BANKING E-BULLETIN

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RBI LIFTS RESTRICTIONS ON BOI, BANK OF MAHA, ORIENTAL BANK

The central bank has eased operational curbs on three state-run lenders, including Bank of India (BoI), referring to marked improvements in the capital positions and asset quality that would now allow these banks to open branches and extend loans freely. Bank of India (BoI), Bank of Maharashtra (BoM) and Oriental Bank of Commerce (OBC) are out of the prompt corrective action (PCA) framework. The restrictions have been lifted after these banks provided a written commitment that they would comply with the norms of minimum regulatory capital, net NPAs (Non-performing assets) and leverage ratio on an ongoing basis and apprised the RBI of the structural and systemic improvements they have put in place. The government has also assured that the capital requirements of these banks will be duly factored in while making bank-wise allocations during the current financial year. These three lenders were among the 11 public sector banks that were put under the so-called PCA framework that placed restrictions on extending big loans, distributing dividends, and expanding the branch networks. BoM was put under PCA in June 2017 after its net NPA rose to 11.76% It reported a loss of Rs 1,372 crore in FY17, and return on assets declined to -1.09% OBC was put under PCA in October 2017 after it reported a net loss of Rs 1,094 crore in FY17 and gross NPA rose to 8.9% BoI was put under PCA in December 2017 after its net NPA rose to 6.90% and return on assets slipped to -0.24% The latest statistics showed the capital position at these banks has improved. The common equity ratio (CET) for BoI in the quarter ended December was at 9.1% for BoM at 8.93% and for OBC for 9.53% Net NPA for all these banks was also down at 5.87% for BoI, 5.91% for BoM, and 7.15% for OBC. The RBI mentioned that BoI and BoM meet the regulatory norms on capital and have net NPAs of less than 6% as per the third quarter results. In the case of OBC, though the net NPA was 7.15% as per the published results of the third quarter, the government has since infused sufficient capital and the bank has brought the net NPA to less than 6%. Hence, it has been decided to remove the restrictions placed on OBC under the PCA framework subject to certain conditions and close monitoring.

Dated: Feb 01, 2019

SBI DENIES DATA LEAK CHARGES, BUT CUSTOMERS BE ON ALERT

State Bank of India (SBI), the country’s biggest lender, mentioned that the data of its customers are safe and that it is continuing to probe the systems for a potential breach of security after a Techcrunch report on data compromise at the bank. The bank is continuing its investigation into all the components of the ecosystem to ascertain that there is no other impact. Earlier, the foreign Web site claimed that the SBI server was located in a Mumbai data center and was not protected by a password for an unknown period. This allowed anyone access to financial information, such as bank balances and recent transactions, on millions of SBI customers. According to a senior bank official who ET spoke with, there is cause for concern because of the lengthy chain in a transaction set. For each transaction, the bank sends an alert by a text message. The bank system creates the SMS and then sends it to a service provider, generally an aggregator. The aggregator has arrangements with some telecom companies, and forwards it to a telecom company, which in turn sends it to the recipient’s telecom company that finally delivers it to the handset of the customer. Each player in these delivery chains assumes the responsibility for its role. Customers should install applications from trusted sources, such as Google Play Store, after verifying the correct nomenclatures from the bank. Even if the claims of the hackers are true, the maximum damage could be a social engineering attack in different forms and modes. There can be fake calls, SMS, or emails, which
may result in fraudulent activities. Customers should be aware of any such social engineering. https://economictimes.indiatimes.com/industry/finance/banking/sbi-denies-data-leak-charges-but-customers-be-on-alert/articleshow/67779161.cms
Dated: Feb 01, 2019

