Baroda that came into effect from April 1 this year. In 2017, the State Bank of India had absorbed five of its associate banks and the BharatiyaMahila Bank.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/34-functional-teams-to-smoothen-merger-of-ubi-pnb-obc/articleshow/71404793.cms

Dated: Oct 02, 2019

- **'Most Indian Banks Fail On Policies Of Climate Change, Human Rights':**

Most Indian banks fail on policies of environment and human rights and this inaction leaves the Indian banking sector vulnerable to investment risks arising due to climate emergencies, according to the first edition of Fair Finance Guide India scorecard. The scorecard, that analysed environmental, social and governance (ESG) policies, disclosures and commitments of various banks in India, noted that Indian banks have policies on financial inclusion and corruption, but are found wanting on social, environmental and human rights issues in their investment policies. Fair Finance Guide India is a group of civil society organisations to create an ecosystem amongst financial sector actors to recognise the ESG risks in their investments. The scorecard is an assessment of policy disclosures of a sample of eight Indian banks (public and private) - State Bank of India, Federal Bank, Punjab National Bank, Bank of India, Indian Overseas Bank, IDFC Bank, HDFC Bank and Yes Bank. The assessment covers ten themes across ESG domain - Nature and Climate Change, Labour Rights, Human Rights, Gender Equality, Financial Inclusion and Arms, Transparency and Accountability, Corruption and Tax. As per the Fair Finance Guide India scorecard, three out of eight Indian banks have scored high on parameters of financial inclusion and corruption. However, seven out of eight banks scored zero on the themes of climate change and environment. The banks also scored poorly on the themes of labour rights and human rights. “Indian banks demonstrate their leadership on issues of financial inclusion and tackling corruption. However, their inaction to deal with climate emergency and human rights issues is very worrying,” said Namit Agarwal, private sector engagement lead at Oxfam India. Agarwal further noted that “this inaction leaves the Indian banking sector vulnerable to investment risks arising due to the climate emergency. The sector is also likely to be directly or indirectly linked to human rights violations caused by the companies they finance”.As per the report, banks can have a positive impact on the environment and reduce risks of climate change by screening for companies that are committed to protecting biodiversity, reducing their greenhouse gas emissions and supporting a low carbon economy. “Banks can choose to support companies that support living wages, integrate labour rights in their supply chains, respect human rights and protect the environment. This way the banking sector can contribute to making India a truly sustainable and inclusive economy,” the report said. Fair Finance India is a civil society coalition led by Oxfam India, Partners in Change, Environics Trust, Cividep, Praxis and Openspace.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/most-indian-banks-fail-on-policies-of-climate-change-human-rights/articleshow/71406646.cms

Dated: Oct 02, 2019

- **Merged Entity Of PNB, Oriental Bank of Commerce and United Bank of India May Follow A SBI-Like Structure:**

The merged entity of Punjab National Bank, Oriental Bank of Commerce and United Bank of India may follow a State Bank of India-like structure with local head offices in every region to leverage the strengths of each of the merged banks. In the scheme, the regional offices may be headed by chief general managers with a couple of general managers under him or her like the practice in SBI, UBI chief executive officer, Ashok Kumar Pradhan, said. “We intend to finalise all these administrative strategies in the next six months so that the merged entity can focus on business from the very beginning,” Pradhan told ET. The merger is expected to come into force from April 1 next year. Pradhan said that while PNB’s and UBI’s respective administrative structures are more compliance oriented, OBC follows a vertical structure which is more business focussed. The merged entity may follow a mix of both with every circle acting as "bank within a bank" with higher business focus like in SBI. These are parts of the ongoing discussions and a steering committee of chief executives of the three merging banks will take the final call. Bank of Baroda, after the merger of Dena Bank and Vijaya Bank with itself, is experimenting with vertical structure only in its Mumbai circle. Amalgamation of PNB, OBC and UBI would create the country's second largest bank – both in terms of business and branch network. They collectively had a business of Rs 18 lakh crore at the end of March that originated through 11,437 branches amongst them. SBI, the country's largest lender, had a business of Rs 51 lakh crore at the end of June. SBI had merged its associate banks and Bharatiya Mahila Bank with itself in 2017. The PNB-OBC-UBI combination would have 17-18 chief general managers, Pradhan said. The government last month allowed the banks with over Rs 10 lakh crore business create CGM posts as per their business needs to strengthen governance. Pradhan expects the new layer to create aspirations among employees, especially the younger generation, who he said, are happy about the merger. "I don't see much of a challenge in terms of human resource management. The government has made it clear that there would be no retrenchment or voluntary retirement," he said. However, post-merger branch rationalisation may create some redundancy, but they would be redeployed in other functions. "But, synchronisation of IT platform will be a major challenge," Pradhan said. UBI and OBC use core banking software Finacle-7 while PNB uses a higher version, Financle-10. These banks have formed as many as 34 functional teams to smoothen the process of merger. Their respective boards have cleared the merger proposal. These banks will now hire agencies to carry out the valuation exercise.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/merged-entity-of-pnb-oriental-bank-of-commerce-and-united-bank-of-india-may-follow-a-sbi-like-structure/articleshow/71412744.cms

Dated: Oct 03, 2019

- **SBI, Bank Of Baroda Squeeze Micro-ATM Transactions Of Other Banks:**

  Public sector lenders State Bank of India (SBI) and Bank of Baroda (BoB) have limited the cash withdrawals of customers using micro-ATMs of other banks to just four times a month, in what could cause transactions undertaken through the Aadhaar-enabled Payment System (AePS) route to fall significantly. While BoB is allowing customers to do four transactions a day, SBI has limited it to just one. SBI account holders who are not part of the government's direct benefit transfer scheme are allowed to do five transactions a month, three industry sources told ET. These limits only apply in case the customer uses the micro-ATM terminal of another bank. SBI did not respond to queries. "As per NPCI advisory, BoB has fixed issuer side limit of four transaction per month by a customer. This has been implemented to protect the interest of financial inclusion customers, the reason behind the move is acquirer banks' agents indulging in split transactions and as per advisory from NPCI," said a BoB spokesperson. In perhaps some early signs of a drop in transactions, AePS recorded

201 million transactions in September, a nearly 9% reduction from the 220 million in July, as per data by the National Payments Corporation of India, which manages the payment network. Through AePS, depositors use biometric credentials to withdraw cash from retail agents, instead of swiping their debit cards at ATMs. Banks provide the service through micro-ATM terminals in areas where ATMs are not viable. Many customers use the service to access the cash subsidy they receive from the government into their 'direct benefit transfer' accounts. "We found that many of our customers were splitting one big cash-out into multiple small ones," said a senior banker in the know of the matter. "While the customer does not get any benefit through such acts, retailers make extra money since their commissions are based on the number of transactions." For instance, instead of taking out Rs 10,000 in one go, a customer was doing five transactions of Rs 2,000 each. For every such transaction, the customer's bank bears the cost. If, for example, a BoB customer uses a Yes Bank micro-ATM, then BoB pays 0.5% of the transaction amount, or Rs 15, whichever is lower, to Yes Bank. These are the interchange rates decided by the industry. Retailers or agents get a share of this amount. "While fraudulent transactions are happening, I think banks should bar such agents from the network, rather than stopping every customer from accessing the service beyond once; this move will cause challenges for rural poor who might need cash urgently," said a top executive of a digital payments company.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/sbi-bank-of-baroda-squeeze-micro-atm-transactions-of-other-banks/articleshow/71415947.cms

Dated: Oct 03, 2019

- **Shri Rana Kapoor's Man Friday Shri RajatMonga Quits Yes Bank:**

Shri RajatMonga, the senior group president and former chief financial officer at the troubled lender Yes Bank, has quit, chief executive Ravneet Gill said on Thursday. The announcement came during a conference call with investors and analysts following a heavy plunge in the bank's share price over the past few sessions. The bank scrip had dipped to historic lows and lost 22 per cent of its value just on Tuesday to close at a low Rs 32, down from a high of Rs 404 in August 2018 when RBI asked Rana Kapoor to leave the bank. Gill's comments before the markets opened lifted the stock, though, rallying over 24 per cent on the BSE, whose benchmark was down around 0.3 per cent. Gill made the announcement in response to a query on why Monga, the long-time No 2 at the bank since the days when it was headed by the expelled promoter-chief executive Rana Kapoor, was missing from the concall. "Rajat has decided to move on. For the past two years he has been carrying a lot of load and needed some time off…so has decided to leave," Gill said. Gill, who replaced Kapoor in March following the latter's term being cut short by the RBI over governance issues and under-reporting of bad loans, said the possibility of Monga taking a sabbatical was also discussed but he decided to move on. "He just felt that he was at that stage of his life and career where he needed to step back, reassess his future course personally and professionally," Gill said. The disclosure of the resignation comes at a time when the Kapoor family's holding in the bank has come to very low levels under 2 per cent from a high of a little over 13 per cent in August 2018, following the sale of 3.92 per cent holding by an asset manager with whom the holding was pledged as a security.

Meanwhile, Gill tried to assuage investor concerns asserting that the share price is not much related with the fundamentals. “The fall in share price is not reflective of the core operating performance of the bank which I can assure you is strong and robust,” he claimed, adding the liquidity and capital positions are much above the mandatory thresholds. The bank, which is known for high growth, is consolidating and taking a measured growth approach, Gill added. He said a few key officials, who continue to be associated with the lender, have sold their personal holdings due to issues of loans that they would have taken to buy the employee stock options and added that these actions have nothing to do with their commitment to the bank. Replying to a query on depositor concerns in the wake of a reduction in deposit base, Gill said this has to be seen in the context of a shrinking asset base, and noted that it added 1.80 lakh new accounts during the September quarter. But its balance sheet has shrunk by over 4 per cent now over last year. The new deposits are also up 13 per cent quarter-on-quarter, he said. The bank is engaged in regular discussions with the RBI and the finance ministry, and both of them want a “strong and independent” Yes Bank, Gill said, answering a query on whether a merger has ever been discussed. The bank is on the lookout for capital either from a private equity investor or a strategic investor or family office, he said. The asset quality issues it is facing are made partly difficult by the challenging macroeconomic environment and the bank does not anticipate any troubles cropping up in the portfolio, chief risk officer Ashish Agarwal said. The bank scrip was trading 27.77 per cent up at Rs 39.60 at 1210 hours on the BSE as against a 0.40 per cent correction on the benchmark.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rana-kapoors-man-friday-rajat-monga-quits-yes-bank/articleshow/71420926.cms

Dated: Oct 03, 2019

- **Grant Thornton To Investigate Rs 4,355-Crore PMC Bank Fraud:**

  Grant Thornton is tasked to look into the allegations made by the former managing director of the bank on how the bank managed to flout Reserve Bank of India (RBI) norms. The government has roped in Grant Thornton to carry out forensic investigations into the fraud hit Punjab and Maharashtra Cooperative (PMC) Bank, said four persons with direct knowledge of the matter. PMC appointed the forensic auditor at the behest of the Economic Offences Wing (EOW) of the Mumbai police. Grant Thornton is tasked to look into the allegations made by the former managing director of the bank on how the bank managed to flout Reserve Bank of India (RBI) norms. The firm will also look into the modus operandi of the fraud and whether any employee benefited from that, said one of the persons cited earlier. EOW recently registered a first information report (FIR) on the alleged fund diversion at PMC Bank. The FIR estimated the total fraud amount could be Rs 4,355.46 crore. According to the initial investigations, PMC Bank did not report its exposure to Housing Development and Infrastructure Limited (HDIL) for six to seven years. Though the forensic auditors have been appointed by the bank, it would work closely with the EOW, said another person close to the development. Recently, PMC’S Managing Director Joy Thomas also wrote a letter to RBI admitting the bank’s large expo-sure to HDIL. He alleged that bank had lent about 70% of its total loan book, valued at Rs 6,226 crore, to HDIL. “While the mandate was being discussed, the scope of the investigation will be to figure out the workings of the entire scam and whether the modus operandi that the MD had mentioned in his letter is correct or not. They want to validate his story and also look at who were the various officials who knew about the scam," said a person close to EOW. In a five-page letter, Thomas revealed how the bank virtually acted as the in-house banker of the company, even when it was facing insolvency proceedings in the National Company Law Tribunal (NCLT), ET reported on October 1. The relationship between the Wadhawan family of HDIL and the PMC Bank can be traced back to the mid-1980s, when the late Rajesh Kumar Wadhwan — the then director of Land Development Corporation rescued the bank multiple times. This was also when the family started banking with the PMC Bank and infused family capital into it to help bring the bank's net worth from negative to positive, the letter by MD Thomas to the RBI alleged. The role of the bank's statutory auditors has also come under the scanner. The institute of Chartered Accounts of India (ICAI) said it has also launched investigations against PMC's auditor Lakdawala & Co. The letter written by the PMC Bank MD exonerates the auditor of any wrong doing. Typically, a bank's transactions go through five layers of scrutiny, including internal checks. But the management found ways to keep the loans from being detected. The bank's statutory auditor, Lakdawala& Co, validated only incremental loans and not all the accounts of the bank, which further helped the management to cover up the defaults, he alleged in the letter to the RBI.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/grant-thornton-appointed-to-investigate-rs-4355-crore-pmc-bank-fraud/articleshow/71430442.cms

Dated: Oct 04, 2019

- **RBI Further Increases Withdrawals ToRs 25,000:**

  Reserve Bank of India has on Thursday further raised the withdrawal limit to Rs 25000 for depositors of Punjab & Maharashtra Cooperative Bank, giving them relief ahead of the festive season. "With the above relaxation, more than 70% of the depositors of the bank will be able to withdraw their entire account balance," RBI said. RBI has been reviewing the bank's liquidity position and has eased the restriction "with a view to reducing the hardship of the depositors." Last week the regulator had raised the limit to Rs 10000 per account from the initial curb of Rs 1000 of the total balance in their accounts. The regulator said it is monitoring the position of the bank and may take more action in the interest of depositors if needed. It has also decided to appoint a committee of three members to assist the Administrator who has been appointed following the curb on the bank. The bank has come on regulatory radar after Housing Development & Infrastructure Ltd and it's directors failed to repay a Rs 4355 crore loan taken from PMC Bank putting the bank under liquidity stress. This prompted RBI to appoint an administrator for overseebusiness under restrictions. The economic offences wing of Mumbai Police on Thursday arrested Rakesh Wadhwan and his son SarangWadhwan, directors of HDIL.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-raises-pmc-bank-withdrawal-limit-from-rs-10000-to-rs-25000/articleshow/71428394.cms

Dated: Oct 04, 2019

- **RBI Cuts Repo Rate By 25 Bps To 5.15%:**

  The Reserve Bank of India's monetary policy committee (MPC) on Friday announced a

25 basis points cut in its policy rates while maintaining an accommodative policy stance till the time growth revives. With this move, the repo rate which is the rate at which banks borrow from RBI stands reduced to 5.15% and reverse repo rate to 4.9%. A Mint survey of bankers and economists had said that RBI is expected to reduce policy rates by 25 basis points, while a minority expected a 40 basis points cut. The MPC noted that "accommodative stance will be maintained as long as it is necessary to revive growth while ensuring that inflation remains within the target," leaving room for more rate cuts in future. All the six members of the MPC had voted unanimously for the change in policy rates and stance. While Chetan Ghate, PamiDua, Michael Debabrata Patra, Bibhu Prasad Kanungo and Shaktikanta Das voted to reduce the repo rate by 25 basis points, Ravindra H. Dholakia voted to reduce the repo rate by 40 basis points. "While the recent measures announced by the government are likely to help strengthen private consumption and spur private investment activity, the continuing slowdown warrants intensified efforts to restore the growth momentum," said RBI in its statement. The MPC also sharply reduced its growth forecast for the fiscal year 2019-2020 to 6.1% from 6.9% earlier. The committee noted that risks to growth have emerged due to weak domestic demand and sagging export prospects on account of continuing trade tensions. MPC on the other hand retained its consumer price inflation forecast for the second half of the fiscal year 2019-202 as expected at 3.5%-3.7%

Source: https://www.livemint.com/industry/banking/rbi-cuts-repo-rate-by-25-bps-to-5-15-11570170255595.html

Dated: Oct 04, 2019

- **Bandhan Bank, Gruh Finance To Merge On October 17:**

  Kolkata-based Bandhan Bank and Ahmedabad-based Gruh Finance said on Friday that all the regulatory hurdles have been overcome for their merger, with the National Company Law Tribunal (NCLT) clearing the scheme of amalgamation. The scheme has been approved by NCLT's Kolkata and Ahmedabad benches. October 17 has been fixed as the record date following the effectiveness of scheme for determining shareholders of the merged entity. All processes will be completed in a month. Bandhan Bank's merger with Gruh Finance will help the Kolkata-based private lender diversify its loan portfolio of Rs 45,400 crore, which is heavily skewed towards micro loans with 85 per cent share. Gruh Finance - the affordable housing finance arm of HDFC Ltd - has a loan portfolio of Rs 17,700 crore. Apart from the traditional area of micro-finance, affordable housing will be another major growth areas for Bandhan Bank going forward. Besides, micro small and medium enterprises (MSMEs) will also be a focus area. In March, Bandhan Bank had received a no-objection certificate from the Reserve Bank of India (RBI) for acquisition of Gruh Finance. In January, Gruh Finance was taken over by Bandhan Bank in a share-swap deal.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/bandhan-bank-gruh-finance-to-merge-on-october-17/articleshow/71441611.cms

Dated: Oct 04, 2019

- **Consumer Confidence Drops Six-Year Low:**

  Consumer confidence dipped to six-year low in September as sentiment around employment, income and discretionary spending declined, according to Reserve

Bank of India (RBI)'s monetary policy released on Friday. Consumer confidence weakened in September, with both the current situation index and the future expectations index recording declines, said the RBI in its consumer sentiment survey report. The Current Situation Index (CCI) fell into 89.4 in September from 95.7 recorded in the July round of survey, the data showed. In September 2013, it had touched 88. The survey also revealed that sentiment for the overall economy and employment also declined and people were less optimistic about their income over the year ahead. For instance, perception and expectation of employment have continued to decline, touching -24.5 in September from -13.1 seen in the July round of survey. However, sentiments around income have turned negative for the first time since March 2018. While sentiment for overall spending, primarily on essentials remains strong, sentiment for discretionary spending weakened in the September round of the survey, it said. The central bank conducted the survey across 5192 households in 13 major cities including Ahmedabad, Bengaluru, Bhopal, Bhopal, Delhi, Mumbai among others. These households were asked about general perceptions and expectations on the economic situation, employment scenario, price situation, personal income and spending. India's economy grew at its slowest pace in over six years in April-June, expanding 5%, largely because of a slowdown in consumption demand. On Friday, RBI cut interest rates for the fifth time in a row in an attempt to give a renewed push to a slowing economy, and said it will maintain an accommodative policy stance until growth revives. RBI lowered its repo ratethe rate at which banks borrow from itby 25 basis points to 5.15%. With this cut, the policy rates have come off by as much as 135 basis points so far this year to a nine-year low.

Source: https://www.livemint.com/industry/banking/consumer-confidence-drops-six-year-low-rbi-survey-11570266820808.html

Dated: Oct 05, 2019

- **Is India's Current Banking Crisis Just Old Wine In A New Bottle?:**

  Banking headlines over the last few months have been dominated by a decline in specific bank share prices that have highlighted both the broader credit issues in the economy and the lack of speed in recognition of Non-Performing Assets (NPAs). However, the problems around the Punjab & Maharashtra Co-operative Bank Limited (PMC) came as a stark reminder that the banking system clean up in India still has significant work to be done not just in terms of credit quality selection but also structural corporate governance issues that form the fundamental pillar of the economic growth agenda. The four primary issues that the recent news around Indian banks bring to the fore are i) Poor decision making due to a lack of capacity to judge project quality ii) A structural asset-liability mismatch for the banks due to longer-dated assets and short-dated liabilities iii) A delay in recognizing NPAs on the books iv) Outright fraud and absence of fundamental corporate governance standards. While the first two factors have received significant coverage, the last two factors probably deserve even greater attention going forward given the grave issues that have once again reared their ugly head over the previous few months. An alternative way to view the issues above is as the building blocks on which any credit framework is built. Solutions that address the fourth point mentioned are the basic premise of a robust and functional credit mechanism.

Solutions for the third point build on those for the fourth, and so on. Essentially, the banking system solutions need to build on one over the other. Otherwise, solutions that provide higher capacity for lending institutions to judge project quality will be rendered useless without basic corporate governance standards. It is also vital to once again emphasize that the solutions for all four problems mentioned above are distinct. While the first two revolve primarily around the skill and capacity of the lender to assess sectoral, company and project risk keeping in mind the micro-structure of their balance sheets, the last two are to a large extent related to the level of corporate governance. The solutions needed to tide over the four main banking issues are therefore distinct, and yet equally necessary to resolve the problems at hand. Going forward, both the central bank and the banking regulators must further emphasise solutions that allow for better, more precise and more consistent classification of NPAs on banking books, while at the same time ensuring that the information flows through the system. At its very core, the issues revolving around information asymmetry need to be urgently addressed. Timely recognition of NPAs is essential not just for the asset quality reviewal of the bank in question, but also to ensure that the NPA classification information regarding the credit instrument or company in question is passed onto the market for better decision making. Additionally, the issues at PMC bank seem to suggest that the problems are linked to the fourth factor mentioned above of outright fraud and the absence of basic corporate governance standards are still prevalent and need to be urgently addressed. News that suggests that single borrower exposure for PMC bank was way higher than any reasonable limit from a credit analysis perspective and that the same was achieved through devious means points us towards the need for regulations that allow for greater clarity and the prevention of outright fraud. Most importantly, the delay in recognition of the fraud suggests that the rules around accounting issues for banks need urgent redressal. Over the last few years, significant steps have been taken to clean up the Indian banking system. However, issues such as the PMC bank suggest a lot more needs to be done. The facts regarding PMC bank also indicated that such problems are ones we have seen earlier, thereby further emphasising on the importance of expediting the clean up of the banking system and implementation of new regulations around fraud-prevention. Various types of banks such as the public sector, private sector and co-operatives are all vital cogs in the wheel for the Indian economy and are all needed for the next phase of economic growth. Primarily, the distribution reach that such an extensive network of banks provides is the underpinning of the credit framework. To ensure that much-needed credit reaches across the country, both regulations and the implementation of the said regulations need a further push.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/is-indias-current-banking-crisis-just-old-wine-in-a-new-bottle/articleshow/71451268.cms

Dated: Oct 05, 2019

- **Banks Set For A Profit Quarter Despite Slumping Credit Demand:**

  Domestic banks are likely to register an increase in quarterly profits on the back of earnings from treasury gains and steadying net-interest margins, even as credit growth is set to remain moderate due to slowing demand across various pockets of the consumption economy. Furthermore, slower-than-expected recovery of stressed accounts may impact banks that had made accelerated provisions on multiple such accounts in the past few quarters on expectations of receiving write-backs on these provisions. As per brokerages, private sector banks will see their credit growth above the industry average of 10 to 12% due to strengthening retail portfolios. “We build in 15% YoY loan growth for private banks, which is higher than industry and led from retail loan growth. Certain other domestic sectors will also drive growth, but selectively,” PrabhudasLilladher said. The domestic brokerage expects HDFC Bank, India’s most valuable lender, to see a revival in loan growth after a slowdown in the previous quarter, whereas it believes Axis Bank and ICICI Bank would post ‘steady’ growth rates. Profits of some public-sector banks with higher gross Non-Performing Assets (NPAs) are likely to be impacted as lenders would look to synchronise their Deferred Tax Assets (DTAs) with newly prescribed tax rates. At present, every bank must provide or provision for stressed loans. However, for taxation, a different percentage for the same loans is prescribed which creates a mismatch wherein many banks get a balance DTA on the asset side. “Public Sector Banks’ earnings will see recovery but will be impacted from DTA markdown and are likely to spread the impact over three quarters and make impact manageable,” according to the brokerage. The choppy demand and prudential measures taken by most banks in expanding their loan books in sectors such as corporate and SME may cause further moderation in wholesale credit growth, Yes Securities said. And the reduction in deposit rates in recent months may not be reflected in the quarterly earnings yet, said the brokerage. “For banks, while the deposit mobilization has improved, the growth in CASA (Current Account and Savings Account ratio) has been tepid,” said an analyst at Yes Securities. “The significant term reductions in recent months may not find enough reflection in Q2 2020; however, the cooling-off in wholesale funding rates would find manifestation.” The first half of the fiscal between April and September also saw assets worth Rs 1.38 lakh crore being downgraded, according to rating agency CRISIL - the highest since the central bank initiated an asset quality review in FY16. This may impact the asset quality of many lenders, especially those with exposures to real estate funds and housing developers. Provisions for defaults by developer financiers Altico and incremental provisions to debt-laden DHFL, where a bank-led resolution process is underway, may further impact the profitability of banks with such exposures.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/banks-set-for-a-profit-quarter-despite-slumping-credit-demand/articleshow/71470317.cms

Dated: Oct 06, 2019

- **Deutsche Bank Reshuffles Its India Top Deck:**

  Deutsche Bank has reshuffled its top management in India in the first such move after new CEO Kaushik Shaparia took over in May. The bank needed to recast roles for top executives after Shaparia’s elevation as the former India CEO, Ravneet Gill, had also left the global lender at the beginning of the year to head Yes Bank. In an internal note accessed by ET, Deutsche Bank said it has promoted Anjali Mohanty, head of the bank’s corporate banking business in India, as the head of global subsidiary coverage (GSC) in the Asia-Pacific. GSC handles banking for multinational clients in the region. Mohanty will take over Shaparia’s previous role at the bank. Following Mohanty's elevation, the bank will have two heads for the corporate banking business in India. Sriram Krishnan, who is head securities services, and Rajesh Thakur, head cash management, will also be co-heads for corporate banking in India, reporting to David Lynne, head of corporate banking for Asia-Pacific. Shyamal Malhotra will be in charge of all institutional client coverage in India, including banking multinational clients, which will be led by Rajesh Thakur. The latter is also responsible for the cash management business in India. Anand Jha has been promoted as head of trade finance in India effective October 3. The bank infused fresh capital of Rs 3,846 crore during the last fiscal year, taking the total capital invested in the bank in India to Rs 15,533 crore. It posted a net profit of Rs 1,199 crore for the year ended March 2019, up 32% from ?910 crore reported a year earlier, mainly due to higher loan growth that helped increase total income. Globally, Deutsche Bank is undergoing a massive restructuring. In July, the lender announced it would close down the equity sales and trading businesses and scale down investment banking, slashing 18,000 jobs by 2022 that would help the bank save $19 billion in costs over that period.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/ deutsche-bank-reshuffles-its-india-top-deck/articleshow/71472082.cms

Dated: Oct 07, 2019

- **NPA Issue Has Bottomed Out, Shri S. S. Mallikarjuna Rao, PNB Head:**

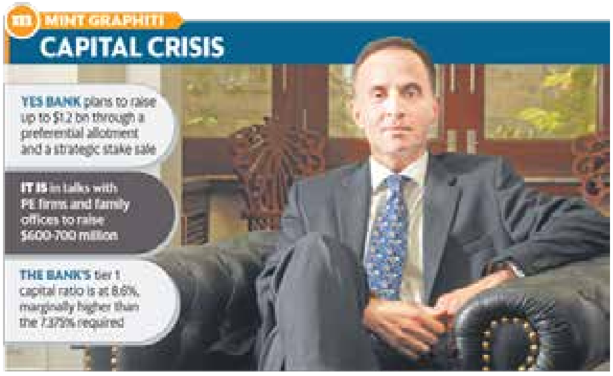
There is no second wave of bad loans, though some unexpected cases have come up, said SS Mallikarjuna Rao, new managing director of the Punjab National Bank (PNB) that is prepping itself to amalgamate with two other state-run banks. There is also a turnaround in the sentiment and demand is coming back in the retail segment, Rao told ET in an interview, adding that the improvement will reflect in the data with a lag. The destressing of the NBFC sector is providing impetus to the retail sector. On the concerns over new nonperforming assets (NPAs), Rao said it can be bifurcated into two parts. "As far as the large corporate and direct lending segment is concerned, we can say almost it (NPA situation) has bottomed out," he said, adding that there may be some stress in smaller segments such as agriculture. Banks have started receiving shocks from unexpected quarters, he said, mentioning IL&FS, DHFL and more recently HDIL and Altico cases. "Though, DHFL has not defaulted till date, but a default at a later date is not ruled out completely. Our exposure is around Rs 1,800-2,000 crore. Aadhar Housing is not a problem at this point in time. HDIL is not going to impact all the banks, it's restricted to PMC Bank," he said, pointing out the troubled cases. PNB chief said faster resolution of NCLT cases should also provide some balancing through a good amount of write-back of provisions. The bank is confident of bringing down net NPAs to below 6%.A reasonable majority of the nonbanking financial companies (NBFCs) are in a better shape if you compare their position in October-November 2018, Rao said, adding this is a good indication for the such firms to move into lending. "If you look at a yearon-year basis, lending from the public sector banking is Rs 175,000 crore to NBFC, but the entire money has not gone into relending to the markets, reason being their balance sheet," Rao said, adding percolation is taking place. "What we have seen in the ecommerce in festive sales is a good sign," he said. Ecommerce majors Flipkart and Amazon reported 33% higher sales in their recent online shopping festivals. "We are also seeing the demand coming to banks for that retail lending though comparison cannot be very huge at this point, but momentum seems to be there," the banker said. He expects the corporate tax cuts to also provide impetus to the economy, which slowed to a six-year low of 5% in April-June quarter. Second half of the current financial year would be better in terms of retail lending. For the banking sector as a whole, credit has grown 11% year-on-year but Rao admitted that in some segments which needed credit, the delivery may not have been much. From October 1, repo-linked advances in terms of retail and micro, small and medium enterprises (MSMEs) is done by all banks, as a result, transmission is automatic. Rates will be reduced by 25 basis points automatically after the RBI rate cut. "That is the segment where the pain is felt more," said Rao. In corporate segment, with respect to reduction of MCLR based on repo rate, bank will take a call at the end of the month. He said while banks are cutting lending rates, they were not able to get the reduction in the liability. "RBI should aggressively also think of allowing the deposit rates to be dynamic, variable," he said. In terms of PNB's performance, the bank MD said credit growth has been flat in the first half but bank would do much better in the second half for an overall 10% credit growth. He said the response to district-wise outreach has been good. "The first objective is to create a positive environment." The bank has received Rs 16,000 crore in capital. "We will be able to handle the adhering requirement and also the net NPA. Though considering the current events it would be a challenge, but we will work towards keeping net NPAs at 6%," Rao added. Bank has already started pre-merger activity. PNB will merge United Bank of India and Oriental Bank of Commerce with itself. He asserted that no jobs will be lost even though they are in the process of reviewing branch spread.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/npa-issue-has-bottomed-out-ss-mallikarjuna-rao-pnb-head/articleshow/71472007.cms

Dated: Oct 07, 2019

- **Yes Bank Woos Microsoft, Two Other Tech Firms For A Strategic Investment:**

Private lender Yes Bank is in talks with three top technology companies, including Microsoft Corp., to induct one of them as a strategic shareholder as part of the bank's strategy to get fresh capital infusion and augment its digital ambitions, two people directly aware of the discussions said. If the talks, which began three weeks ago, are productive, Yes Bank could sell as much as 15% through a fresh equity issuance, the people said on condition of anonymity. "The top management of Yes Bank has held discussions with Microsoft as part of the bank's ongoing strategy to sell a minority stake to a global tech company. The stake sale may fetch the bank around Rs. 2,000 crore but, more importantly, such a deal may help the bank work on its digital banking and payment system plans," said one of the two people. "Microsoft is one of the three global tech firms Yes Bank has held talks with. Yes Bank has appointed investment bankers as well to shortlist the global tech firm. The strategic partner may be allotted a board seat in the bank and RBI is aware of the bank's plans," said the second person. "We have nothing to share on this," said a Microsoft spokesperson, replying to Mint on this story. A Yes Bank spokesperson declined to comment. On Thursday, media reports quoted Ravneet Gill, managing director and CEO of Yes Bank, as saying that the bank is very close to getting capital from a technology company. Yes Bank is in firefighting mode after witnessing steep erosion in its market value since last year. The lender's stock has nosedived from Rs. 404 in August last year to Rs. 42.15 now. Inducting a global tech firm such as Microsoft as a strategic partner may not be simple for Yes Bank as it will require regulatory approvals. A stake purchase of more than 5% in a bank requires the central bank's approval. Since talks between Yes Bank and Microsoft entail a potential stake sale of up to 15%, RBI approval will be mandatory. "Since Microsoft and the other two players Yes Bank is talking to are all credible global names with proven track record, RBI may allow a 15% stake sale in the bank subject to certain caveats. For instance, RBI may ask the tech company to reduce its stake gradually within three years to 5% or so. Yes Bank is willing to comply with that," said the second person. A PTI report on Thursday said that Yes Bank is in an advanced stage of raising capital from investors, including global tech majors. "The exercise will result in the new investor/s picking up stakes above the regulatory cap and the RBI will have to take a call on a "non-conventional" investor coming on board," said the PTIreport of Thursday, citing Gill. According to Mint and various other media reports, Gill said the new investor will be either a strategic partner like a tech company, or a financial investor or a deep-pocketed family office. Gill said the bank has had "informal conversations on a no-names-basis" with RBI on the proposed infusion and he expects the central bank to take a "reasonable" decision. "In future, banks will become technology companies with a banking license. These (tech) companies are feeling Yes Bank is digitally savvy, 'platformized' better and is also available for cheap valuation now," Gill said. Yes Bank is in desperate need of fresh capital. The lender, which has announced plans to raise up to $1.2 billion, said on Thursday that it doesn't mind if capital raising results in a large stake dilution. The bank's gross advances aggregated to Rs. 2.32 trillion as on 30 September (compared to Rs. 2.42 trillion as on 30 June) with a higher share of retail advances as compared to 30 June.



Source: https://www.livemint.com/companies/news/yes-bank-woos-microsoft-two-others-for-a-strategic-investment-11570382850227.html

Dated: Oct 06, 2019

- **Bank Of Baroda Lowers Repo-Linked Retail Loan Pricing By 25 Bps:**

  State-run Bank of Baroda on Monday lowered its repo-linked retail loan pricing by 25 bps following the reduction in the benchmark lending rate by the central bank. Last week, the RBI reduced the repo rate for the fifth straight time by 25 bps to 5.15 percent. The rates for consumer loans under the repo linked benchmark is revised downwards by 0.25 percent, BoB said. The new rates will be applicable on home loans, mortgage loans, car loans, education loans, personal loans and all other retail loan products linked to repo rate. Interest rates on home and auto loans are available from 8.10-8.60 percent, the bank said. SBI offers debit-card linked EMI options for festival shopping. After its rivals HDFC Bank and ICICI Bank launched discounts on their debit and card customers by aligning with hundreds of brands, State Bank Monday followed suit by offering an EMI facility for its debit card customers. The facility will be available at over 4.5 lakh points of sale machines across 1,500 cities. Under the scheme, consumers having a good credit history can opt for an EMI scheme of 6-18 months on their purchases.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/bank-of-baroda-lowers-repo-linked-retail-loan-pricing-by-25-bps/articleshow/71481492.cms

Dated: Oct 07, 2019

- **RBI Asks State Level Bankers To Expand Digital Payments Ecosystem:**

The Reserve Bank of India on Monday directed all state level bankers' committees to find out one district each on a pilot basis to expand digital payments ecosystem. With a view to expanding and deepening the digital payments ecosystem, it has been decided that all state/UT Level Bankers Committees (SLBCs/ UTLBCs) will identify one district in their respective states/ UTs on a pilot basis in consultation with banks and stakeholders, the RBI said in a notification. The State Level Bankers' Committee has been constituted in April 1977, as an apex inter-institutional forum to create adequate coordination machinery in all states, on a uniform basis for development of the state. The development comes after the RBI's policy announcement last week. "The identified district shall be allotted to a bank having significant footprint which will endeavour to make the district 100 per cent digitally enabled within one year, in order to enable every individual in the district to make/ receive payments digitally in a safe, secure, quick, affordable and convenient manner," the RBI said. This will include providing the necessary infrastructure and literacy to handle such transactions, it said. The central bank said the SLBCs/UTLBCs should endeavour to ensure that to the extent possible, districts identified are converged with the 'Transformation of Aspirational Districts' programme of the government. "The allotment of the identified district to a bank should be done, as far as possible, through mutual consultation and voluntary acceptance by the bank. "Further, SLBC/ UTLBC convenor banks are advised to monitor the progress made in this regard on a quarterly basis and report the same to concerned regional offices/ sub-offices of the Reserve Bank," it said further.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-asks-state-level-bankers-to-expand-digital-payments-ecosystem/articleshow/71481124.cms

Dated: Oct 07, 2019

- **You Could Lose A Large Chunk Of Your Deposits If Your Bank Fails:**

The issue that roiled the nation at the time of the govt's push for the contentious FRDI Bill is in news once again. Protection of bank depositors, the issue that stoked fervent debates while the bill was being introduced two years ago, had receded to the background after the bill had to be shelved in the wake of intense protests. But it is now back to stoke fears once again among depositors left edgy by PMC Bank's failure and a few private lenders coming under RBI lens. It pertains to a matter most bank customers are not aware of India is among the countries that offer the lowest protection to depositors in cases of bank failure. Here, depositor insurance covers only Rs 1 lakh per bank account, a level way below that of developed countries and even of the nations at the same stage of development as India. In terms of numbers, India's deposit insurance scheme covers as many as 70 per cent of bank depositors. But there is a sizeable catch — accounts that have less than Rs 1 lakh together make up only about 8 per cent of total bank a/cs. That means an overwhelming number of accounts hold more than the 'safe' amount. Which essentially means that a bank failure would be nothing short of an unprecedented catastrophe, because a depositor would be left with just one lakh of what was her entire life's savings, which for most people usually amount to several lakhs. This is precisely why the FRDI Bill frightened India it had a clause that said bank depositors would have to "share part of the cost of resolution of a failed bank". Among India's peer economies in the BRICS, the portion of deposit covered under insurance is way higher. ""If we compare India with BRICS group of countries like Brazil and Russia, the comparative insurance figure rises to Rs 42 lakh &Rs 12 lakh respectively!" ToI says quoting Soumya Kanti Ghosh, chief economic adviser, SBI. "If we compare the deposit insurance limit in India with countries having similar per capita income, we find that the insurance cover is even unlimited in some countries," Ghosh adds. India also fares utterly poorly when the amount insured is seen as a percentage of per capita income. In India it stands at a pathetic 0.7 per cent, while Australia has it at 3.7 per cent, the US at 4.4 per cent, and Brazil at a fairly respectable 7.4 per cent. One thing, however, must be taken note of India can boast of a record that others can't. There is a significant difference between India and other markets when it comes to banking. In India, no scheduled commercial bank has been allowed to go under since liberalisation. The central bank and the government have always made sure that a failing bank gets acquired before it drowns. Only cooperative banks have failed here. As per figures from the Deposit Insurance and Credit Guarantee Corporation (DICGC), the cases of about 350 such banks have been settled so far for a payout of Rs 4,822 crore in claims. It is worth noting that DICGC is the authority that provides deposit insurance in the country. According to SBI's Ghosh, the current limit of deposit insurance needs to be revisited, and that this limit has outlived its shelf life. "The DICGC coverage should be revised and bifurcated into two categories - desirable coverage of at least Rs 1 lakh for savings deposits (around 90% of the total accounts) and desirable coverage of at least Rs 2 lakh for fixed deposits covering 70% of total accounts," he says. Why should depositors not get 100 per cent insurance cover, asks Vishwas Utagi, convener of the PMC Bank depositors' association. He says all the money of depositors should be insured. "Just like the government assures customers of Life Insurance Corporation, similar assurance is needed for bank deposits," he adds. Utagi makes another very important point: "Public sector banks, which were meant to reach out to all Indians, will be shrinking after mergers. Given this backdrop, customers of cooperative banks should be protected."