**MS. CHANDA KOCHHAR WAS GIVEN CLEAN CHIT BY BOARD FOR OTHER LOANS**

Former ICICI Bank chief executive Ms. Chanda Kochhar's indictment by the Justice Srikrishna panel is for a completely different set of loans and not that for which she was exonerated by the previous board headed by Shri MK Sharma. The committee's findings on the violation of the lender's code of conduct pertained to loans where ICICI Bank was the lone lender and not part of a consortium that had sanctioned those loans. The clean chit provided to her in 2016 was based on a report prepared by law firm Cyril Amarchand Mangaldas, and it did not cover the loans that were mentioned in the First Information Report (FIR) filed by the Central Bureau of Investigation (CBI). When the board got the first whistle blower complaint, it was only the consortium loan. Subsequently, a second round of charges came in that were not covered by the internal inquiry by the board conducted. The board also ordered clawing back of all the bonuses, stock options and other financial entitlements running into crores of rupees. Ms. Kochhar was accused by a whistle-blower that she favored the Videocon Group with loans. It was alleged there was a quid pro quo deal where her husband Shri Deepak Kochhar benefited from business with the Videocon Group. The first set of charges was that she did not recuse herself from the bank's credit committee that sanctioned a loan of Rs 3,250 crore to the Videocon Group in 2012. When the charges of favoritism came up, the then chairman Sharma conducted an inquiry and declared that he was satisfied that Kochhar did not violate any rules. This loan had about 20 banks in a consortium. Videocon's promoter Shri Venugopal Dhoot was one of the first investors in NuPower Renewables, promoted by Kochhar's husband Deepak Kochhar in 2008. Dhoot subsequently sold his stake but companies controlled by him or associates close to him maintained a relationship with NuPower until early 2013, when its control was finally transferred to a trust controlled by Deepak Kochhar for a small sum. But the CBI in its FIR last week listed out other loans where she could have indulged in criminal conspiracy that led to losses to the bank. The CBI FIR alleged that Chanda Kochhar had “illegal gratification through her husband, Shri Deepak Kochhar, from Videocon MD Shri VN Dhoot for sanctioning a term loan of Rs 300 crore to Videocon International Electronics Ltd. This apart, her alleged role in influencing disbursal decisions in relevant committees of the bank was also brought under the scanner. On August 26, 2009, a rupee term loan of Rs 300 crore was sanctioned to Videocon International Electronics Ltd (VIEL) in contravention of rules and policy by the sanctioning committee. Ms. Kochhar was one of the members of the sanctioning committee, who in criminal conspiracy dishonestly by abusing her official position sanctioned this loan in favour of VIEL. The loan to VIEL was disbursed on September 7, 2009, and the next day, an entity linked to Shri Dhoot transferred Rs 64 crore to NuPower Renewables, managed by Shri Deepak Kochhar. This was the first major capital received by NRL to acquire its first power plant. Former directors mentioned that the indictment is for the loans that were extended in 2009 rather than the 2012 disbursement. https://economictimes.indiatimes.com/industry/finance/banking/chanda-kochhar-was-given-clean-chit-by-board-for-other-loans/articleshow/67782934.cms
Dated: Feb 01, 2019