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/at-rs-1-lakh-indias-bank-deposit-insurance-lowest-in-world/articleshow/71487589.cms

Dated: Oct 08, 2019

- **RBI Not Looking At Liquidity Facility For NBFCs, Dy Guv Shri N. S. Vishwanathan:**

Reserve Bank of India (RBI) has ruled out any special liquidity facility for Non Banking Financial Institutions (NBFCs) saying there is enough in the system to meet their needs for borrowings and it is for the lenders to take a call on lending to the NBFCs. "Reserve Bank's position is that there is adequate liquidity in the system and it is for the lenders to take a view on which borrower to give money to and I do not think at this moment we are looking at a liquidity facility for NBFCs", RBI deputy Governor N. S. Vishwanathan said in an analyst meet after the Monetary Policy Committee (MPC) meeting. He was responding to a question that in the financial markets, there is an extreme lack of confidence to lend to below AAA names and the liquidity problems faced by such entities could create further stress on financial system, impede monetary transmission and affect growth. Post a fraud at PMC, analysts wanted to know if there are any changes in the annual review process of banks or NBFCs that RBI proposes to make or any specified proposed changes and if that will be effective for ongoing annual review of financial year 2019. RBI said there will be revamp of its regulatory and supervisory structure and creating a specialized cadre for this. "RBI has decided to revamp its regulatory and supervisory structure and creating a specialized cadre. Offsite supervision as well as analytical vertical is being strengthened, and for NBFC supervision, we have strengthened all the core pillars- onsite supervision, offsite market intelligence and statutory auditor angle", Deputy Governor M. K. Jain said. To a question on the steps RBI is taking to ensure stability of financial system in the country and see the solvency of some of the housing finance companies, Jain said, "RBI makes periodic assessment of risk and vulnerability of the financial system to shocks emanating both from domestic and external adverse developments and takes mitigating steps to enhance its resilience. Such assessments are published twice a year in the financial stability report. The vulnerability arising out of interconnectedness between banks and non-banking financial institutions also forms part of the assessment". RBI recently put a draft circular on the Liquidity Risk Management Framework for NBFCs and Core Investment Companies (CICs) to be adopted by all deposit taking NBFCs; non-deposit taking NBFCs with an asset size of 100 crore and above for stronger Asset Liability Management (ALM) framework in the NBFCs. In addition, the draft proposes to introduce Liquidity Coverage Ratio (LCR) for all deposit taking NBFCs; and non-deposit taking NBFCs with an asset size of 5000 crore and above. With a view to ensuring a smooth transition to the LCR regime, the proposal is to implement it in a calibrated manner through a glide path over a period of four years commencing from April 2020 and going up to April 2024.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-not-looking-at-liquidity-facility-for-nbfcs-dy-guv-n-s-vishwanathan/articleshow/71490620.cms

Dated: Oct 08, 2019

- **Why Bankers Are Hesitant To Report Frauds:**

  At a recent bankers' summit organised by a high-street lender at an uptown Mumbai five-star hotel, one could overhear a veteran banker sharing a joke with a small gathering of journalists: "If you owe the bank Rs 1 lakh, that's your problem. If you owe the bank Rs 100 crore, that's the bank's problem." This famous old quip came after a pesky reporter had asked the banker about mounting corporate defaults and the seemingly bottomless sinkhole for loaned funds. While the veteran banker clothed the tricky question in a motley garb, the joke, as they say, was on the Indian banking system. All banks, across the board, have a problem with unscrupulous borrowers milking lapses and loopholes in the system, and defrauding them. The most surprising part is that banks take years to even recognise that they are victims of an elaborate web of deception. As per the latest Reserve Bank of India (RBI) data, an unprecedented 6,801 frauds, totalling Rs 71,500 crore, were detected in FY19. That amounts to a 15% rise in volume and 80% climb in value from last year. This rise eclipses the FY18 banking fraud at Punjab National Bank (PNB), the most infamous in India's history when it was revealed that over the course of 7-8 years, fugitive diamond merchants Nirav Modi and Mehul Choksi allegedly siphoned off nearly Rs 13,000 crore from the lender. "Most of the frauds that are getting reported are credit-related, and they are not black and white like operational frauds," said Arundhati Bhattacharya, chairman, SWIFT. "Did the company fail due to adverse economic situation, was it bad management, was it because of a liquidity squeeze, or was it because of a bad … it's not so easy to determine. Following the money trail is impossible once it crosses borders," said Bhattacharya, who is a former chairman of the State Bank of India. Of these frauds, 73% were large ticket corporate frauds worth over Rs 100 crore. Public sector banks originated 92% of those fraudulent loans. Many of these frauds took place at least five years ago, and some over a decade ago. The most shocking data of all was the fact that average time for a fraud over Rs 100 crore to be detected was 55 months! Such is the intensity of the problem that the central bank has alerted the entire banking system at least four times over the last six months; twice in speeches by senior RBI officials and twice in their eminent periodical reports. Most banks are not by themselves guilty of fraud and are often times victims themselves, but the problem of under reporting stems due to a reluctance to engage with the prescribed system of due diligence. Their reluctance stems from reputational risks, interference of probe agencies, and the instinct of self-preservation. Sometimes, even failure by the third-party ecosystem, such as credit rating agencies or auditors to highlight risks is also to blame. Just this year, with still about four months to go, the central bank has already fined banks a record 76 times, totalling Rs.123 crore, for non-reporting of fraud. RBI deputy governor MK Jain urged all present and non-present senior bankers to start developing a 'compliance culture' within their respective banks. He added on a solemn note that lack of adherence to compliance was perhaps the single biggest reason bank frauds were on the rise. "Underreporting of cyber frauds is not acceptable," Rajnish Kumar, chairman, State Bank of India (SBI), told ET during a recent interview. "Timely reporting is very important because I am only looking at my bank, but if another bank is hit by a cyber fraud and it is reported in time, it can be analysed quickly and such future frauds can be avoided. If there is a delay in reporting, we miss that opportunity." While the veteran banker arrives bang on point on how advanced fraud analytics solutions can be used, in the words of another tech-savvy banker, 'for predicting future events using past behaviour,' the truth is that less than 10% of the frauds that were detected in FY19 were cyber-related. The public perception of a fraud is mostly a Nirav Modi-style external attack on a bank, perpetuated by a crook with the help of an insider with corrupt motives and planned meticulously for months. However, in most cases, RBI data suggest that these are just defaults by promoter lacking equity due to stalled or 'zombie' projects, where an overzealous banker may not have conducted proper due diligence and ended up lending way more than the leverage on the bloc. “It happens when an economy is too reliant on one source of funding. Banks have been for long the sole source of funding for the corporate sector and in a scenario where the trajectory is growth, the level of diligence for every incremental funding is compromised,” a public sector banker, on conditions of anonymity, told ET. “Furthermore, it is in most people’s interest to ‘evergreen’ these loans to enable the promoter to keep paying past interests to prevent losses on balance sheets.” In such a scenario, where the line between a default and a fraud is more than just a matter of classification, it is important to understand the distinction. “Frauds are different from normal NPAs in that the loss is because of a patently illegal action, by either the borrower or the banker,” according to Raghuram Rajan’s 22-page note to Parliament on NPAs in September 2018. The former RBI governor had said that without any precedent of recovery or successful prosecution of alleged fraudsters, the classification of an account as fraud itself creates a self-serving problem equivalent to that of the proverbial chicken and egg story. “Unfortunately, the system has been singularly ineffective in bringing even a single high-profile fraudster to book. As a result, fraud is not discouraged. The investigative agencies blame the banks for labelling frauds much after the fraud has actually taken place, the bankers are slow because they know that once they call a transaction as fraud, they will be subject to harassment by the investigative agencies without substantial progress in catching the crooks,” Rajan had said. Additionally, Rajan also noted that it is a matter of systemic failure. The problem of frauds cannot be looked at as an isolated problem of the banks. According to experts, the professional support ecosystem such as auditors and rating agencies are sometime as complicit or more with the fraudster as anyone else. “If you are going to buy a house and the valuation expert is hand in glove with the owner of the house and artificially increases the value of the house, and you go and buy it, you get defrauded. But there is an expectation that the valuation will not be biased. There are professional standards around these things,” explains a lawyer dealing with whitecollar crimes. In some cases, the lack of disclosure may be down to just a banker’s unwillingness to lose his job. During the RBI’s Asset Quality Review exercise undertaken in 2015, so much was the discrepancy in standards of structuring of loan accounts that exposures to multiple banks were reported as non-performing in some banks and performing in others. “When a banker gives a bad loan and loses money, that’s not a crime; it’s bad banking and you may lose your job. But when you cover it up, that becomes a crime,” said Omer Erginsoy, senior director at Kroll, a global fraud investigative agency that works extensively with Indian banks. “And it could be because they had some personal interest or just that they were just a bad banker and still wanted to keep their job, which in most cases is a very strong motive to cover up.” The lack of disclosure misleads regulators about the liquidity position of the bank, and it reflects in inflated revenues and delinquency figures on the balance sheet, fooling both the stakeholders and investors. “It’s a disclosure breach, it’s a misrepresentation of data fraud and a capital market fraud. It’s a crime on so many levels,” adds Omer. Since the AQR to check the financial health of its banks, more than Rs 10 lakh crore, or roughly 25% of the loans to the corporate sector, were declared toxic in 2017, which prompted the central bank to issue its now famous February 12 circular on restructuring of bad loans. Some experts believe that an increased identification of frauds may not necessarily be a bad thing for Indian banks.

Reeling Under the Pressure

Bank Group/ Institution	2017-18 Number of Frauds (₹ cr)	2017-18 Amount Involved (₹ cr)	2018-19 Number of Frauds (₹ cr)	2018-19 Amount Involved (₹ cr)
Public Sector Banks	2,885	38,260.87	3,766	64,509.90
	-48.8	-92.9	-55.4	-90.2
Private Sector Banks	1,975	2,478.52	2,090	5,515.10
	-33.4	-6	-30.7	-7.7
Foreign Banks	974	256.00	762	955.30
	-16.5	-0.6	-11.2	-1.3
Financial Institutions	12	164.70	28	553.40
	-0.2	-0.4	-0.4	-0.8
Total	5,916	41,167.00	6,801	71,542.90

TOP 5 BANK FRAUDS OVER THE LAST FEW YEARS
- Punjab National Bank : ₹13,000 cr
- PMC Bank: ₹4,355 cr
- ICICI Videocon: ₹1,730 cr
- Cosmos Bank: ₹90 cr
- Bhushan Power: ₹2,348 cr

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/why-bankers-are-hesitant-to-report-frauds/articleshow/71496811.cms

Dated: Oct 09, 2019

- **Churn Of Senior Executives At PSU Banks Delays Adoption Of Tech, SWIFT Chairman:**

Lack of continuity in the state-owned banks' top cadre is one of the reasons behind slow adoption of technology at these lenders, said Arundhati Bhattacharya, former chief of State Bank of India and the present chairman of SWIFT India, a global messaging system. Bhattacharya, who spoke to ET on the sidelines of Sibos 2019, a financial services conference organised in London, also called on India to participate more vigorously to showcase IT innovation at global platforms. "Public sector banks (PSBs) have a lot of challenges in the way they can bring about changes. They have to follow several processes, which delays decision-making," said Bhattacharya. "The biggest issue is there is very little continuity; from the GM level, you are constantly getting shifted around. They are not clones; their ways of conducting business differs vastly from each other." The government recently announced the merger of 10 state-run banks overnight into four, along with the much-awaited governance reforms that include making PSB managements accountable to their respective boards, strengthening the executive succession process and giving longer tenures to top-level directors so that structural changes yield desired results. SWIFT is an international payments messaging system and its platform is used to transfer trillions of dollars. It recently partnered with the Delhi government to implement e-stamping that helps banks in generating e-guarantees. "We have found a solution to the stamping problem. Delhi government has implemented it and we are engaging with other governments to digitise this process end-to-end," Bhattacharya said. "This is not understood in the West at all, but is very peculiar to India. India should be putting out a lot of innovations into the world. The UPI platform today is unparalleled anywhere." SWIFT India has also established a customer security programme (CSP) to assist customers in protecting and securing their local environments, in preventing and detecting fraud in their commercial relationships, and sharing and utilising fraud-related information to defend against cyber threats. "My request to the banking community is that participants should implement the customer security programme. Today, it is much important than yesterday because hackers are now going after smaller retail accounts. Unless and until you define what your parameter should be, you are running a big risk," she added. The Indian banking system detected Rs 71,500 crore worth of frauds in 2018-19, which, to put in scale, is slightly more than the Rs71,000 crore recapitalisation package planned by the government to revive the health of the public sector banks. Interestingly, over 90% of these losses were to the government-owned banks while the share of incidents that emanated from these lenders was at 55.4%. Overall, 3,766 incidents of frauds were detected in FY19, a 15% spike from a year ago, while the losses incurred saw an 80% rise from the last year. “Following the money trail is very difficult. Once it’s crossed the border, it’s very tough to make out,” Bhattacharya said. “The world has to come together to agree to share information on money trails. Today this doesn’t happen. Without this, it is very difficult to establish frauds banks continue to grapple with such cases.”

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/churn-of-senior-executives-at-psu-banks-delays-adoption-of-tech-swift-chairman/articleshow/ 71496974.cms

Dated: Oct 09, 2019

- **RBI Says No To Maha Bank Proposal On Setting Off Rs 7,360 Cr Losses:**

State-run Bank of Maharashtra on Wednesday said the Reserve Bank has denied permission to settle its accumulated losses of Rs 7,360 crore against the balance lying in its share premium account and revenue reserve account. The bank’s board and shareholders approved setting off accumulated losses of Rs 7,360.29 crore as of March 31, 2019, against the balance lying in share premium account and revenue reserve account of bank as on date of set-off. “We hereby inform that RBI wide its letter dated 27 September 2019 has intimated about its inability to accede to the request made by bank for setting-off the above accumulated losses against the balance lying in share premium account and revenue reserve account of bank,” the bank said in a regulatory filing.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-says-no-to-maha-bank-proposal-on-setting-off-rs-7360-cr-losses/articleshow/71505759.cms

Dated: Oct 09, 2019

- **Cash Is Sloshing In Banking System, Surges To Rs 2.3 Trillion:**

Liquidity in the banking system has surged to a record Rs 2.3 lakh crore amid sluggish consumption demand, even as it is creating a platform for banks to pass on the rate cuts effected by Reserve Bank of India. State Bank of India has Wednesday reduced its marginal cost based lending rate (MCLR) by 10 basis points across all tenors with effect from October 10, making it the bank’s sixth cut in MCLR in FY20. “The higher dividend payment by RBI and its continued forex intervention have contributed to structural glut in the system liquidity in the recent weeks. Moreover, CIC (currency in circulation) leakage has been weak on account of weak economic activity which further supporting the benign liquidity situation,” said B Prasanna, group head for global markets sales, trading and research at ICICI Bank. He expects adequate liquidity scenario is expected to stay longer as the advance tax outgo on account of direct taxes during Q3 is likely to be significantly lower post sharp reduction in corporate taxes which will further cushion the liquidity situation. This provides banks comfort on the lending side but it remains more of a demand side problem. Rural demand may start picking up November onwards when harvesting begins. The decision to raise dearness allowance to 17% from 12% for central government employees and pensioners is also aimed at boosting sentiment ahead of Diwali. “Consumption demand has not yet picked up,” said Gopal

Tripathi, treasury head at Jana Small Finance Bank. "The latest record liquidity surplus reflects that. We have not seen such level of liquidity in the past barring post demonetization period. But, this offers an opportunity for banks to cut rates luring borrowers as the economy is set to expand in coming quarters." "However, revival in corporate lending is still long way to go as output gap still remain wide and peripheral issues in NBFCs sector is keeping the consumer demand weak," said ICICI Bank's Prasanna. "Q2FY20 is expected to be slower than Q1FY20 with consumer demand further decelerating," said Ashit Desai, senior research analyst at Emkay Global Financial Services, while expecting lower revenue growth for consumer goods companies. There has been a decline in credit between April-August, which is witnessed in all segments except retail where there has been growth of 3.7%. RBI has lowered policy rates by 135 bps since February, while the weighted average lending rate on fresh rupee loans of commercial banks dipped merely 29 bps, keeping capital cost higher than expected. Meanwhile, sustained surplus liquidity has brought down banks dependence on corporate deposits and lowered money market rates. "However if the situation persists for long, that could distort normalcy in in the money market," said SoumyajitNiyogi, associate director (core analytical group) at India Ratings & Research. "From supply side Rs 3.5 lakh crore liquidity infusion by RBI and surplus FPI flows at current have boosted base money, whereas low economic activities and weak demand from credit are the demand side factors. If the demand side continues to remain subdued, ideally this will erase scope for OMO purchase in the remaining fiscal," Niyogi said.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/cash-is-sloshing-in-banking-system-surges-to-rs-2-3-trillion/articleshow/71510434.cms

Dated: Oct 09, 2019

- **RBI Turns Down Indiabulls Housing's Merger With Lakshmi Vilas Bank:**

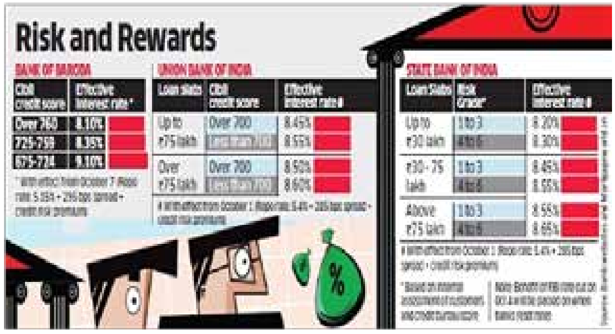
  The Reserve Bank of India (RBI) has rejected the planned merger between Indiabulls Housing Finance and Lakshmi Vilas Bank after examining the proposal for more than six months, during which multiple approaches were considered to ensure compliance with strict banking sector takeover rules. "This is to inform that RBI, vide its letter dated October 9, informed that the application for voluntary amalgamation of lndiabulls Housing Finance Limited and lndiabulls Commercial Credit Limited with Lakshmi Vilas Bank cannot be approved," the private sector lender said in a late evening regulatory filing on Wednesday. Gagan Banga, Indiabulls Housing Finance (IHF) vice chairman, said it appears that the RBI saw the move as a backdoor entry into banking. "They (RBI) have not gone ahead and approved the deal because they saw it as an NBFC taking over a bank. That is the feedback we are getting. The message is very clear that if you want a bank, do it in a straightforward manner," said Banga. "We will get back to growth from tomorrow morning as housing finance company," he said. "We have done liability correction by getting rid of short-term liabilities. Our businesses were on hold because of the uncertainty over the last six months. We had shrunk balance sheet by 20%. We will get back to growth." Talking to ET NOW on RBI's move, Ajit Kumar Mittal, ED, Indiabulls Group, said he didn't expect any negative reaction from investors to the decision."We are okay with RBI's decision. Nothing changes for Indiabulls. Our business has withstood the test of time and the company is very well capitalised and robust," Mittal said. "Now that the merger will not happen, the uncertainty of last five months on the business is lifted and the company will focus on the growth of its core business of housing finance," Indiabulls had said in the regulatory filing. The rejection raises fresh concerns at NBFCs that are struggling to raise funds after Infrastructure Leasing & Financial Services (IL&FS) crisis last year. The customary filing didn't give reasons for the proposal's rejection. "The RBI has otherwise shown great concern for the NBFC sector through its various regulatory actions, although this particular decision may not be a reflection of that. It may just be limited to the proposal in question," said Vinod Kothari, a consultant tracking the NBFC sector. "It would be unfortunate if the housing finance sector, crucial for achieving our ambitious housing-for-all target, gets a jolt due to this episode." Ever since these financial entities made a formal announcement about the merger on April 5, questions have been raised on regulatory aspects of the proposed union since the NBFC in question is focused on the real estate sector, which Mint Road considers risky. Still, the Indiabulls promoters walked the extra mile to obtain regulatory approvals by shedding some assets, including the sale of property to private equity funds. In June, ET reported that the Indiabulls Group is set to exit the real estate business with the sale of chairman Sameer Gehlaut's 39.5% stake for Rs 2,700 crore to the US-based PE firm Blackstone and its local partner Embassy Group. The promoters were also willing to cut their holding in the bank to 15.5% through a share sale just ahead of the merger and take it down further to under 10% within 18 months of the union, in line with the RBI norms. For the merger to go ahead, Indiabulls needed clearances from various central agencies, including the Income Tax authorities and Enforcement Directorate. "The RBI took too long to reject the merger and this caused a lot of uncertainty in the system," said Abizer Diwanji, EY India Financial Services Leader. "I do not think it is a bad idea to merge weak banks with NBFCs. An earlier communication would have been good for the depositors." After the merger was announced, Indiabulls Housing had to contend with allegations of financial wrongdoing, and a petition was filed in the Delhi High Court. The housing finance company maintained that those allegations were false and that they suppressed material facts. As on date, the loan accounts of the Reliance ADAG Group, DLF Group and Americorp Group, which were included in the petition, stood closed and the loans were fully repaid, the company said. Indiabulls also said that the petitioner was making false and incomplete claims at the "behest of interested persons". According to the initial plans, Lakshmi Vilas shareholders would have got 0.14 equity share in the merged firm for each held in the bank. However, on May 4, the contours of the deal had changed. The two firms had said that Indiabulls Housing Finance and its subsidiary Indiabulls Commercial Credit Ltd would be merged into Lakshmi Vilas Bank, with the lender now becoming the acquiring company. Indiabulls is financially strong, with high capital adequacy and low bad loans as a percentage of advances. But its ability to raise retail loans is restricted since it faces curbs on accepting deposits as a non-bank lender. Lakshmi Vilas Bank, on the other hand, has access to retail deposits, but is crippled by high bad loans and a poor capital position. Recently, the regulator put the bank under its Prompt Corrective Action (PCA) framework, imposing operational curbs that restrict the scope of lending. Lakshmi Vilas Bank's losses have almost doubled to Rs 237 crore in the June quarter from Rs 124 crore a year ago, as lower income and higher provisions for bad loans ate into its capital. At the end of June, the bank's gross NPAs were at 17.30%, a level rivalled only by badly placed public sector peers. The bank's desperate need for capital was reflected in its low capital adequacy ratio (CAR), which at 6.46% at the end of June was lower than the 8% mandatorily required under Basel-III norms. That ratio has since improved in August after the issuance of 16.8 million preference shares to IHF, providing the bank with Rs 188.16 crore of capital and helping raise the CAR to 7.56%, a level still below the prescribed minimum.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-turns-down-indiabulls-housings-merger-with-lakshmi-vilas-bank/articleshow/71513691.cms

Dated: Oct 10, 2019

- **Banks Start Linking Loans To Customers' Risk Profile:**

Three public-sector lenders Bank of Baroda, Union Bank of India and Syndicate Bank have taken the first steps in transparently segregating retail loans into their own versions of prime and subprime risk exposure, using third-party credit scores of potential borrowers to offer them different home-financing rates. Under the new external benchmarking regime, Bank of Baroda, for instance, will be using three credit score slabs from the Credit Information Bureau (India) Ltd (Cibil) to price new home loans. Customers with high credit score, defined in excess of 760 out of a maximum 900, will pay 1% lower interest compared with those reporting scores in 675-724 range the lowest score slab at which loans will be offered. Customers logging scores above 760 will now pay 8.1% on new loans at Bank of Baroda, while those in the third slab will pay 9.1%. The cost of financing for those falling in the middle, with credit scores between 725 and 759, will be 8.35%. These floating rate loans at Bank of Baroda are linked to an external benchmark, and the interest rate would not depend upon either the quantum or duration of loans. All three lenders will use credit scores provided by Cibil. With the RBI now allowing high-street banks to charge a credit risk premium over external benchmarks to compute effective interest rate, credit scores of borrowers are expected to become even more crucial in determining retail mortgage costs. From October 1, banks have adopted external benchmarks for pricing their new floating-rate retail loans. In the future, credit scores through the life of a loan will be as important as those recorded at its approval. On a Rs 50 lakh loan carrying an interest of 9.1% per annum, a 100 bps downward revision can reduce equated monthly instalments (EMI) by Rs 3,380 and total interest outgo by nearly Rs 10 lakh over 25 years. "If, after one year, the borrower improves her credit score, the risk premium will go down. Conversely, it could go up if a borrower's credit score drops below 760," said Virendra Sethi, head, Mortgages and Other Retail Assets, Bank of Baroda. Similarly, Syndicate Bank, which is merging with Canara Bank as part of the broader reorganisation of public sector financiers, has decided to increase the credit risk premium if a borrower's Cibil score were to drop by more than 50 points. "Interest rates could also change based on the deterioration in credit profile — if the borrower has delayed EMI payments for more than 30 days three times in the preceding one year," said Mrutyunjay Mahapatra, MD and CEO, Syndicate Bank. Union Bank of India, which is expected to be the lead bank in a proposed three-way merger, will charge 10 bps more to customers with credit scores below 700. Besides Cibil, there are other credit information companies such as Equifax, Experian and CRIF Highmark generating scores to assess borrower creditworthiness. These scores are based on data provided by banks and other participants on borrowers' payment track record on earlier loans and utility bills, among other things. In case of Cibil, these scores range from 300 to 900, with 900 indicating a high level of creditworthiness and 300 pointing to the exact opposite. To be sure, Citibank has already adopted the three-month Treasury bill yield as its benchmark, while other lenders are using the repo rate. "In the past nine months, 100% of our home loan customers have chosen the Tbill-linked loans over MCLR-linked loans. They recognise that an external benchmark is easy and simple to understand," said Rohit Ranjan, Head, Secured Lending and CitiBusiness, Citibank India. Some banks have stuck to an internal credit assessment, while others have chosen to use external credit scores. State Bank of India (SBI) will adhere to its internal risk grading approach. SBI categorises borrowers into six risk grades (RG), ranging from one to six, across salaried and non-salaried groups. Borrowers in the RG 4-6 bands will have to shell out 10 bps more than others. ICICI Bank has said that interest rates for customers will vary in line with the bureau score, but hasn't provided other details. Industry-watchers say that internal grading models for loan pricing might not pass the transparency test. "Ideally, banks should use a verifiable scoring model or adopt external credit score mechanisms, such as Cibil, to ensure there is complete transparency in their offerings," said Vipul Patel, founder and CEO, Mortgageworld.in, a mortgage advisory firm.



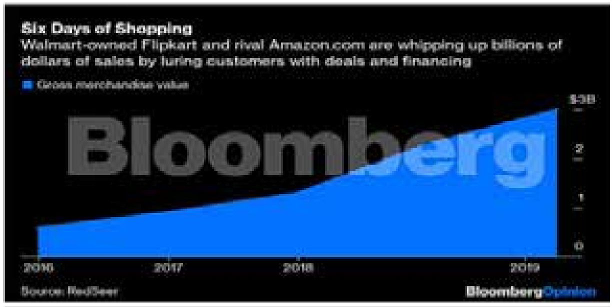
Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/banks-start-linking-loans-to-customers-risk-profile/articleshow/71513343.cms

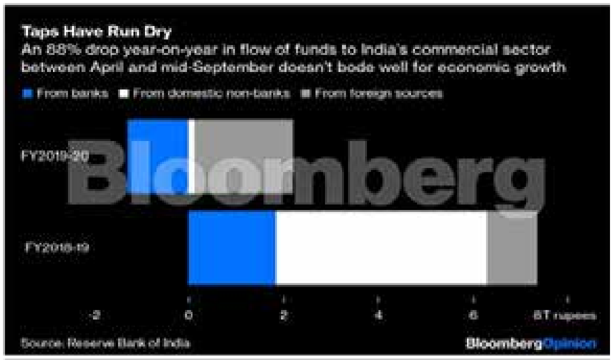
Dated: Oct 10, 2019

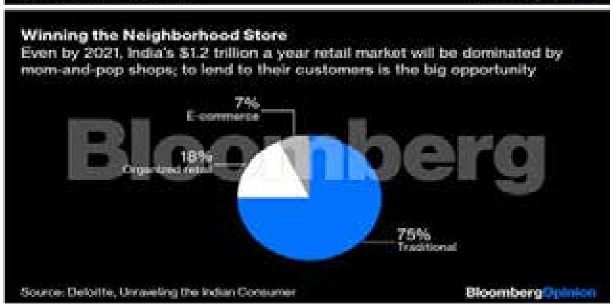
- **Amazon, Walmart Will Help Save India's Banks:**

  The despondence cuts across industries as diverse as real estate, autos and road construction. An 88% slump in the flow of funds to the commercial sector between April and September shows that the producers' unease is justified. However, one credit tap is starting to gurgle, giving some cause for optimism. Pocket-sized loans are feeding online consumption, with demand coming from smaller cities and towns. The amounts are still tiny, but as digital spending grows, financing it has the power to turn the page on Indian lenders' underwriting of soured corporate loans: the source of a $200 billion sigh of collective agony. Amazon.com Inc. and Walmart Inc.'s Flipkart Online Services Pvt claimed record sales during the recently concluded six-day online shopping bonanza that marks the start of the Indian festival season. Although nowhere close to Alibaba Group Holding Ltd.'s $31 billion Singles' Day promotion in China, the Indian version of Black Friday has grown five-fold to $3 billion in four years, according to a review of this year's sales by RedSeer, a consulting firm.

Add the spending between now and Diwali, the Hindu festival of lights, and Forrester Research reckons the total for a month of online purchases may fall just shy of $5 billion. Although the 30% growth this year was slower than in the previous three, it's a strong outcome in a weak economy. Both of India's leading e-commerce marketplaces cited small towns – and credit – for their success. Flipkart says Tier 3 cities ordered 100% more goods this year. The share of transactions using credit options grew by 70%, with a majority of these people living outside of big cities. Amazon revealed that three out of four customers who availed themselves of financing came from Tier 2 and 3 cities; significantly, every second buyer who used credit did so for the first time. All this is hardly unique to India. China's e-commerce boom saw an explosion of microloans, with millennials buying hamburgers on credit and the buy-now-pay-later habit picking up in Indonesia. What makes India interesting is the possibility that soon even physical retail will embrace digital in-store credit – minus plastic. A mobile-payment app with pay-later options at physical stores will be an important innovation. For all its expansion, e-commerce will account for only 7% of India's $1.2 trillion retail sales by 2021, according to Deloitte. Credit cards won't go beyond big cities and organized retail. It's not worth any bank's while to make card acceptance universal because the revenue to a bank from signing up a mom-and-pop shop – the merchant who handles purchases at the bottom of the income pyramid – is a meager $4 a month. That's why Flipkart's "cardless" credit deserves attention. Customers are validated for a $1,400 limit via a simple video upload; the actual financing comes not from Flipkart but from banks and financiers like Bajaj Finserv Ltd. This is the model that Mukesh Ambani, India's richest man, might use to connect India's 30 million small retailers with consumers. Amazon's claim that its Great Indian Festival saw orders from 99.4% of the country's postal codes owes that reach to Ambani's aggressive entry into telecoms three years ago. The 4G network of Reliance JioInfocomm Ltd. has caused data prices to crash and usage to explode. But Ambani won't let the American duo of Amazon and Walmart be the biggest beneficiaries of his disruption. If Jio succeeds in taking its knowledge of 340 million Indians who use its mobile service to neighborhood stores, where most people still shop, banks and shadow banks will rush in with credit. From Citigroup Inc. to State Bank of India, HDFC Bank Ltd. to Singapore's DBS Group Holdings Ltd., everyone will want this sizable new line of revenue at







the intersection of consumer and corporate banking. Writing in the Financial Times, Viral Acharya, a former deputy governor at the Indian central bank, argues that finance in India must learn from shampoo makers such as Unilever and Procter & Gamble Co., who boosted sales by offering families affordable quantities in small sachets rather than in more expensive full-size bottles. To similarly make bite-sized finance sustainable, account aggregators are coming. They'll digitally record a consumer's transactions with various institutions and, with consent, share data with a lender. Given that 52% of Indian workers are self-employed, and only 23% earn a regular wage, to be able to accurately assess a borrower's irregular cash flows will give lenders confidence to extend credit. So large is the overhang of bad corporate debt that to suggest a better model of banking will emerge invites skepticism. Yet below the surface of corporate bankruptcies and failing financial institutions, technology is enabling important change. Maybe not tomorrow, but credit will go where it is due.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/view-amazon-walmart-will-help-save-indias-banks/articleshow/71514331.cms

Dated: Oct 10, 2019

- **IFFCO- Tokio Moves IRDA In J&K Bank Case:**

Iffco-Tokio General Insurance Co has approached the insurance regulator saying it has been falsely implicated in the Rs 600 crore alleged fraud involving the J&K Bank. In a letter last month, Iffco-Tokio has written to the Insurance Regulatory and Development Authority (Irda) seeking to "dispel any misinformation." The Anti-Corruption Bureau (ACB) of Jammu & Kashmir has alleged that former chairman of J&K Bank, Parvez Ahmed Nengroo, "facilitated" expost facto approval from the bank's board of directors to "favour" Iffco-Tokio. ACB has booked Nengroo on charges of favouritism and alleged abuse of his position as the bank's chairman. It is alleged that Iffco-Tokio hired Nengroo's close relative, Asif ManzoorBeigh, at a plum post in lieu of J&K Bank entering into a 'bancassurance' deal with the insurance company. Iffco-Tokio denied the charge of a quid pro quo in its representation to Irda. "The ACB states that by hiring Asif Manzoor Beigh, Iffco-Tokio received undue benefits. This is not correct because we are yet to get access to all J&K Bank branches in the country for distributing our products. We are now servicing the branches in the Anantnag and Srinagar districts only," the insurer said. Further contesting the claims of ACB on alleged loss caused to the exchequer, Iffco-Tokio said "in the quarter of 2019-20, we have sourced Rs 10.4 crore business from J&K Bank and have paid Rs 95 lakh as commission." The company has further elaborated that the customers in J&K stood to benefit with the bank breaking the "monopoly" and opening the market, which till then remained solely with Bajaj Allianz.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/iffco-tokio-moves-irda-in-jk-bank-case/articleshow/71513284.cms

Dated: Oct 10, 2019

- **After ADB, OECD, Now IMF May Slash India's Growth Forecast:**

Come next week, the International Monetary Fund (IMF), in its World Economic Outlook, may sharply revise downward its growth forecast for India, close on the heels of Asian Development Bank (ADB) and the Organisation for Economic Cooperation Development (OECD). The new IMF managing director Kristalina Georgieva on Wednesday said the global economy was witnessing "synchronized slowdown" and its effect is “more pronounced” in emerging markets like India. Georgieva said growth in 2019-2020 will fall to its lowest rate since the beginning of the decade due to widespread deceleration. “In the United States and Germany, unemployment is at historic lows. In some of the largest emerging market economies, such as India and Brazil, the slowdown is even more pronounced this year,” she added. IMF had pared down its 2019-20 growth forecast for India in July by 30 basis points to 7%, expecting weaker domestic demand to limit an economic recovery. Last month, ADB and OECD revised their for FY20 growth forecasts downward for India by 50 basis points and 1.3 percentage points to 6.5% and 5.9%, respectively. Last week, the Reserve Bank of India also slashed its growth projection for the economy by 80 basis points to 6.1% for 2019-20. Rating agency Standard Poor’s has also pared down its India growth forecast for the year to 6.3% from 7.1% earlier. The Indian economy is battling a severe demand slowdown and liquidity crunch which resulted in economic growth rate falling to a six-year low of 5% in the June quarter, while growth in private consumption expenditure slumped to an 18-quarter low of 3.1%.