**MS. CHANDA KOCHHAR HIRES LAWYER TO LAUNCH DEFENCE**

Former ICICI Bank chief executive Ms. Chanda Kochhar has hired the services of securities law expert Somasekhar Sundaresan to launch a Defence against charges that she violated the bank's code of conduct and the clawback of financial benefits she is entitled to in her nine years at the bank's helm. Sundaresan, an
independent counsel and former head of the securities law and financial sector regulatory practice at J Sagar Associates, confirmed that he has been hired by Kochhar as her legal representative. Lawyers mentioned that Ms. Kochhar has no choice but to file a civil suit in the matter to challenge the indictment by the Srikrishna Committee. The suit is likely to challenge the indictment based on the argument that Ms. Kochhar was not allowed to present her case to the committee. Ms. Kochhar has to take the legal route. There is no other option. She can challenge the committee's findings arguing that principles of natural justice were not followed and she was not heard adequately. Though the findings of the report are not out, it can be assumed that the committee has arrived at this verdict based on documents and evidence placed before it which cannot be challenged, mentioned Shri KP Sreejith, managing partner at IndiaLaw, a Mumbai-based law firm. The Srikrishna Committee has found Kochhar to be in violation of the ICICI code of conduct in dealing with conflict of interest and fiduciary duties. It concluded that she lacked diligence with respect to annual disclosures as required by the bank’s internal policies. As a result, her services were terminated and existing and future entitlements revoked. Conflicts of interest include having an interest in a transaction involving the bank, receiving loans or guarantees of an obligation as a result of the position with the bank or directing business to a supplier owned or managed by, or which employs, a relative or friend, the bank’s internal document shows. Conflicts of interest by directors in the bank have to be disclosed to the group compliance officer who has to notify the bank board’s governance & remuneration committee. ICICI Bank mentioned that chairman/managing director or other director who is directly or indirectly concerned or interested in any proposal would disclose the nature of his/her interest to the Board when any such proposal is discussed. He is required not to be present in the meeting unless his/her presence is required by the other directors for the purpose of eliciting information and the director so required to be present would abstain from voting on any such proposal. However, some have questioned the bank board’s handling of the whole issue pointing out that the board last year had given a clean chit to Kochhar in the same case.

Dated: Feb 01, 2019

OTHER BANKS TO BE OUT OF PCA FRAMEWORK SOON, SAYS FM SHRI PIYUSH GOYAL IN BUDGET 2019

Shri Piyush Goyal expressed hope that other remaining 8 lenders will be out of the list soon. A day after three PSU banks were removed from Prompt Corrective Action (PCA) framework of the RBI, Finance Minister Shri Piyush Goyal expressed hope that other remaining 8 lenders will be out of the list soon. Various steps taken by the government has helped the banks significantly and as a result three banks Bank of India (BoI), Bank of Maharashtra (BoM) and Oriental Bank of Commerce (OBC) are out of the PCA framework. The RBI had lifted lending curbs on three out of 11 weak Public Sector Banks (PSBs). Eight Public Sector Banks- Allahabad Bank, United Bank of India, Corporation Bank, IDBI Bank, UCO Bank, Central Bank of India, Indian Overseas Bank and Dena Bank still remain under PCA framework, which imposes lending restrictions and prevents them from expanding, among other curbs. The way improvement is taking place in the banking sector, remaining banks would be out of the PCA framework.

Dated: Feb 01, 2019

SENIOR GROUP PRESIDENT SHRI PRALAY MONDAL RESIGNS FROM YES BANK

Private sector lender Yes Bank on February 1 announced that its senior group president and head (retail and business banking) resigned on
January 31. The bank added that he will serve notice till close of business hours on March 31. Shri Mondal has been with the bank since 2012. In a statement released Yes Bank thanked Shri Mondal for his commitment, leadership and contribution to the bank and wishes him all the success in his future endeavors. The bank recently named Shri Ravneet Gill as its new MD and CEO. Former CEO Shri Rana Kapoor demitted office on January 31 and Shri Ajai Kumar will be the interim chief till Shri Gill takes over.


Dated: Feb 01, 2019

BANKS TO ALSO REAP THE BENEFITS

IDBI LOAN FRAUD CASE, ED ATTACHES RS 224 CRORE WORTH OF ASSETS OF FIRMS LINKED TO C SIVASANKARAN

The Enforcement Directorate(ED) has attached assets worth Rs 224.6 crore of a firm linked to former Aircel promoter C Sivasankaran in connection with a money laundering probe in an alleged multi-crore loan fraud at IDBI Bank. The agency mentioned it has issued a provisional order for attachment of assets under the Prevention of Money Laundering Act (PMLA) against Siva Group of Companies and Axcel Sunshine Limited located in the British Virgin Islands in the Caribbean. The ED, in a statement mentioned that the assets include land parcels and office premises located at MRC Nagar and T Nagar in Chennai, mutual funds and deposits available in bank accounts. The total amount of attachment in the case is Rs 224.6 crore. The agency mentioned it registered a criminal case under PMLA, taking cognizance of a CBI FIR against the firms, C Sivasankaran and others for non-payment of loans of USD 67 million (about Rs 470 crore) disbursed by an IDBI Bank branch located in Chennai. The ED mentioned its probe found that the "Siva Group negotiated, applied and obtained loan in the name of front company Axcel Sunshine Ltd. and mis-utilised the same for striking off their earlier and other loans knowingly that the companies were under NPA (Non-Performing Assets) and the loans were not re-paid" by them. It added that the loan amount "granted by IDBI has been utilised for repayment of earlier loans and the earlier loan amounts were merged with the business expenses of Siva Group of Companies." The CBI had last year filed a criminal case in the incident. The case pertains to loans of Rs 322 crore and Rs 523 crore given to the companies of Sivasankaran. The loans later turned non-performing assets.


Dated: Feb 01, 2019
GOVT WANTS BANKS TO BE PROFITABLE, EFFICIENT

Shri Goyal told federal lawmakers during his budget speech that he expects the eight remaining public sector financiers to also be out of the ambit of the prompt corrective action (PCA) framework soon. Hours after India's central bank eased operational curbs on three state-run lenders, interim finance minister Shri Piyush Goyal told federal lawmakers during his budget speech that he expects the eight remaining public sector financiers to also be out of the ambit of the prompt corrective action (PCA) framework soon. Shri Goyal's comments came just a day after the Reserve Bank of India (RBI) lifted Bank of India (BoI), Bank of Maharashtra (BoM) and Oriental Bank of Commerce (OBC) out of the purview of the framework, a move that would now allow the financiers to lend and open branches freely. Various steps by the government have helped the banks, resulting in the easing of curbs on these three lenders, Shri Goyal mentioned while presenting the interim budget for 2019-20. However, the interim finance minister has not earmarked any capital outlay for public sector banks for the next fiscal ending March 2020. The government has infused a total of Rs 2.6 lakh crore of capital into public sector banks in the five year period between 2014 and 2019. The eight PSU banks still under PCA are Allahabad Bank, United Bank of India, Corporation Bank, IDBI Bank, UCO Bank, Central Bank of India, Indian Overseas Bank and Dena Bank. New Delhi wants the curbs removed to ensure greater credit availability, especially to small enterprises. The government's sustained 4R strategy for banking transformation delivers again. Three better-performing PSBs (BoM, BoI & OBC) exit PCA. Banks need to be more responsible, adopt high underwriting & risk management standards to avoid recurrence.


FM SHRI PIYUSH GOYAL TO ADDRESS RBI BOARD ON FEB 9

The customary post-budget meeting will take place against the backdrop of slight deviation from fiscal deficit target for the current fiscal. Finance Minister Shri Piyush Goyal is scheduled to address the customary post budget meeting of the central board of Reserve Bank of India on February 9 and highlight the key points of the interim Budget. The meeting will take place two days after the sixth monetary policy review which is expected to take a call on policy rates. According to sources, the board meeting on February 9 would also take up request of the government for interim dividend for the current fiscal. The government expects Rs 28,000 crore from the RBI as interim dividend for the current fiscal based on the financial position of the first half of the central bank. The Reserve Bank, which follows July-June financial year, paid Rs 40,000 crore as dividend for the current fiscal. The customary post-budget meeting will take place against the backdrop slight deviation from fiscal deficit target for the current fiscal, tax rebate for income up to Rs 5 lakh and income support scheme for 12 crore farmers. The government
announced ‘Pradhan Mantri Kisan Samman Nidhi’ (PM-KISAN) scheme under which Rs 6,000 per year would be provided to farmers holding cultivable land of up to 2 hectare. Apart from direct income support to farmers, Goyal, in the interim budget for 2019-20, also announced extended interest subsidy on loans availed for animal husbandry and fishery as well as to those farmers affected by severe natural calamities. The government also decided to increase standard deduction from existing Rs 40,000 to Rs 50,000 and also raised TDS threshold on interest earned on bank/post office deposits from Rs 10,000 to Rs 40,000.