Source: https://www.livemint.com/politics/policy/after-adb-oecd-now-imf-may-slash-india-s-growth-forecast-11570682141055.html
Dated: Oct 10, 2019

- **Half A Dozen Public Sector Banks Cut Lending Rates By Up To 0.25 Per Cent:**

About half a dozen public sector banks, including Bank of India, Oriental Bank of Commerce and Bank of Maharashtra, have reduced lending rates by up to 25 basis points following a cut in the key policy repo rate by the RBI last month. With the reduction in their respective benchmark lending rates, home, auto and other loans have become cheaper. In line with the decision of RBI to reduce repo rate by 25 basis points (bps), the bank has reduced the interest rate applicable for retail segment and micro and small enterprises by similar basis points and the revised repo linked lending rate will be 8 per cent effective November 1, Indian Overseas Bank said in a statement. Bank of India reduces its overnight MCLR by 15 bps and one year MCLR by 5 bps or 0.05 percentage point. One bps is one hundredth of a percentage point. These revised MCLR would be applicable to the customers of the Bank with effect from October 10, 2019. This reduction transmits the change made in RBI policy rate (Repo rate) on October 2019, BOI said. Pune-headquartered Bank of Maharashtra slashed its MCLR by 0.10 percentage point across tenors. The benchmark one-year marginal cost of funds based lending rate (MCLR) will now be priced at 8.40 per cent with effect from October 8, 2019, the bank said in a regulatory filing. The other tenors from overnight to six-months have been slashed by equal measure in the range of 8.05-8.30 per cent. The lender has also cut down the repo linked lending rate (RLLR) by 0.25 percentage point to 8.20 per cent from 8.45 per cent earlier with effect from October 8. Base rate has been kept unchanged at 9.50 per cent per annum, Bank of Maharashtra said. “In view of festival season and in order to extend benefit to customers across retail/micro/small enterprises, Central Bank of India reduced repo based lending rate (RBLR) by 25 bps (0.25 percentage point) with effect from today, the 10th October 2019,” the lender said. Accordingly, interest rate on housing loans (low risk category) stands reduced from 8.25 per cent to 8 per cent and for MSE loans it stands reduced to 8.95-9.50 per cent from 9.20-9.75 per cent, Central Bank of India said. Oriental Bank has cut the MCLR on one-year tenor loan to 8.35 per cent from 8.40 per cent earlier. The new rate will come to effect from October 10, it said in a release.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/half-a-dozen-public-sector-banks-cut-lending-rates-by-up-to-0-25-per-cent/articleshow/71523929.cms

Dated: Oct 10, 2019

- **IndusInd To Further Reduce Exposure To Anil Ambani's Embattled Reliance Group:**

  IndusInd Bank's September quarter profits grew 50 percent as the lender exploited the opportunity to raise lending to the automobile sector when rivals pulled back due to industry slowdown, but at the same time it reduced exposure to financially weak business groups including Anil Ambani's Reliance entities. Chief Executive RomeshSobti dismissed the vulnerability of the lender's exposure to risky business families such as Subhash Chandra of Zee as 'misinformation' and said its combined exposure to these troubled business families was less than 2 percent. ''While the market talks about these stressed accounts they were never stressed in our book, there was no overdue and not close to becoming a non-performing asset. There is complete misinformation and misread on our exposure towards another housing finance company, where we have stated that the exposure is 0.35% (of the loan book) and that has now fallen to 0.27%. Conjectures continue but we have steady flow of repayments," said Sobti. But the stock plunged 6.2 percent to Rs. 1,228.95 as the gross bad loans more than doubled to Rs. to Rs.4370 crores or 2.19 percent of the loan book in the quarter, from Rs.1781 crore or 1.1 percent last year. "Since the March we have reduced the exposure to these companies from 1.9 percent to the current 1.1 percent," said Sobti, adding that the bank is in process of further bringing down the exposure to 0.8 percent through the sale of stake held in Reliance group. "Consolidated security cover of 160% for the exposures held by us, of which marketable security in the form listed shares covers 37% of the total exposure as on date. Total exposure expected to reduce to 0.8% by the end of October 2019 through repayments." IndusInd Bank has been at the receiving end of speculators with it losing about a fifth of its market value on speculation that it is exposed to financially wobbly business houses such as Anil Ambani's Reliance Group, Indiabulls Housing, Zee Telefilms and Dewan Housing Finance. The private sector lender said that it had a combined exposure to three debt-laden companies: Zee, DHFL and Anil Ambani led Reliance of about Rs.2100 crore or 1.1 percent of the loan book. Separately, the lender made Rs.737 crores worth of accelerated provisions in the quarter, which is 25 percent more than what they made in the same quarter last year, aided by the center's corporate tax cut in a bid to strengthen their balance sheet. These provisions helped the bank's provision coverage ratio (PCR) improve to 50 percent from 43 percent in the last quarter, with a target to reach 60 percent by the end of the fiscal. Its performance continued to be robust as it stepped on the gas when others pulled back from lending to automobile purchases. Earnings rose to Rs. 1,400 crore from Rs.920 crore a year earlier driven by retail loans growth in the corresponding quarter last year led by strong margins growth and gains from fee income. "Our commercial vehicle grew 14 percent, utility vehicle loans grew by 25 percent, two-wheelers by 14 percent and tractors by 34 percent," said Sobti. ''The growth in this portfolio has been pretty secular despite the ongoing slowdown. We can attribute this to the fact that competitors in this segment have withdrawn their financing giving us more space for capturing demand."

The veteran banker pegged the sector to see partial revival by the fourth quarter of the ongoing year calling the slowdown more cyclical than structural. Sobti, who is set to retire by the end of the ongoing fiscal didn't divulge on the topic of his potential successor, even as news reports this week had pegged the head of consumer Sumant Kathpalia as the frontrunner to bag the top job. "It is a matter for the board to discuss," said Sobti. "At the board has not made any submissions to the Reserve Bank of India."

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/ indusind-to-further-reduce-exposure-to-anil-ambanis-embattled-reliance-group/articleshow/ 71525472.cms
Dated: Oct 10, 2019

- **Misuse Of Common Man's Hard Earned Savings Is A Cardinal Sin:**

Shri Deepak Parekh said there is no other major economy that currently has the capacity to absorb the scale of investments that India needs or has the growth potential that we have. Amid the crisis at Punjab & Maharashtra Cooperative Bank (PMC), HDFC chairman said it is "brutally unfair" we have regular loan waivers and corporate loan write-offs but no financial system to protect the common man's savings. The scam at PMC Bank has affected thousands of its depositors as their money is stuck with the urban cooperative bank's after RBI had put a withdrawal limits at Rs 25,000 per accounts last month. The restrictions from the RBI came in after it found the bank's exposure to real estate developer HDIL was in too much in excess of what the regulations require and also as the lender hid the NPAs of HDIL. PMC's exposure to HDIL is around Rs 6,500 crore, which is 73 percent of its loan book of Rs 8,880 crore, as per bank's own admission. "To my mind, there is no greater cardinal sin in finance than misuse of the common man's hard earned savings. "It seems brutally unfair that we have allowed a system of loan waivers and write-offs every now and again, but yet we do not have a robust enough financial system to protect the honest common man's savings," Parekh said without mentioning any particular incident while launching a centre for financial studies by B-school SP Jain. He said trust and confidence are the backbone of any financial system and one should never underestimate the power of ethics and values. "It is a pity that this is so often eroded," he said, but was quick to add this problem crops up across the world. Calling for encouraging savings if credit were to grow, Parekh said the savings rate at 30 percent of GDP has been showing a declining trend over the past decade. "Household savings is important for any economy and that is why there is likely to be a threshold beyond which lowering interest rates becomes difficult," he said. Our savers prefer assured returns which is why fixed deposits continue to remain the preferred choice of savings, he added. He said the crux of the problem with the financial sector is that the flow of credit to the commercial sector is still clogged. Talking about economy, he said given the global slowdown, our growth rate is still better. "Yes, we are facing short-term challenges, particularly on consumption growth, but these appear to be cyclical and not a deep-rooted malaise." Parekh said there is no other major economy that currently has the capacity to absorb the scale of investments that India needs or has the growth potential that we have. "Market cycles are inevitable. But as long as we are able to self-correct, work towards financial sector reforms, bring in enabling policies, encourage true and fair entrepreneurship and have a stable rule of law, I think there is no reason to believe why India won't retain its rightful place on the global stage," he said. Addressing the event, former chairman of SBI Arundhati Bhattacharya said if the country wants to be a USD 5 trillion economy, then the financial system should be strong enough. Supporting the merger of public sector banks announced recently, she said the though it is painful the government has done the right things of merging the struggling state-run banks.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/misuse-of-common-mans-hard-earned-savings-is-a-cardinal-sin-deepak-parekh/articleshow/71526182 .cms

Dated: Oct 10, 2019

- **Muthoot Finance Employees' Stir Ends:**

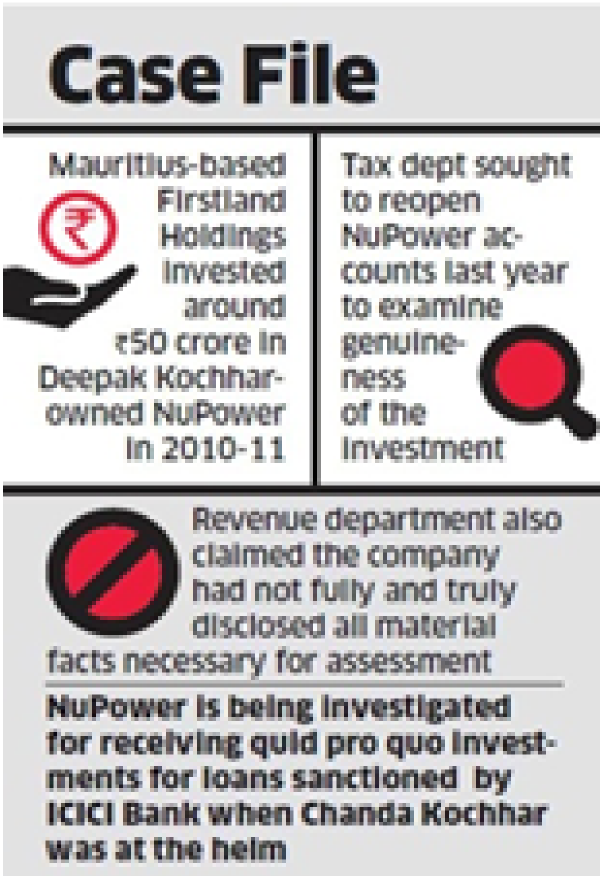
  A 52-day long strike by a section of employees at Kerala-based Muthoot Finance Company ended on Thursday following discussions between the representatives of management and trade union in the presence of an advocate commission appointed by the Kerala High Court. State Labour department said the management has accepted in-principle the demand by the employees for a hike in their salary and other benefits. The management has also assured that no disciplinary action would be initiated against those who participated in the strike, the Labour department said. Kerala-based Muthoot Finance Company had been facing protests by a section of employees supported by CITU demanding revised salary structure and other benefits. The management had threatened to close down the affected branches in Kerala,alleging the strike was launched by some vested interests. The Centre of Indian Trade Union (CITU)-supported striking employees had hit out at the management, saying its alleged anti-labour stance was the reason for the agitation.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/muthoot-finance-employees-stir-ends/articleshow/71526717.cms

Dated: Oct 10, 2019

- **Supreme Court Bars I-T Deptartment From Reassessing NuPower Accounts:**

  The Supreme Court has disallowed the income tax department's bid to reassess the accounts of Deepak Kochhar-owned NuPower Renewables to investigate an investment made in the company eight years ago, agreeing with a high court ruling that the matter was time-barred and would fall in the realm of "fishing enquiries." The income tax department sought to reopen the accounts of NuPower last year to examine the genuineness of investments of about Rs 50 crore by Firstland Holdings in 2011. Kochhar is the husband of Chanda Kochhar, former MD of ICICI Bank, who was charged with alleged criminal conspiracy, cheating and abuse of official position for dishonestly sanctioning loans to the Videocon Group. NuPower is being investigated for receiving quid pro quo investments for loans sanctioned to various industrial houses by ICICI when she was at the helm of affairs. Deepak Kochhar had business dealings with Videocon Group. Firstland Holdings is owned by promoter Nishant Kanodia, the son-in-law of Essar Group chairman Ravi Ruia. Several transactions between Firstland and NuPower from 2010-12 are under probe over alleged quid pro quo deals. The tax department wanted to investigate the investment of Rs 49.9 crore by Mauritius-based Firstland Holdings in NuPower through the purchase of convertible preference shares in 2010-11. In mid-2018, the department claimed the source, genuineness and creditworthiness of Firstland Holdings remain unexplained and needed further investigation. The revenue department also claimed NuPower had not fully and truly disclosed all material facts necessary for assessment. NuPower challenged the department's move in Bombay High Court on December 12, 2018. It argued that the reopening notice was time-barred since it was issued beyond the permissible period of four years. NuPower said there was no failure on its part to fully and truly disclose all material facts. "The ground on which the assessing officer wishes to rely upon was examined by the assessing officer during scrutiny assessment," NuPower's lawyers argued. "Without there being any new or additional material, reopening assessment on the basis of the said ground is not permissible." The company argued that the information was not new for the assessing officer. "Through a series of correspondence between the assessee and assessing officer, this information was highlighted time and again," the company said in its response. "The channel of movement of the fund, the source of the fund, purpose of investment and ultimate destination of the fund, were all part of the record during the assessment proceedings. There is nothing in the reason recorded by the assessing officer to suggest that such investment is bogus." A division bench of the Bombay High Court comprising Justice AkilKureshi and Justice MS Sanklecha set aside the department's reopening notice on March 7 and observed that the income tax officer had all the material information in hand when the assessment was framed. The high court had said there was nothing with the assessing officer to prima facie show that the investments were "not genuine." The high court rejected the department's claim that it could reopen assessments even though it may not have additional grounds for doing so. "The investigation into the source of genuineness and creditworthiness of the investor company would fall within the realm of fishing enquiries, which is wholly impermissible in law in the context of the reopening of the assessment," the court said. Subsequently, the department challenged the ruling in the Supreme Court, where a division bench of Justice Rohinton Fali Nariman and Justice Surya Kant dismissed its petition. "This petition was called on for hearing today," the two-judge bench said in its order dated August 26. "The special leave petition is dismissed." "The Supreme Court has rightly dismissed the petition of the income tax department as this is a settled position that any assessment can be looked through again only if there is fresh material/evidence on record," said Amit Maheshwari, a partner at Ashok Maheshwary& Associates LLP. "Since the information from the investigation wing in this case didn't provide any new insight, the reopening of the assessment was devoid of merit."



Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/supreme-court-bars-i-t-deptartment-from-reassessing-nupower-accounts/articleshow/71533256.cms

Dated: Oct 11, 2019

- **Shri Mehul Choksi Cheated Punjab & Sind Bank Of Rs 44 Crore:**

  The public sector Punjab & Sind Bank (PSB) has revealed around Rs 44.1 crore loan exposure to the absconding diamantaire Mehul Chinubhai Choksi, here on Saturday. This is the first time the 111-year-old bank has come clean on the default perpetrated by Choksi, who has now settled as a citizen of Antigua & Barbados, the West Indies. The New Delhi-based PSB has issued notices proclaiming him as a "willful defaulter" who owes the bank the amount for which it has initiated recovery proceedings against him. According to PSB, Choksi's company, Gitanjali Gems Ltd., including its merged entity Gitanjali Exports Ltd., had availed the loan from the bank. Choksi is a director plus a guarantor in the company and legal heir to Guniyal Choksi in the loan account. However, since they failed to clear the loan amount, the PSB declared it as a 'non-performing asset' on March 31, 2018, days after it dawned that Choksi and his family had already fled the country in February that year. The bank has now demanded that Choksi cough out the loan amount plus interest and other costs with effect from October 23, 2018 onwards. As he failed to comply, the PSB on September 17, 2019 declared him as a 'wilful defaulter'. With this, Choksi joins the bank's band of 27 other defaulters from different fields, based mainly in New Delhi, Punjab and Chandigarh, one in Lucknow, Uttar Pradesh and two in Chennai, Tamil Nadu, against whom it has filed recovery suits. The latest development makes PSB the third prominent government-owned bank to reveal its exposure after Oriental Bank of Commerce came clean of loan defaults by Choksi and his nephew Nirav Modi totaling to around Rs 289 crore.. The 'mama-bhanja' diamantaire duo shot into limelight in February 2018 after the Punjab National Bank revealed a massive fraud perpetrated by them running into over Rs 13,500 crore, sending shudders in the country's banking industry. "Besides PSB, which has been a perpetually loss-making entity, several other banks have exposure to Choksi-Modi and their group companies. Why can't all the government banks come clean and jointly take legal action to recover their dues," former and Trade Unions Joint Action Committee (TUJAC), Maharashtra Convenor Vishwas Utagi told IANS. Utagi said the other bigger questions are: what action has been taken against the departments and officers dealing in foreign exchange in Reserve Bank of India and other affected banks, how much of the outstanding from (Nirav Modi-Choksi and others) accused have been recovered so far and whether the details emerging now are under pressure' before the upcoming merger of banks. He has demanded a 'forensic audit' into all the accounts in all Indian banks held by the realty, gems &jewellery sectors on priority to reveal the extent of defaults and the collateral damage to society in the public interest. Earlier this year, the State Bank of India (SBI) had first bared its chest on aRs 405 crore outstanding loan from Choksi and his family members. The SBI's disclosure had come barely two days after it became public that Choksi had surrendered his Indian citizenship and taken the nationality of Antigua & Barbados Islands. In March this year, millions in India were stunned to see a relaxed and well-dressed Nirav Modi sauntering down a street in London, and the subsequent furore led to his arrest by the United Kingdom authorities. Currently, India is making all-out efforts to get the uncle-nephew extradited from Antigua & Barbados, and UK to face the laws here.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/mehul-choksi-cheated-punjab-sind-bank-of-rs-441-million/articleshow/71552624.cms

Dated: Oct 12, 2019

- **Cooperative Sector Needs Self Regulatory Mechanism:**

  Leaders of cooperative sector should think of a self-regulatory mechanism to strengthen it and prevent recurrence of scams like Punjab and Maharashtra Cooperative Bank case, Commerce and Industry Minister Piyush Goyal said on Sunday. He said that whistleblowers should come forward wherever such things are happening, as several people must have been involved in such a scam. "I do not think that such a scam can happen without involvement of hundreds of people. Several accounts must have been opened, funds must have been diverted. Branches and some employees must have been involved in this," Goyal said. It would not be possible for the government to look at every institution and issues, the minister said here at India International Cooperative Trade Fair. "I think that leaders of the cooperative sector should think of a self-regulatory mechanism through which the sector can be strengthened," he said. Citing the example of PMC scam, Goyal said some "bad apples" ruin the reputation of such an important sector. Punjab & Maharashtra Cooperative (PMC) Bank is facing regulatory action on account of major financial irregularities, failure of internal control and systems, and wrong/under-reporting of its exposures under various off-site surveillance reports to the RBI that came to its notice last month. The minister also said the finance minister has stated that she is looking into the matter so that depositors do not face problem. It is "our responsibility to ponder, so that such incidents do not malign the name of cooperative sector," he added. Further, he said that the sector should think of offering its products on public procurement portal GeM. The ministry is mulling to open the portal for public

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/ cooperative-sector-needs-self-regulatory-mechanism-piyush-goyal/articleshow/71569015.cms