https://economictimes.indiatimes.com/industry/banking/finance/banking/fm-piyush-goyal-to-address-rbi-board-on-feb-9/articleshow/67817558.cms Dated Feb 03, 2019

HOW INDIA’S BANKS RAN UP A $7 BILLION PHONE BILL

For a capital-starved economy, India shows little urgency to extricate good money stuck in failed businesses. That was going to change after the adoption of a modern bankruptcy regime in May 2016. Alas, legal improvements notwithstanding, the culture of extending the life of bad loans to big businesses and pretending nothing is wrong with them is proving too hard to end. Take Reliance Communications Ltd. After more than a year and a half of kicking the can down the road, the erstwhile Indian telecom operator is filing for bankruptcy. Even in March 2017, when RCom owed creditors $7 billion, it was clear that tycoon Shri Anil Ambani's telecom venture stood no chance in a crowded field against elder brother Shri Mukesh Ambani's shiny new 4G carrier, Reliance Jio Infocomm Ltd., and its offer of cheap data and free voice calls. Yet in June 2017, creditors decided to go along with an out-of-court restructuring, wherein RCom would merge its wireless carrier with rival Aircel Ltd.; sell its cellular towers to Canada's Brookfield Infrastructure Group; swap some debt for equity; and deleverage. However, Aircel didn't survive; RCom was forced to shutter its own mobile service; Brookfield developed cold feet; and creditors demurred from taking RCom equity after its share price collapsed. But even then, Indian banks didn't knock on the doors of the bankruptcy courts. In December 2017, after the company had defaulted on a $300 million dollar bond, they backed a new plan by the younger Ambani brother to offload spectrum, towers, fiber and media convergence nodes to the elder sibling's Jio. Together with commercial redevelopment of RCom's Mumbai property, the proposal was supposed to lead to a decent recovery. This time last year, dollar bondholders expected to get back almost 70 cents on the dollar. However, 2018 went by with little progress on the 250 billion rupee ($3.5 billion) deleveraging plan. The spectrum sale didn't go through because India's telecom department wanted a guarantee for the fees it's owed for the airwaves before they would allow a new owner. Jio balked at that demand. An additional complication was equipment provider Ericsson AB, an operational creditor that threatened to drag RCom into bankruptcy; won a settlement offer; but never saw any checks. Ericsson asked a court to put Ambani in civil prison. All this has made the bondholders pessimistic: the current market price of the notes, which a majority of investors agreed in August to restructure at a steep haircut, suggests recovery rates of 26 cents on the dollar. Even secured creditors of subsidiary GCX Ltd., which boasts the world's largest privately owned undersea cable system, are jittery. Fitch Ratings has downgraded GCX's dollar bond, due for refinancing this year, and mentioned that a default looks probable. With RCom entering bankruptcy, what it owes GCX may be impossible for the subsidiary to recoup. RCom's insolvency filing shows how fruitless the out-of-court process has been. Despite the passage of over 18 months, lenders have received zero proceeds from the proposed asset monetization plans. It's unclear if the older Ambani sibling might still be interested in RCom's spectrum and towers, or if other bidders will step up, and how much of a haircut is now inevitable. So far, family members of "promoters" India's term for controlling shareholders were barred from bidding for their bankrupt firms without making banks whole first. But thanks to a recent court ruling, that ban now applies only to relatives involved in the business. Mukesh Ambani lost RCom to his brother as part of a 2005 division of their father's empire; so he can
play white knight. The legal process may take another nine months if everything runs like clockwork, which it seldom does in India. State-run lenders, having wasted so much time already, are answerable for their dithering. They beg the government to recapitalize them and whine when the regulator forces them to mark down soured exposures. But apart from harassing smaller businesses, what do they do to untangle capital and return it back to the economy? In addition to Ericsson, China Development Bank, and even the telecom firm’s PR agency had at some point sought to invoke insolvency proceedings. Only Indian institutions, with most to lose, stood still; and now they don’t even get to appoint a resolution professional of their choice to run RCom once it’s in bankruptcy. The opposition Congress Party is hounding Prime Minister Narendra Modi for letting an Anil Ambani firm benefit from a French warplane contract. RCom’s bankruptcy, though unrelated, may provide more political ammunition ahead of this summer’s general elections. Before 2016, the excuse for allowing large Indian businesses to fail in slow motion was that creditors didn’t have recourse to a bankruptcy code. There’s no such cover now. The blame for recovering less than 100 cents on the dollar from RCom will be on nobody else but India’s banks.