Dated: Oct 13, 2019

- **Altico And Mashreq Approach RBI Against Hdfc Bank:**

  AlticoCaptial and Dubai's Mashreq Bank have approached the Reserve Bank of India, accusing HDFC Bank of violating regulatory provisions by debiting part of the funds the company had raised through external commercial borrowing (ECB) and parked at the Indian bank. HDFC Bank, which also had lent money to Altico, debited about Rs 200 crore from its account by using a general lien, two people with the direct knowledge of the matter told ET. Altico and Mashreq claimed that the money was transferred from the Rs 650 crore ECB that the non-banking finance company had availed of from the Dubai-based lender and kept at HDFC Bank, they said. Altico had early last month said it defaulted on an interest payment to Mashreq Bank. More than a week prior to that, India Ratings had downgraded the NBFC to A+ from AA-, citing challenges in its focus sector of real estate, following which HDFC Bank debited the amount. The company has since been downgraded to the 'junk' status by ratings firms. "Both Mashreq and Altico have complained to the RBI citing specific provisions of ECB master directions," said one of the people. They claimed that the fund was placed in HDFC Bank as it was an authorised ECB dealer and that this account did not come under the general covenant. The local bank's decision to transfer money from account may be a violation of the RBI's end-use rule, they said. The RBI, HDFC Bank, Altico Capital and Mashreq Bank did not reply to ET's emails seeking comment until press time Friday. According to the RBI's master circular on ECB, borrowers are "allowed to park ECB proceeds in term deposits with AD (authorised dealer) Category I banks in India for a maximum period of 12 months cumulatively. These term deposits should be kept in unencumbered position". As per RBI rules, ECB proceeds meant for rupee expenditure should be repatriated immediately for credit to their rupee accounts with AD Category I banks in India. About three weeks ago, State Bank of India chairman Rajnish Kumar criticised a "selfish" private sector bank for the developments at Altico, saying that unilateral moves by such lenders to secure their money could trigger troubles to the wider financial system. "You have taken care of the Rs 50-100 crore (exposure), and felt happy for saving your money, but if you are damaging the system, then it is not proper," Kumar was quoted as saying. He didn't name the PSB. Altico is backed by foreign investors including Clearwater Capital, Abu Dhabi Investment Council and Varde Partners. The NBFC got into trouble in September after it failed to pay Rs 19.97 crore in interest on a loan obtained from Mashreq Bank despite having sufficient funds. Around mid-September, India Ratings and CARE cut Altico's creditworthiness to the 'junk' category. In its rating rationale, India Ratings cited the deteriorating operating environment for real-estate players, dilution in liquidity buffers and a concentrated loan book with high single-party exposure. About two dozen lenders are involved in Altico and they are now meeting to work on a resolution plan. They have also reached out to four global investors offering controlling stake, a move that will bring fresh lease of life to the company.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/altico-and-mashreq-approach-rbi-against-hdfc-bank/articleshow/71546523.cms

Dated: Oct 13, 2019

- **ED Attaches Assets Of Over Rs 4,000 Crore OfBhushan Steel:**

  The Enforcement Directorate on Saturday said it has attached assets worth over Rs 4,025 crore of Bhushan Power and Steel Limited (BPSL) in connection with its money laundering probe linked to an alleged bank loan fraud. The central probe agency said it has attached land, building, plant and machinery of the firm located in Odisha under the provision of the Prevention of Money Laundering Act (PMLA). The total value, under the provisional order for attachment, is Rs 4,025.23 crore. This is the first attachment in the case and more is expected. The ED, in a statement, alleged that BPSL used various modus operandi to siphon funds obtained as loans from various banks. "An amount of Rs 695.14 crore was introduced as capital by Sanjay Singal (the then CMD of the company) and his family members in BPSL out of artificially generated long term capital gains (LTCG) by diversion of bank loans fund of BPSL," it said. LTCG was exempted from income tax during the relevant time, it added. The ED's case of money laundering was filed after studying the CBI FIR registered against the company, Singal& others on charges of corruption. The ED charged that BPSL had also made RTGS payments to various entities against "fictitious purchases" of capital goods. Against RTGS payments, these entities had transferred cash to BPSL which was ultimately traced to have been used for generation of artificial LTCG by jacking up the prices of penny stocks by way of synchronised trading, the ED said. Another amount of Rs 3,330 crore invested as equity (share capital and premium) by promoter companies was also found to have been routed out of the funds obtained as various loans and diverted from accounts of BPSL in the shape of advances shown to various shell companies operated by the different entry operators, it said. The proceeds of crime in this case, the agency said, were laundered by way of introduction into the books of accounts as equity for window dressing the debt equity ratio.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/bank-fraud-ed-attaches-assets-of-over-rs-4000-crore-of-bhushan-steel/articleshow/71555704.cms

Dated: Oct 13, 2019

- **Portals Seeking Views On Merger To Be Rolled Out:**

Public sector Indian Bank would soon roll out portals inviting customers to share their views on the merger with Allahabad Bank, a top official has said. Indian Bank would be amalgamated with Allahabad Bank under the Centre's move to merge various public sector banks. A meeting was organised in Vijayawada recently following the in-principle approvals from the respective boards of Indian Bank and Allahabad Bank. Addressing the gathering, Indian Bank MD and CEO Padmaja Chunduru said the meeting was organised to create better understanding on the amalgamation process. Both the banks have a strong legacy and they have been working on the same platform enabling comfortable migration of technology, she said. "Very soon, separate customer portals would be provided to invite suggestions and views on the merger process", she said. Following the merger, Chunduru said there would be an integration of human resources by way of organising joint trainings of employees of both the banks to understand the business models. Effective utilisation of human resources would be taken care with domain experience for proper deployment, she said. Noting that the best banking practices of both the banks would be taken for business growth, she said the benefits following the amalgamation would be available to customers through customised products and service offerings. Chunduru assured the customers of best services of the both the banks. Allahabad Bank executive director K Ramachandran assured customers that the amalgamation process would be smooth and seamless without any discomfort. The government had unveiled a mega plan to merge 10 public sector banks into four as part of plans to create fewer and stronger global-sized lenders as it looks to boost economic growth. The set of mergers are Canara Bank and Syndicate Bank would merge; Union Bank of India would amalgamate with Andhra Bank and Corporation Bank; and Indian Bank would merge with Allahabad Bank.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/portals-seeking-views-on-merger-to-be-rolled-out-indian-bank/articleshow/71580303.cms

Dated: Oct 14, 2019

- **Govt Closely Monitoring Developments At PMC Bank:**

Finance Minister Nirmala Sitharaman on Monday said she is closely monitoring the developments at Punjab and Maharashtra Co-operative (PMC) Bank, and the RBI Governor has assured that customers' interest will be protected. The bank was put under "directions" by the Reserve Bank of India (RBI) last month due to weak financial health, wherein the central bank has capped the deposit withdrawals at Rs 25,000. "The RBI governor has assured me that he will keep the interest of customers in mind, and at the earliest try resolve and resolve it...I had discussion with RBI Governor this afternoon and I am closely monitoring it," she said while addressing media after meeting heads of public sector banks here. PMC is in bad health allegedly due to its exposure to near-bankrupt realty player HDIL, to which it has loaned over 70 per cent of its Rs 9,000 crore in advances. "Government has been on its toes in terms of bringing the assets of these promoters (indulged in fraud) of the bank...process will not suffer for want of enough assets which can eventually help paying back customers. In fact my appeal to Governor this afternoon was if there are so many assets, is there anyway RBI can expedite in terms of paying to customers who are genuinely suffering," she said. She also said the government could consider raising deposit guarantee limit from existing Rs 1 lakh. If it happens it will be through Parliament, she added. Deposit Insurance & Credit Guarantee Corporation (DICGC) insures each depositor in a bank up to a maximum of Rs 1 lakh for both principal and interest as on the date of liquidation/cancellation of the affected bank's licence or from the date of amalgamation/merger. She further said that she had discussion with the RBI Governor that if deposit guarantee of Rs 1 lakh can be released instantaneously. But the governor informed that the deposit guarantee is released after the bank is closed and and when it is a going concern, she added.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/govt-closely-monitoring-developments-at-pmc-bank-nirmala-sitharaman/articleshow/71580510.cms

Dated: Oct 14, 2019

- **RBI Imposes Rs 1 Crore Fine On LVB, Rs 75 Lakh On Syndicate Bank For Violating Norms:**

  The Reserve Bank has imposed a monetary penalty of Rs 1 crore on Lakshmi Vilas Bank and Rs 75 lakh on Syndicate Bank for violating asset classification and fraud detection norms. "The Reserve Bank of India (RBI) has, by an order dated October 14, 2019, imposed monetary penalty of Rs 1 crore on Lakshmi Vilas Bank Ltd for non-compliance with certain provisions of directions issued by RBI on 'Income Recognition and Asset Classification (IRAC) norms," RBI said in a release on Monday. In a similarly worded release, it said a monetary penalty of Rs 75 lakh has been imposed on Syndicate Bank for non-compliance with the directions issued by RBI on frauds classification and reporting; innovative housing loan products wherein upfront disbursal of loans is done. This action is based on the deficiencies in regulatory compliance and is not intended to pronounce upon the validity of any transaction or agreement entered into by the bank with its customers, RBI said for the banks.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-imposes-rs-1-crore-fine-on-lvb-rs-75-lakh-on-syndicate-bank-for-violating-norms/articleshow/ 71584289.cms

Dated: Oct 14, 2019

- **Banks For Adding Investment-Grade NBFCs In Guarantee Scheme:**

  New Delhi, Bankers on Monday suggested to Finance Minister Nirmala Sitharaman that those NBFCs having investment grade ratings but with AA rated assets be included in the partial credit guarantee scheme for NBFCs to provide them liquidity. “Banks have purchased assets to the tune of Rs 17,000 crore from the NBFCs under the direct pooled buy-out so that NBFCs also get the liquidity. These are good assets and they have AA ratings. Rs 15,455 crore worth of assets have been identified under the partial buy-back pool guarantee and scrutineer by the banks to be in order and now the concerned NBFCs have to bring their the ratings into the scheme. “Today all the bankers suggested that there are some NBFCs who have a good pool but they do not have good rating on their own, so there those NBFCs having investment grade ratings should also be included in the scheme (partial loan guarantee scheme) so that their AA rated pools also can be considered for infusing liquidity even if they (the NBFCs) themselves do not have a strong rating,” Finance Secretary Rajeev Kumar said at the media briefing after Sitharaman took stock of credit and retail loan situation from the PSBs. Atanu Chakraborty, Secretary, Department of Economic Affairs said: “To ensure that NBFCs get adequate liquidity, a pool of assets with NBFC is proposed to be bought out by banks backed by first loss of government guarantee up to 10 per cent. Banks have expressed that rating requirement to be brought down to investment grade so that clarification, the Department of Financial Services will issue.” There are two types of ratings -- one on the pool and one on the NBFCs themselves. Currently, banks only consider those NBFCs who have got themselves a high rating than investment and also their AA rated assets. The Finance Minister said: “We are allowing all the suggestions of the banks and will look into it.” India has operationalized a partial guarantee scheme announced in the budget for non-banking and housing finance companies (NBFCs and HFCs), which will allow state-run banks (PSBs) to purchase their assets. It is aimed at providing liquidity support to avoid distress sale of assets in a sector facing a shortage of cash due to asset-liability mismatch. The stress on NBFCs and HFCs is seen as a key reason for a slowdown in the economy, as it has caused reduced credit flow to small busineand consumers. As per the guidelines of the scheme announced in the budget, the Department of Economic Affairs will provide government guarantee of up to 10 per cent of the fair value of assets purchased by a bank from a stressed NBFC or HFC. The scheme is capped at Rs 1 lakh crore and will be open for up to six months. NBFCs will have to pay a fee to the government, at 0.25 per cent per annum of the fair value of assets sold to banks. They will be able to sell 20 per cent of standard assets, worth up to Rs 5,000 crore, as on March 31. Assets sold must be at least AA or equivalent rated and the NBFC/HFC selling assets should have appropriate capital, net NPAs of less than 6 per cent and been profitable for the last two financial years.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/banks-for-adding-investment-grade-nbfcs-in-guarantee-scheme/articleshow/71582228.cms

Dated: Oct 14, 2019

- **Centre Not Keen On Staff Representatives On Bank Boards:**

The All India Bank Employees’ Association (AIBEA) has written to Finance Minister Nirmala Sitharaman stating that the Central government does not want its representatives on the boards of public sector banks. In his letter to Sitharaman on Monday, AIBEA’s General Secretary C.H. Venkatachalam said under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980, a representative of trade union of workmen employee and a representative of officers are appointed as directors on the boards of all the public sector banks. “The posts of these employee and officer representative directors are vacant in all the public sector banks for the pasts five years. The panel of names of have been submitted to the bank managements and the government, but for reasons not known to us, the appointments have not taken place and all these posts remain vacant,” he said. Some of the employees whose names were submitted in the panel have since retired and so we have even submitted a revised list of names. Even after that, the appointments have been kept pending. “This has created a strong feeling in the minds of the bank employees that the government is avoiding employee representatives on the boards,” Venkatachalam said

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/centre-not-keen-on-staff-representatives-on-bank-boards-aibea/articleshow/71592591.cms

Dated: Oct 15, 2019

- **SBI Seeks FinMin’s Intervention For DHFL Resolution:**

State Bank of India has approached the Department of Financial Services, seeking its intervention to end the impasse over a resolution plan for home financier Dewan Housing Finance Corporation Ltd., three people with direct knowledge of the matter told ET. “There is lack of coordination among regulators, which is causing an obstacle for the resolution plan going through,” said one person. “SBI chairman has written a letter to the DFS highlighting relevant points on the matter for speedy process.” India’s largest bank is said to have become apprehensive over a systemic risk if ongoing efforts to finalise the resolution plan for the indebted home financier do not go through. While non-banking lenders have taken a hit on their advances to DHFL, banks have yet to mark such credit as non-performing assets. NPAs require additional provisions, denting lenders’ profit margins. SBI and DFS did not reply to ET’s email queries. DFS is a division of the finance ministry that covers the functioning of banks, financial institutions, insurance companies and the National Pension System. The finance ministry is expected to reach out to regulators including the Securities and Exchange Board of India on the issue. Lenders want mutual funds to sign the inter-creditor agreement, which is key for the proposed resolution plan. The SBI chief had approached Sebi, seeking a one-time exception for mutual funds from a rule on segregation of assets so that they could be part of the resolution plan being worked out for DHFL, ET reported on September 24. Asset management companies are mostly unable to sign the inter-creditor agreement for DHFL, citing a regulatory rider known as sidepocketing or segregation of stressed assets. Only Tata Mutual Fund, which has already complied with relevant regulations, agreed to be part of the ICA. Mutual funds collectively own almost 10% of the total debt, or close to Rs 5,000 crore. UTI, Reliance, Nippon, Axis, Tata, Kotak, DSP and Pramerica are some of the mutual funds that invested in DHFL debt securities. Bankers said agreement by non-banking creditors to the resolution plan is important for any progress since it insulates them against litigation in the future. Meanwhile, Catalyst Trusteeship, the custodian of DHFL bonds, threatened to file a case against the embattled home financier, acting on behalf of bondholders. At the same time, (Reliance) Nippon MF and Edelweiss filed a case in the Bombay high court, objecting to the discretionary repayment of debt to secured and unsecured creditors.

The lenders may convert a portion of DHFL's debt into 51% equity while non-banking entities such as mutual funds face losses of 40% or more as part of the resolution plan. The mutual funds will only get part of the liquidation value because they are not part of the creditors' consortium, as per the plan. The remaining loans may be hived off and an equity investor could take a stake in the company.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/sbi-seeks-finmins-intervention-for-dhfl-resolution/articleshow/71608647.cms

Dated: Oct 16, 2019

- **SBI Chief To ED/CBI, Keep Off Companies Under IBC, Go After Promoters:**

Meanwhile, Kumar also said since public private partnership model has not succeeded, a new model needs to emerge and the government cannot continue to take the financial burden on projects. State Bank chairman Rajnish Kumar on Tuesday said the Enforcement Directorate and other central law enforcement agencies should restrict to attaching personal assets while investigating a promoter and keep off the company which is under the insolvency process. Speaking a day after NCLAT asked the ED to release the attached properties of Bhushan Power & Steel which is being taken over by JSW Steel, Kumar asserted the lenders' first right of taking charge of an asset of its bank-financed and said no one should dispute the same. "Any action which ED or any other central authority has to take, they can take with the existing promoters and attach their personal assets leaving their companies away," he said, speaking at a Bloomberg event here. Kumar said the agencies should follow this rule especially in case of companies which are undergoing bankruptcy process, as new suitors are "not fools" to risk their money. "The person acquiring a company cannot be subjected to any harassment by any agencies and I am sure that will be guaranteed now," Kumar said, adding as per the spirit of the bankruptcy code, an acquirer needs a "clean asset". It can be noted that over the weekend ED had attached assets worth Rs 4,025 crore while probing money laundering linked to an alleged bank loan fraud against the BPSL promoters. This was challenged by JSW Steel at the NCLAT, which on Monday had slammed the ED, saying the bankruptcy code would fail if the agency functioned like this and ordered the property be released. JSW Steel had won the bid to buy company for Rs 19,700 crore. Kumar said the Supreme Court judgment on Essar Steel should address much of the worries which are leading to legal tangles in the nascent bankruptcy laws. He said there will not be any more consolidations once the number of state-run lenders gets down to 12, and private sector lenders should also acquire smaller rivals. Meanwhile, Kumar also said since public private partnership model has not succeeded, a new model needs to emerge and the government cannot continue to take the financial burden on projects. If required, we bankers should be willing to take pains in the short-term as a new model emerges, he added. "I am not saying all was well or is well with the behaviour of promoters. There are issues and they are coming out. Take a large power plant for instance. We need a promoter with means to put it and run it. How many promoters are left with the capability to bring in equity and invest today?" He said large companies and those big mid-size ones have utilised only 31 percent of their working capital limits, while smaller companies have utilised 70 percent. There has been a 15 percent increase in term loans for the bank on a year-on-year basis, as there is lot of appetite for credit, he said. On the PMC Bank scam, Kumar said while cooperatives are needed and have offered good services to customers over time, governance issues dog them. He said SBI has built a book of Rs 10,000 crore in unsecured personal loans through its digital platform in the last five months, and denied it being the next bubble, saying delinquency rates in those are as low as 0.01 percentage points.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/sbi-chief-to-ed/cbikeep-off-companies-under-ibc-go-after-promoters/articleshow/71599580.cms

Dated: Oct 16, 2019

- **Public Sector Banks Had 'Worst Phase' Under Manmohan Singh, Raghuram-Rajan:**

Finance Minister Nirmala Sitharaman has said that the Indian public sector banks had the "worst phase" under the combination of former Prime Minister Manmohan Singh and RBI Governor Raghuram Rajan. Delivering a lecture at the prestigious Columbia University's School of International and Public Affairs here on Tuesday, Sitharaman said that giving all the public sector banks a "lifeline" is today her primary duty. "I'm taking a minute to respond... I do respect Raghuram Rajan as a great scholar who chose to be in the central bank in India at a time when the Indian economy was all buoyant," Sitharaman said during the lecture organised by the Deepak and Neera Raj Centre on Indian Economic Policies of the Columbia University. Asked about Rajan's comments during a recent lecture at Brown University in which he had apparently mentioned that in its first term, the Narendra Modi government had not done better on the economy because the government was extremely centralised and the leadership does not appear to have a consistent articulated vision on how to achieve economic growth, the minister said instead there were major issues with bank loans during Rajan's tenure as the central bank head. "It was in Rajan's time as Governor of the Reserve Bank that loans were given just based on phone calls from crony leaders and public sector banks in India till today are depending on the government's equity infusion to get out of that mire," she said. "Dr Singh was the Prime Minister and I'm sure Dr Rajan will agree that Dr Singh would have had a 'consistent articulated vision' for India," she said amid laughter from the audience. "With due respect, I'm not making fun of anybody but I certainly want to put this forward for a comment which has come like this. I have no reason to doubt that Rajan feels for every word of what he is saying. And I'm here today, giving him his due respect, but also placing the fact before you that Indian public sector banks did not have a worst phase than when the combination of Singh and Rajan, as Prime Minister and the Governor of Reserve Bank, had. At that time, none of us knew about it," she said. Sitharaman said while she is grateful that Rajan did an asset quality review, but people should know what makes the banks ailing today. "I am grateful that Rajan did an asset quality review but I'm sorry, can all of us put together also think of asking what ails our banks today. Where has it been inherited from," she said. The event was also attended by former NITI Aayog Vice Chairman Arvind Panagariya, professor and eminent economist Jagdish Bhagwati and India's Consul General in New York, Sandeep Chakravorty. Sitharaman said: "While economists can take a view of what prevails today or prevailed years ago, but I will also want answers for the time when Rajan was in the Governor's post speaking about the Indian banks, for which today to give a lifeline is the primary duty of the Finance Minister of India. And the lifeline-kind of an emergency has not come overnight". Responding to the question, Sitharaman further pointed out that if there is a feeling that there's been a centralized leadership now, "I'd like to say that very democratised leadership led to a whole lot of corruption. Very democratized leadership. The Prime Minister, after all is the first among equals in any cabinet". "You need to have a country as diverse as India with an effective leadership. A rather too democratic leadership, which probably will have the approval of quite a lot of liberals, I'm afraid, left behind such a nasty stink of corruption, which we are cleaning up even today," she said.

Source: https://www.livemint.com/industry/banking/public-sector-banks-had-worst-phase-under-manmohan-singh-raghuram-rajan-nirmala-sitharaman-11571206812516.html

Dated: Oct 16, 2019

- **RBI Imposes Rs 3 Crore Penalty On SBM Bank:**

The Reserve Bank on Wednesday imposed a Rs 3 crore penalty on SBM Bank (India) for non-compliance of regulatory norms by SBM Bank (Mauritius), which amalgamated with the former in November 2018. The penalty has been imposed for non-compliance by SBM Bank (Mauritius) with certain provisions of directions issued by the central bank on 'Time-bound implementation and strengthening of SWIFT - related operational controls' and 'Cyber Security Framework in Banks', the Reserve Bank of India (RBI)said in a statement.A scrutiny was carried out by RBI to examine the implementation of SWIFT related operational controls in SBM Bank (Mauritius) at its Indian operations, and it was observed that it failed to comply with certain provisions, the RBI said. Based on the findings of the scrutiny and taking into account that Indian undertaking of the bank was amalgamated with SBM Bank (India), a notice was issued to SBM Bank (India) advising it to show cause as to why penalty should not be imposed for non-compliance with the directions. After considering the reply received from SBM Bank (India), oral submissions made in personal hearing, and examination of additional submissions, RBI came to the conclusion that the charges of non- compliance with directions were sustained and warranted imposition of monetary penalty, the statement said. The penalty is based on deficiencies in regulatory compliance and is not intended to pronounce upon the validity of any transaction or agreement entered into by the bank with its customers, it said.

Source: https://economictimes.indiatimes.com/articleshow/71619439.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Dated: Oct 16, 2019

- **No Charges On Digital Payments Made To Large Biz Establishments From Nov 1:**

The government on Friday said banks or system providers will not impose charges or Merchant Discount Rate on customers as well as merchants on digital payments made to establishments having turnover in excess of Rs 50 crore from November 1. In her Budget speech, Finance Minister Nirmala Sitharaman had said business establishments with annual turnover of more than 50 crore should offer low cost digital modes of payment to their customers and the RBI and banks should absorb cost of tranactions. Following the announcement, amendments have been made in the income tax act as well as in the Payment and Settlement Systems Act 2007. The new provisions "shall come into force with effect from November 1, 2019," the Central Board of Direct Taxes (CBDT) said in a circular. The CBDT has also invited applications from banks and payment system providers who are willing that their payment systems may be used for the purpose as the government plans to prescribe certain electronic modes of payment.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/no-charges-on-digital-payments-made-to-large-biz-establishments-from-nov-1/articleshow/ 71653966.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Dated: Oct 18, 2019

- **Indian Banks Association Elects Shri Rajnish Kumar As Chairman:**

SBI's head Shri Rajnish Kumar has been elected as the chairman of Indian Banks Association for fiscal 2019-20. UBI's G Rajkiran Rai, S S Mallikarjuna Rao of PNB and Madhav Kalyan JP Morgan Chase Bank have been appointed deputy chairman. SBI's head Rajnish Kumar has been elected as the chairman of the banking industry lobby Indian Banks Association for fiscal 2019-20. The body, which represents banks' interests with the government and regulators, said it has three top bankers from various lenders as its deputy chairmen. An official statement said these include Union Bank of India's G Rajkiran Rai, S S Mallikarjuna Rao of Punjab National Bank and Madhav Kalyan JP Morgan Chase Bank. DBI Bank's managing director and chief Rakesh Shamra will be the honorary secretary of the body, it said.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/indian-banks-association-elects-rajnish-kumar-as-chairman/articleshow/71655308.cms?utm_source= contentofinterest&utm_medium=text&utm_campaign=cppst

Dated: Oct 18, 2019

- **Private Lenders Kotak Mahindra, Axis Bank Signal Stress In Loan Book:**

Indian banks, already saddled with nearly $150 billion in bad loans, are struggling to grow their lending activity as a slowdown in domestic consumption weighs on demand for credit. Two top Indian private-sector lenders on Tuesday signaled stress in their loan books as the banks grapple with the worst economic slowdown in years that has increased bad loans across the sector. Kotak Mahindra Bank Ltd, the nation's third-largest lender by market value, trimmed its full-year loan growth forecast, while the sixth-biggest bank Axis Bank Ltd said its small business and small and medium enterprises categories have come under pressure due to delayed payments. "We have enough capital, but we are seeing the economic environment go down rather than up," Axis Bank Chief Executive Officer Amitabh Chaudhry told reporters at a news conference. Indian banks, already saddled with nearly $150 billion in bad loans, are struggling to grow their lending activity as a slowdown in domestic consumption weighs on demand for credit. The country's economy expanded at just 5% in April-June, while credit growth at Indian banks dropped to the lowest level in nearly two years at end-September. Kotak now expects credit growth for the year ending March above "mid-teen" percentage digits, joint Managing Director Dipak Gupta said at a news conference in Mumbai. The bank had earlier forecast growth of 20%. The bank said it was seeing credit growth in most sectors, except in corporates. Gross bad loans as a percentage of total loans at the bank, a measure of asset quality, ticked up to 2.32% at the end of the September quarter, from 2.15% a year earlier and 2.19% in the second quarter. Axis Bank, however, showed slight improvement in its balance sheet. Gross bad loans as a percentage of total loans eased to 5.03% by the end of September, compared with 5.25% in the previous quarter and 5.96% during the same period last year. Still, for the three months to Sept. 30, Kotak's net profit surged 51.1% to 17.24 billion rupees ($243.1 million) - its highest in at least 17 years, boosted by higher interest income and lower tax expenses. Net interest margin (NIM), a key indicator of a bank's profitability, rose to 4.61% from 4.19% last year. Both banks reported a rise in the money they set aside to meet future losses. Provisions and contingencies at Kotak increased 15%, while provisions for bad loans rose 0.6% at Axis. Even as lending remains under pressure, Kotak reported a better-than-expected quarterly profit on the back of higher interest income. Axis reported a surprise quarterly loss due to a one-time tax charge. Excluding the charge, the lender would have reported a profit.

Source: https://www.businesstoday.in/sectors/banks/kotak-mahindra-axis-bank-signal-stress-loan-book/story/386201.html

Dated: Oct 23, 2019

- **ICICI Bank Sells Entire Stake In GST Network To 13 State Governments:**

Private sector ICICI Bankon Friday said it has exited the GST Network, the company facilitating collection of the indirect tax, by selling its entire 10 per cent stake to as many as 13 state governments. The stake sale is for aggregate cash consideration of Rs 1 crore, ICICI Bank said in a regulatory filing.The stake transfer to various stake governments will be completed by the end of March 2020, it said. The bank will transfer 0.14 per cent stake to the Assam government and 0.81 per cent stake to the Telangana government. Besides, it will transfer Goa, Kerala, Manipur, Tripura, West Bengal, Delhi, Jharkhand, Uttar Pradesh, Chhattisgarh, Madhya Pradesh and Arunachal Pradesh governments 0.82 per cent stake each. ICICI Bank has exited the company following the government of India's decision to make GST Network into a public sector entity last year.As per the decision, the Centre will own a 50 per cent stake in the GST Network and the remainder will be held by the states on a pro-rata basis in the new structure. Currently, the Centre and the states together hold a 49 per cent stake in the company, which provides the IT backbone to the indirect tax regime. The remaining 51 per cent is held by five private financial institutions – HDFC, HDFC ICICI Bank, NSE Strategic Investment Co and LIC Housing Finance. GSTN was incorporated as a private limited company on March 28, 2013, under the previous UPA government. It is a not-for-profit entity. There had been criticism about allowing private companies to hold a majority stake in GSTN and demands to change its structure. However, it was then felt that private sector participation in the company would provide it with flexibility in hiring and operational freedom. GST, which replaced multiple state and central taxes with a single levy, was rolled out across the nation on July 1 last year.GSTN faced widespread criticism after the portal crashed several times and businesses found it difficult to file returns. With the portal stabilising, the government said the time was right to change the ownership.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/icici-bank-sells-entire-stake-in-gst-network-to-13-state-governments/articleshow/71765140.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Dated: Oct 25, 2019

- **UPI Achieves Double Milestone Of 1 Billion Transactions, Over 100 Million Users In Oct; Aims To Go Global Soon:**

  India's very own Unified Payments Interface (UPI)- a real-time payment system has achieved the double milestone of one billion transactions as well as has crossed 100 million users in October.This makes it the fastest adoption of any payments system anywhere else in the world. The National Payments Corporation of India (NPCI) which launched the domestic payments platform three years ago and operates it as well aims to take the fund transfer system to other countries such as Singapore and the United Arab Emirates (UAE)."The UPI has had the fastest acceptance not just in payments but among other platforms as well. I have not compared the numbers but given the time taken to reach 100 million users by social media and other platforms. I am sure we should be among the top," Dilip Asbe, chief executive officer, NPCI told the Times of India. UPI, which has over 141 banks on board right now, has emerged as a major payments alternative to debit, credit and e-wallets. In September alone, the UPI-based recorded 955.02 million transactions worth over Rs 1.61 lakh crore as compared 918.35 million transactions a month ago, the National Payments Corporation of India (NPCI) data stated. On a year-on-year basis, UPI transactions have increased 2.3 times or 135 per cent.UPI is a payment interface of the National Payments Corporation of India (NPCI), an umbrella organization for operating retail payments and settlement systems in India. It powers multiple bank accounts into a single mobile application, merging several banking features, seamless fund routing and merchant payments into one hood.It also caters to the 'Peer to Peer' collect request, which can be scheduled and paid as per requirement and convenience. UPI allows immediate money transfer through mobile device round the clock and can be used to pay utility bills, over the counter payments, and barcode (scan and pay) based payments.

Source: https://www.businesstoday.in/sectors/banks/upi-achieves-double-milestone-of-one-billion-transactions-100-million-users-october-plans-to-go-global-soon/story/387069.html

Dated: Oct 28, 2019

- **PNB Unlikely To Subscribe To Fresh Equity Expansion Of Its Housing Subsidiary PNB Housing:**

  Punjab National Bankis unlikely to subscribe to the fresh equity expansion of its housing subsidiary PNB Housing while Carlyle Group is keen to expand its investment, sources familiar with the development told ET. The housing finance company is raising Rs 2000 crore equity first time in four years. State-run PNB holds 32.66% in the company while Carlyle holds 32.25% through a group company, called Quality Investment Holdings. General Atlantic with 9.87% interest in the housing finance lender may also subscribe to the issue, sources said. A couple of new investors may usher in. When contacted, PNB Housing managing director Sanjaya Gupta merely said that two of the three large investors would invest. He did not share further details. PNB did not respond to queries.It is learnt that the mortgage lender will opt for 'limited preference' route whereby a maximum of five investors can participate. The company has hired Kotak Mahindra Capital Co and JM Financial to manage the issue which is expected by the end of this fiscal. Responding to queries from ET, PNB Housing said that its board had discussed the equity raising issue threadbare on October 24. "We discussed the options and further plan of action. We will have a firm capital raise plan in the next two to three weeks and post that we plan to start doing our roadshows," the company said. The lender's capital to risk adjusted ratio (CRAR) improved to 15.67% at the end of September from 13.98% six months back with tier I capital being at 12.69%. Although loan disbursement slowed this year, the fresh equity will boost the company's future growth plans.Total loan disbursements for the quarter shrunk almost by a third to Rs 12,604 crore between April and September compared with Rs 18,172.2 crore in the same period last year. The company has cut down its corporate lending to to 83% amid lesser opportunity while retail loan disbursement remained more or less same. Last week, the company board has also approved an enabling resolution to raise Rs 10000 crore in bonds which would be done in the next six months. It had raised $100 million (Rs 690 crore) from the International Finance Corporation in July through external commercial borrowing route for providing small and medium ticket housing loans.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/pnb-unlikely-to-subscribe-to-fresh-equity-expansion-of-its-housing-subsidiary-pnb-housing/ articleshow/71810648.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Dated: Oct 29, 2019

- **Centre Hikes E-Payments Target For FY20 To 45 Billion:**

The government is making changes in its digital payments road map as it has now increased the target for e-transactions in the financial year ending March 2020 to 45 billion (by volume) from 40 billion, two people aware of the matter said.The Ministry of Electronics and Information Technology (MeitY) has also redistributed individual targets for banks and payments firms for the same period. The Noida based Paytm's payments bank and private sector lender HDFC Bank have seen their target increasing the most. Paytm Payments Bank has to clock close to 1 billion additional transactions at over 5.9 billion from the earlier target of 5 billion, while HDFC Bank's target has been increased to 3 billion from 2.5 billion earlier. TOI has seen the letter sent by MeitY.SBI, ICICI Bank and Axis Bank have seen a minor increase in their overall e-transaction targets. Smaller regional banks have also seen a hike in allocation for the current financial year. The Narendra Modi government has been pushing digital payments since its first term and the Unified Payments Interface (UPI) platform has just seen 1 billion monthly transactions on the network."Some of the banks reached out to us, expressing the targets given to them should be re-looked at based on their scale of operations. There has been a revision in the breakup of e-transactions among leading platforms as well as taking the total target to 45 billion now as digital payments continue to grow," an official in Meity said. Two additional sources confirmed the government changing the target distribution after banks reached out to the ministry. Emails sent to MeitY, ICICI Bank, SBI, Axis Bank and HDFC Bank did not elicit any response, while a Paytm spokesperson declined to comment on the matter. For the financial year ending March 2019, the government had set up a target of 30 billion e-transactions, of which 90-95% were met last year. The digital payments estimate covers cardbased payments, immediate payment service (IMPS), digital wallets, UPI, national automated clearing house (NACH) and Aadhaar-enabled payment system (AePS).

Source: https://economictimes.indiatimes.com/articleshow/71816230.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Dated: Oct 30, 2019

- **Relief For PMC Bank Depositors As RBI Moves To Sell Attached Assets:**

  The Reserve Bank of India-appointed administrator has asked the Economic Offences Wing of the Mumbai Police to release properties attached in the Punjab & Maharashtra Cooperative (PMC) Bank case so that they can be auctioned, a move that could provide relief to aggrieved account holders. The city police will soon seek court approval to hand over the assets to the RBI administrator, two people with knowledge of the matter told ET. “We have received a communique from the RBI asking us to de-attach the properties in the PMC case. We have given them an in-principle no-objection certificate,” EOW chief Rajvardhan Sinha told ET, confirming the developments. Another official said the police will approach the competent court by the end of this week to release all provisionally attached movable and immovable property, estimated to be worth over Rs 3,500 crore. Wadhawans have Given Consent to Auction. “If auctioned, the proceeds of the sale could be infused in the bank and distributed among the depositors on a pro rata basis,” said another senior official with knowledge of the matter.JB Bhoria, the RBI-appointed administrator, declined to comment. The RBI said it had no comment.”The administrator would have taken a decision as he would have deemed fit. As such it’s an internal matter of the bank,” said an official.The planned auction will be carried out under provisions of the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest (Sarfaesi) Act, 2002, which allows banks and financial institutions to sell properties of defaulters to recover loans, the two people said.”A sizeable chunk of the depositors are from the lower income group and an early auction will ease their financial load,” one person said. The RBI placed PMC Bank under restrictions after a Rs 4,355-crore scam surfaced and capped withdrawals by account holders. Authorities are probing the alleged criminal conspiracy between some officials of PMC Bank and Housing Development Infrastructure Ltd promoters Rakesh and Sarang Wadha. The Wadhawans have already given their consent to selling the 18 attached assets, including two private jets, a speed boat and a fleet of high-end cars. In a letter dated October 16 to the finance ministry, the RBI and probe agencies including EOW and the Enforcement Directorate, they sought monetization of the attached assets at “fair market value”.”We further give our unconditional consent for the appropriation of the money received from the sale of these assets to be adjusted and appropriated towards the principal loan amount procured by us and the respective companies,” they said in the letter, which ET has reviewed. Since the accused have already given their consent, the auction won’t face a court battle as seen in cases pertaining to Vijay Mallya or Nirav Modi,” one official said.The city police found that while most directors were aware of the loans extended to HDIL, they refused to raise red flags. The EOW recently arrested a former director, SS Arora, and has summoned the entire suspended board of directors in the case. The former directors need to be questioned to ascertain if they were aware of all the facts, including the alleged tampering with the bank’s core banking solution to operate 44 accounts that were password protected, said the official. These “ghost accounts” were linked to the HDIL group and the loans sanctioned to these accounts eventually made it to HDIL or the personal accounts of the two promoters.”We want to probe if there was a deliberate act of omission. Also, if there were instances of quid pro quo,” the official added.Those summoned in the case include BJP leader Tara Singh's son, Ranjeet Singh. The directors had earlier denied any knowledge of the alleged irregularities.The fraud at PMC Bank came to light after the RBI discovered that the lender had allegedly created over 21,000 fictitious accounts to hide over Rs 4,300 crore of loans extended to almost-bankrupt HDIL.A manager of the bank, on behalf of the RBI-appointed administrator, then filed a case with the EOW.