https://economictimes.indiatimes.com/industry/banking/finance/banking/how-indias-banks-ran-up-a-7-billion-phone-bill/articleshow/67827139.cms
Dated Feb 04, 2019

REVIVAL IS NEAR, BUT TOXICITY WORRIES STATE BANK OF INDIA

Is the Indian economy finally free of the toxicity that infected balance sheets of companies? Will it now be free to quicken its pace of growth? The 3Q performance of State Bank of India shows that banks are clearing their decks to fund the economy’s growth. But the disease of overleverage is not fully cured. SBI reported an impressive 16% growth in domestic loan offtake, which was surprisingly led by growth in its corporate book. This is a departure from the retail-led loan expansion seen in the past two years. SBI gave 20% more loans to companies than it did a year ago and a lot of it is indeed working capital. In other words, firms that have pared their debt burden over time are back to borrowing. To its credit, SBI has remained cautious. Much of the new loans have gone to borrowers in the services sector. Loans to services companies surged 68% followed by petrochemicals at 23% Loans to the troubled infrastructure sector, which grew 19% are mainly to projects with good ratings, SBI elaborated. Even as firms borrow more, delinquencies are reducing. Part of this is due to the threat of insolvency proceedings. This is visible from the steep fall of 60% in fresh slippages for SBI. The stock of dud assets has fallen and helped by strong loan growth, bad loan ratios have improved. Now, gross bad loans form only 8.71% of SBI’s loan book, compared with a stiff 10.4% a year ago. What About Old Borrowers? This is where the trouble lies. SBI had to write off a quarter of its loans that belonged to the first two lists of accounts referred to insolvency courts. During the December quarter, reductions to its bad loan stock through write-offs were more than Rs. 18,000 crore. That is double that of the previous year. It has put the loan account of Essar Steel on sale. Clearly, SBI is trying to clean its books even if this means forgoing high recoveries. Hence, it can hardly be blamed for continuing to ramp up provisioning. It has insured its balance sheet by having a coverage ratio of 75%. For loans that are stuck in insolvency proceedings, SBI has covered 67% by provisioning. It has made 100% provisioning for 20 accounts. It is clear that SBI is wiping its balance sheet clean to make way for new strong credit. Likewise for the economy, as strong firms buy out weaker ones with good assets, growth may indeed revive.

Dated Feb 04, 2019
BANKS POWER CASHLESS CAMPUSES

For class attendance to samosas at the canteen, banks have tied up with educational institutions for debit-cum-NFC cards that function as a regular debit card and can be used for micropayments. The cards can serve as identity card (with the student's name, photograph, roll number) or a prepaid/debit card or library membership card (tracking readership, books borrowed) or attendance card (access to gym, classes, labs) or billing card (usage of college facilities such as canteen, bus, shuttle). DCB Bank, Visa and money management app Slonkit together have issued a multipurpose card as a prepaid card linked to a mobile wallet, which also lets students check their balance, and budget their monthly expenses. The mobile wallet/app also helps educational institutions to send push notifications to students regarding exam dates, fees, etc. The average volume of transactions a week is 2.5 transactions, with students spending on average between Rs 800-3,000. ICICI Bank first turned its own campus cashless with “Tap-N-Pay” cards, before starting work at Infosys and Indian School of Business. The semi-closed prepaid card solution works like a unified stored value smart card. Existing ID or access cards issued to employees, teaching staff or students can be used for cashless transactions. The card can be instantly loaded by sending an SMS to ICICI Bank or by topping it via UPI. It reduces transaction time at the counter during lunch hour and coffee breaks. It also provides for seamless settlement between merchants. Tamil Nadu-based Karur Vysya Bank has helped many educational institutions, including VIT Engineering, Vellore, go cashless. The card proved particularly helpful during cyclone Vardah.

https://economictimes.indiatimes.com/industry/banking/finance/banking/banks-power-cashless-campuses/articleshow/67827790.cms
Dated Feb 04, 2018

IBA RAISES WAGE HIKE OFFER TO 10%, UNIONS NOT HAPPY YET

Indian Banks' Association has raised its bank wage hike offer to 10% from previous offer of 8% but failed to please bank employees associations. IBA will again hold another meeting with members of United Forum of Bank Unions after February 15 to sort out the matters. While IBA enhanced the offer on fixed pay component, it reduced the variable offer to 6.2% from 8.2% at the meeting. Union Bank of India chief executive Shri Raj Kiram Rai, Bank of Baroda chief executive Shri PS Jayakumar, IDBI Bank chief executive Shri Rakesh Sharma were present at the meeting with union members. UFBU was represented by five workmen associations including AIBEA and two officers associations- All India Bank Officers Association (AIBOA) and Indian National Bank Officers Congress (INBOC), while All India Bank Officers Confederation (AIBOC) and National Organization of Bank Officers (NOBO) did not take part. AIBOC has not been happy with IBA’s proposal to leave officers in scale IV and above out of the bipartite wage settlement ambit. A joint statement by AIBOA and INBOC mentioned that the issue of including all officers under bipartite wage talk would be discussed further.

Dated Feb 04, 2019

IDBI MAY NOW BECOME LIC IDBI BANK OR LIC BANK

The board of IDBI Bank has proposed change in the name of the lender to either LIC IDBI Bank or LIC Bank following its takeover by Life Insurance Corporation. Last month, the insurance behemoth completed the acquisition of 51 per
cent controlling stake in IDBI Bank, marking the entry of more than 60 years old state-owned insurer into the banking space. The board in its meeting has “approved a proposal for change of name of IDBI Bank, subject to RBI’s no objection, name availability or reservation by Ministry of Corporate Affairs (MCA), shareholders’ approval through Postal Ballot, Stock Exchanges' approval, etc”. The board has proposed LIC IDBI Bank Ltd as the first preference followed by LIC Bank Ltd. Meanwhile, IDBI Bank posted widening of loss by nearly threefold to Rs 4,185.48 crore for the third quarter ended December 2018 as bad loans surged. The bank had reported a net loss of Rs 1,524.31 crore in the corresponding quarter of the previous fiscal. Total income decreased to Rs 6,190.94 crore for the quarter, compared with Rs 7,125.20 crore in the corresponding quarter a year ago.

In August last year, the Cabinet approved the acquisition of controlling stake by Life Insurance Corporation (LIC) as a promoter in the bank through a combination of preferential allotment and open offer of equity. LIC had been looking to enter the banking space by acquiring a majority stake in IDBI Bank, as the deal is expected to provide business synergies despite the lender’s stressed balance sheet.

https://economictimes.indiatimes.com/indust y/banking/finance/banking/idbi-may-now-become-lic/idbi-bank-or-lic-bank/articleshow/67837997.cms

Dated Feb 04, 2019

STANDARD CHARTERED LIKELY TO OPEN GLOBAL BRANCH IN GIFT CITY

London-based Standard Chartered Bank is looking to increase India focus as it is set to open a branch in GIFT City, the country’s first international financial services center (IFSC). Indian companies having offshore presence can avail dollar loans from the business branch while the UK-based multinational bank would also invest in domestic securities as a foreign portfolio investor operating from there. The bank has applied to the regulator (RBI) to open a branch in GIFT city. It is being coordinated from its London office as this will be a global branch giving foreign currency credit”. GIFT City enjoys the status of special economic zone, which offers tax rebates especially to international entities setting up shops there. For example, the minimum alternative tax (MAT) is reduced to 9% in IFSC from 18.5%. Long term capital gain tax and dividend distribution taxes are abolished.