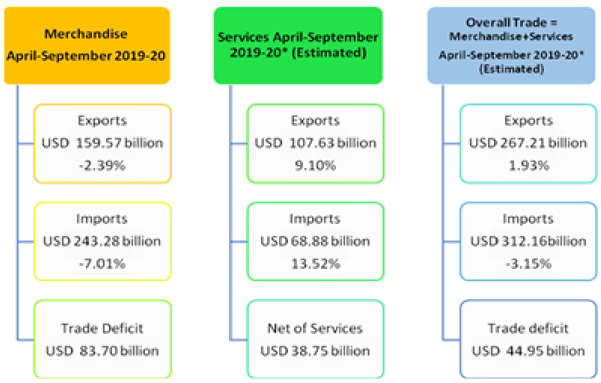
The HDIL promoters, suspended PMC Bank managing director Joy Thomas, its former chairman Waryam Singh and director Arora have been arrested by the EOW.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/relief-for-pmc-bank-depositors-as-rbi-moves-to-sell-attached-assets/articleshow/71829229.cms? utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Dated: Oct 31,2019

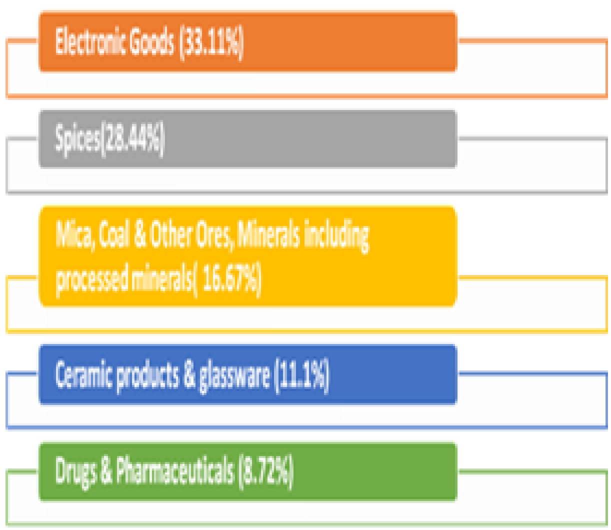
INDIA'S FOREIGN TRADE

India's overall exports (Merchandise and Services combined) in April-September2019-20* are estimated to be USD 267.21billion, exhibiting a positive growth of 1.93per cent over the same period last year. Overall imports in April-September 2019-20* are estimated to be USD 312.16billion, exhibiting a negative growth of 3.15per cent over the same period last year.



***Note:** Services data pertains to April-August 2019-20 as August 2019 is the latest data available as per RBI's Press Release dated 15th October 2019. It is arrived at by adding quarterly data of RBI for Q1 of 2019-20 with Month-wise QE data of RBI's press release for July and August 2019-20. This data is provisional and subject to revision by RBI. In addition, it may be noted that data for September 2019 is estimated and added to the April-August 2019-20 data of RBI to calculate the Overall Trade Deficit for April-September 2019-20. It will be revised based on RBI's next press release for September 2019.

- **Merchandise Trade:-**
  - o **Exports (Including Re-Exports):** Exports in September 2019 were USD26.03 billion, as compared to USD27.87billion in September 2018, exhibiting a negative growth of 6.57per cent. In Rupee terms, exports were Rs.



1,85,710.81crore in September 2019, as compared to Rs. 2,01,234.95crore in September 2018, registering a negative growth of 7.71per cent. In September 2019, major commodity groups of export showing positive growth over the corresponding month of last year are

Cumulative value of exports for the period April-September 2019-20 was USD159.57 billion (Rs.11,16,766.77 crore) as against USD163.48billion (Rs.11,21,474.97 crore) during the period April-September 2018-19, registering a negative growth of 2.39per cent in Dollar terms (negative growth of 0.42 per cent in Rupee terms).

Non-petroleum and Non Gems and Jewellery exports in September 2019 were USD19billion, as compared to USD19.84billion in September 2018, exhibiting a negative growth of 4.20per cent. Non-petroleum and Non Gems and Jewellery exports in April-September 2019-20 were USD118.41billion, as compared to USD119.01billion for the corresponding period in 2018-19, a decrease of 0.50per cent.

- **Imports:** Imports in September 2019 were USD36.89 billion (Rs. 2,63,158.22 crore), which was 13.85per cent lower in Dollar terms and 14.90per cent lower in Rupee terms over imports of USD 42.82 billion (Rs.3,09,222.94crore) in September 2018. Cumulative value of imports for the period April-September 2019-20 was USD243.28 billion (Rs.17,01,997.27 crore), as against USD261.63 billion (Rs.17,94,884.20 crore) during the period April-September 2018-19, registering a negative growth of 7.01 per cent in Dollar terms (negative growth of 5.18per cent in Rupee terms). Major commodity groups of import showing negative growth in September 2019 over the corresponding month of last year are:

- **Crude Oil and Non-Oil Imports:** Oil imports in September 2019 were USD8.98 billion (Rs.64,034.71 crore), which was 18.33 percent lower in Dollar terms (19.32 percent lower in Rupee terms), compared to USD10.99billion (Rs. 79,373.45 crore) in September2018. Oil imports in April-September 2019-20 were USD 64.30 billion (Rs.4,49,870.52 crore) which was 8.22per cent lower in Dollar terms (6.37percent lower in Rupee terms) compared to USD70.06 billion (Rs.4,80,497.71 crore), over the same period last year. In this connection it is mentioned that the global Brent price ($/bbl) has decreased by 20.96% in September 2019 vis-à-vis September 2018 as per data available from World Bank. Non-oil imports in September 2019 were estimated at USD27.91billion (Rs.1,99,123.51 crore) which was 12.30 per cent lower in Dollar terms (13.37 percent lower in Rupee terms), compared to USD 31.83 billion (Rs. 2,29,849.49 crore) in September 2018. Non-oil imports in April-September 2019-20 were USD178.97 billion (Rs.12,52,126.75 crore) which was 6.57per cent lower in Dollar terms (4.74percent lower in Rupee terms), compared to USD191.57 billion (Rs.13,14,386.50 crore) in April-September 2018-19. Non-Oil and Non-Gold imports were USD26.64 billion in September 2019, recording a negative growth of 8.88 per cent, as compared to Non-Oil and Non-Gold imports of USD 29.23 billion in September 2018. Non-Oil and Non-Gold imports were USD 163.17 billion in April-September 2019-20, recording a negative growth of 6.18

per cent, as compared to Non-Oil and Non-Gold imports USD 173.93 billion in April-September 2018-19.

- **Trade In Services:-**
  - o **Exports (Receipts):** As per the latest press release by RBI dated 15th October 2019, exports in August 2019 were USD 18.24 billion (Rs.1,29,798.22 crore) registering a positive growth of 10.40 per cent in dollar terms, vis-à-vis August2018. The estimated value of services export for September 2019* is USD 18.11 billion.
  - o **Imports (Payments):** As per the latest press release by RBI dated 15th October 2019, imports in August 2019 were USD 12.01billion (Rs. 85,417.53 crore) registering a positive growth of 15.96per cent in dollar terms, vis-à-vis August 2018. The estimated value of service Import for September 2019* is USD 11.88billion.
- **Trade Balance:-**
  - o **Merchandise:** The trade deficit for September 2019 was estimated at USD10.86billion as against the deficit of USD14.95 billion in September 2018.
  - o **Services:** As per RBI's Press Release dated 15thOctober 2019, the trade balance in Services (i.e. Net Services export) for August, 2019 is estimated at USD6.24billion.
  - o **Overall Trade Balance:** Taking merchandise and services together, overall trade deficit for April-September 2019-20* is estimated at USD44.95billion as compared to USD60.16billion in April-September 2018-19.

***Note:** Services data pertains to April-August 2019-20 as August 2019 is the latest data available as per RBI's Press Release dated 15th October 2019. It is arrived at by adding quarterly data of RBI for Q1 of 2019-20 with Month-wise QE data of RBI's press release for July and August 2019-20. This data is provisional and subject to revision by RBI. In addition, it may be noted that data for September 2019 is estimated and added to the April-August 2019-20 data of RBI to calculate the Overall Trade Deficit for April-September 2019-20. It will be revised based on RBI's next press release for September 2019.

MERCHANDISE TRADE

Exports & Imports : (US $ Billion)		
	September	**April-September**
Exports(Including Re-Exports)		
2018-19	27.87	163.48
2019-20	26.03	159.57
%Growth 2019-20/ 2018-19	**-6.57**	**-2.39**
Imports		
2018-19	42.82	261.63
2019-20	36.89	243.28
%Growth 2019-20/ 2018-19	**-13.85**	**-7.01**
Trade Balance		
2018-19	-14.95	-98.15
2019-20	-10.86	-83.7
Exports &Imports (Rs. Crore)		
	September	**April-September**
Exports(including re-exports)		
2018-19	2,01,234.95	11,21,474.97
2019-20	1,85,710.81	11,16,766.77
%Growth 2019-20/ 2018-19	**-7.71**	**-0.42**
IMPORTS		
2018-19	3,09,222.94	17,94,884.20
2019-20	2,63,158.22	17,01,997.27
%Growth 2019-20/ 2018-19	**-14.9**	**-5.18**
TRADE BALANCE		
2018-19	-1,07,987.98	-6,73,409.23
2019-20	-77,447.41	-5,85,230.50

SERVICES TRADE

Exports & Imports (Services) (US $ Billion)		
	Aug-19	**April-August 2019-20**
Exports (Receipts)	18.24	89.52
Imports (Payments)	12.01	57
Trade Balance	6.24	32.52
Exports & Imports (Services) (Rs. Crore)		
	Aug-19	**April-August 2019-20**
Exports (Receipts)	1,29,798.22	6,24,122.42
Imports (Payments)	85,417.53	3,97,394.75
Trade Balance	44,380.69	2,26,727.68

TOP BANKING APPOINTMENTS

- **Shri SS Mallikarjuna Rao Appointed MD And CEO Of Punjab National Bank:**

  Punjab National Bank will go into merger under the stewardship of SS Mallikarjuna Rao, who has been appointed as the new chief executive of the bank. Rao, at present the chief executive of Allahabad Bank, will head the Delhi-based PNB till September 18, 2021, the government said in a notification issued late Tuesday. Rao, a career banker, has 33 years of banking experience behind him. He will replace Sunil Mehta in PNB, which is currently under a process of three-way amalgamation with Oriental Bank of Commerce (OBC) and United Bank of India. Rao started his career as probationary officer in Bank of Maharashtra in 1985 and had also worked in Global Trust Bank before its merger with OBC. He also worked in Syndicate Bank as executive director.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/ss-mallikarjuna-rao-appointed-md-and-ceo-of-punjab-national-bank/articleshow/71399926.cms

Dated: Oct 01, 2019

- **Bank Of Baroda Executive Directors To Handle Functions Of MD& CEO:**

  Bank of Baroda on Wednesday said financial, administrative and other functions of its MD & CEO is to be looked after by respective executive directors till the appointment of new head. Shri P S Jayakumar ceased to be the bank's MD & CEO with effect from October 12, 2019 upon expiry of his term. The bank's board of directors and the management committee, as the case may be, may entrust to look after financial and administrative powers and functions of the MD & CEO to respective executive directors till such time appointment to the post of the bank's MD & CEO is made by the government, it said in a regulatory filing. "Accordingly, the board through circulation on October 16, 2019 approved that the financial and administrative powers and functions of the MD & CEO shall be exercised by the respective Executive Directors pertaining to the verticals in which they are in-charge," it said. The government has already invited already invited application through the Banks Board Bureau (BBB) to fill the vacancy. Also, the top post is vacant at Bank of India, for which BBB has already invited applications.

Source: https://economictimes.indiatimes.com/articleshow/71617272.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Dated: Oct 16, 2019

TOP BANKING DEVELOPMENTS

- **RBI Gives Nod For Kerala Bank:**

  The Kerala government's long pending dream of setting up its own bank, by merging district co-operative banks, is all set to become a reality with the Reserve Bank of India (RBI) giving the final nod for the move. With its formation, the proposed "Kerala Bank" will be largest banking network in the state. Expressing happiness over the apex bank's approval for the initiative, Chief Minister Pinarayi Vijayan said the "Kerala Bank" would be formed amalgamating the district co-operative banks (DCBs) with Kerala State Co-operative Bank. The final nod by the RBI was subjected to some conditions, he said adding the setting up of the new bank would also be in accordance with the final verdict of some cases pending before a court in this regard. "... Happy to know that the Reserve Bank of India has given the final nod for the setting up of the Kerala Bank. ... we hope that the formation of the new bank will accelerate development of the state," he said in a Facebook post on Wednesday. According to government sources, 13 DCBs would be merged with the Kerala State Co-operative Bank for forming the proposed Kerala Bank. All the DCBs, except the one in Malappuram district controlled by the opposition Congress-led UDF, had approved the Left government's proposal of amalgamation in their respective general body meetings. The government had claimed that the objective of the formation of the Kerala Bank was to strengthen the cooperative sector, while the Opposition had alleged that it would destroy the traditional cooperative sector.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-gives-nod-for-kerala-bank/articleshow/71517439.cms

Dated: Oct 10, 2019

- **GeM Signs Pact With Union Bank Of India To Avail Various Services:**

  Government e-Marketplace (GeM) on Friday said it has signed a pact with Union Bank of India (UBI) under which the bank will offer several services to it including transfer of funds. The commerce ministry launched the procurement portal GeM to increase transparency in public procurement of goods and services, which is estimated at about Rs 8 lakh crore per year. "UBI will be able to offer an array of services including transfer of funds through GeM pool accounts, advising of performance, bank guarantees and earnest money deposit to the registered users on the portal," it said. The memorandum of understanding (MoU) will facilitate a cashless, paperless and transparent payment system on the portal and will create an efficient procurement system for government entities, it added. "Online integration for payments and various banking services is one of the priorities for GeM. It has already signed MoU with 14 public sector and private banks to enable this," it said. It added that GeM is working with others banks, TReDs, and SIDBI to provide invoice financing and bill discounting to the micro, small and medium enterprises (MSMEs) registered on GeM. "This will help MSMEs access easy credit and do better business with government departments," it said. West Bengal-cadre IAS officer Talleen Kumar was recently appointed as the new chief executive officer of GeM. According to GeM, 2,88,212 sellers and service providers have registered with the portal so far to sell 1,348,380 products and 17,677 services. The government has made it mandatory for all government departments and ministries to source goods and services from its e-marketplace. The portal provides a wide range of products from office stationery to vehicles. Automobiles, computers and office furniture are currently the top product categories. Services, including transportation, logistics, waste management, web casting and analytical, among others, are listed on the portal. Public procurement worth Rs 50,000 crore is expected to take place through GeM during 2019-20, up from Rs 33,366 crore currently.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/gem-signs-pact-with-union-bank-of-india-to-avail-various-services/articleshow/71538690.cms

Dated: Oct 11, 2019

TOP EXPERT REPORTS

- **Only 17% Of Banks Have Deployed Digital At Scale (Infosys Finacle):**

  Only 17% of retail banks have deployed digital at scale, a report by Infosys Finacle and EFMA said. Infosys Finacle is IT services company Infosys' banking platform. The report showed that while banks expect mobility, advanced analytics and open-banking APIs to impact their business the most in the coming year, most are not ready to apply these technologies to create expected business outcomes. "Digital deployment at scale needs a whole new way of thinking, designing and executing to permeate the enterprise. Banks will need to transform culture, organization design, operations and technology ecosystem," said Sanat Rao, the chief business officer & global head of Infosys Finacle. The report said the study's results suggest that in the next 5 years, the biggest threat to the banking industry would be from large technology companies, fintech startups and challenger banks. More than 75% of banks think that consumer technology giants and fintech firms will lead banking innovation, it said.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/only-17-of-banks-have-deployed-digital-at-scale-infosys-finacle/articleshow/71630323.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Dated: Oct 17, 2019

TOP RBI CIRCULARS

Circular Number	Date Of Issue	Department	Subject
RBI/2019-2020/86 IDMD.CDD.No.1145/ 14.04.050/2019-20	31.10.2019	Internal Debt Management Department	Sovereign Gold Bond (SGB) Scheme - Marking of lien
RBI/2019-2020/85 Ref.No.IDMD/ 1125/ 08.02.032/2019-20	25.10.2019	Internal Debt Management Department	Auction of Government of India Dated Securities
RBI/2019-2020/84 DBR.No.Ret.BC.21/ 12.07.160/2019-20	17.10.2019	Department of Banking Regulation	Alteration in the name of "The Catholic Syrian Bank Limited" to "CSB Bank Limited" in the Second Schedule to the Reserve Bank of India Act, 1934
RBI/2019-2020/83 DBR.No.BP.BC.20/ 08.12.014/2019-20	14.10.2019	Department of Banking Regulation	Lending by banks to InvITs
RBI/2019-2020/82 Ref.No.IDMD/ 1009/ 08.02.032/2019-20	14.10.2019	Internal Debt Management Department	Auction of Government of India Dated Securities
RBI/2019-2020/81 DCBR.BPD.(PCB/RCB).Cir. No.04/07.01.000/2019-20	11.10.2019	Department of Cooperative Banking Regulation	Revision in Proforma and Reporting of Bank / Branch details under the Central Information System for Banking Infrastructure (CISBI)
RBI/2019-2020/80 Ref.No.IDMD/ 933/ 08.02.032/2019-20	07.10.2019	Internal Debt Management Department	Auction of Government of India Dated Securities
RBI/2019-2020/79 FIDD.CO.LBS.BC.No. 13/02.01.001/2019-20	07.10.2019	Financial Inclusion and Development Department	Expanding and Deepening of Digital Payments Ecosystem
RBI/2019-2020/78 REF.No.MPD.BC. 389/07.01.279/2019-20	04.10.2019	Monetary Policy Department	Standing Liquidity Facility for Primary Dealers
RBI/2019-2020/77 DBR.No.Ret.BC.19/ 12.01.001/2019-20	04.10.2019	Department of Banking Regulation	Change in Bank Rate
RBI/2019-2020/76 FMOD.MAOG.No.137/ 01.18.001/2019-20	04.10.2019	Financial Markets Operation Department	Marginal Standing Facility
RBI/2019-2020/75 FMOD.MAOG. No.136/ 01.01.001/2019-20	04.10.2019	Financial Markets Operation Department	Liquidity Adjustment Facility – Repo and Reverse Repo Rates
RBI/2019-2020/53 DBR.DIR.BC.No.14/ 13.03.00/2019-20	04.9.2019	External Benchmark Based Lending	All Scheduled Commercial Banks (excluding RRBs) All Small Finance Banks All Local Area Banks

ASSOCHAM INDIA

LIST OF ASSOCHAM BANKING & FINANCIAL SERVICES PUBLICATIONS

NAME OF REPORT	COST
14th Annual Banking Summit-cum-Social Banking Excellence Awards 2018	Rs. 2,000/-
Indian Valuation System In Changing Scenario: "A Game Changer"	Rs. 1,500/-
Building The NBFC Of The Future – A Scalable And Profitable Model	Rs. 2,000/-
11th Global Insurance Summit "Increasing Role of Insurance for Economic Growth	Rs. 1,500/-
White Paper On Household Savings In India & Simplification Of Insurance	Rs. 1,500/-
Code of Hope – The Insolvency And Bankruptcy Code Is Changing The Bad-Loan Resolutions Paradigm, One Step At A Time	Rs. 2,000/-
Bolstering of ARCs – Focus on Quicker Resolution & Co-Investor Model Among Imperatives	Rs. 1,000/-
Deepening The Debt Market – Issues and imperatives	Rs. 1,000/-
Strengthening the IBC Code	Rs. 1,500/-
Role of Trade Finance for Inclusive Growth	Rs. 1,500/-
**** For Purchasing any of these Report Please Contact The Editorial Committee***	

UPCOMING CONFERENCES FOR ASSOCHAM DEPARTMENT OF BANKING & FINANCIAL SERVICES

12th Global Insurance Summit 2019	6th December 2019	Mumbai
15th Annual Banking Summit 2019	January 2020	Mumbai
ASSOCHAM Banking E-Bulletin	10th December 2019	Vol.- 52