Earlier on April 01, 2015; the Reserve Bank of India issued operating guidelines for setting up IFSC Banking Units at GIFT IFSC. About a dozen banks including the State Bank of India, ICICI Bank, Yes Bank, Kotak Mahindra Bank, HDFC Bank, Axis Bank are operating with their IFSC banking units. A business unit of such magnitude could employ at least 25-30 people. Those units typically transact in buyer’s credit, loan syndication, external commercial borrowings, trade finance. GIFT International Financial Services Centre permits banking transactions ranging from foreign currency loans (non-residents) to external commercial borrowings to Indian entities seeking foreign currency funds permitted under Foreign Exchange Management Act. Also, buying and selling of various foreign currencies are also allowed in the The IFSC banking units have crossed business transactions of around US$ 16 billion from GIFT IFSC since they became operational, show official data. Foreign companies or domestic entities in joint venture with offshore counterparts take project financing support from those banks. India is likely to become the world’s second-largest economy by 2030, next only to China and overtaking the US, according to Standard Chartered’s long-term forecast released on Jan. 08 this year. Current emerging markets will likely make up the majority of the 10 biggest economies by 2030. Such prediction could well be a trigger for the global bank raising focus on India.


Dated Feb 04, 2019
The government plans to sell stakes in better-performing state-run banks, including the State Bank of India, as part of its Rs 90,000 crore disinvestment programme for FY20. The divestment announced in the interim budget will include share sales in the better-performing banks, where the government's stake has risen in recent years, SBI is one of those on the radar. The government would also like to meet the 25% public shareholding norm for performing lenders. The government holds more than 75% stake in five banks, including Central Bank of India, Corporation Bank and Allahabad Bank. In a post-interim budget interaction last week, Department of Investment and Public Asset Management (DIPAM) secretary Atanu Chakraborty told ET that the government was open to the idea of selling its stake in public sector banks, but observed that the lenders did not have a great last year and hence they had not examined such proposals in detail. Wherever the government is invested and wants to vacate that space for private investment and retail investment to come in, there is no reason why it should be ruled out. The Rs 90,000-crore disinvestment target is achievable. Ten companies have been lined up for initial public offerings and four more are in the pipeline. The finance ministry official mentioned that the government would eventually also like to exit from IDBI Bank. So that is there as well and once the bank is profitable, in a year maybe, we can look at that. The government holds a 52% stake in the lender. SBI has already initiated steps for a Rs 20,000-crore share sale through qualified institutional placement, following which the government's stake will fall from the existing 58.53%.

https://economictimes.indiatimes.com/industry/banking/finance/banking/sbi-other-performing-psbs-may-see-stake-sale/articleshow/67841115.cms Dated Feb 04, 2019

IL&FS COMPANIES TO BE GROUPED ON PAYMENT ABILITY

The National Company Law Appellate Tribunal has asked the government and IL&FS to provide a list of group companies that have the ability to meet payment obligations in the next 12 months. In what would lead to immediate repayment of Rs 7,000 crore, the new board of IL&FS proposed final resolution plan to split the group companies into three categories based on 12 months' solvency and cash flow. The bench asked the counsel for the government and IL&FS to propose a resolution for companies under the “red” category, which indicates that these companies are not even able to make payments which the senior secured financial creditors adding, this is how we intend to go in this matter. According to the IL&FS resolution framework report accessed by ET, “Green”, “Amber” and “Red” are categories of companies based on their ability to meet payment obligations over the next 12 months. Companies that are able to pay all payment obligations are “green”, companies only able to meet operational payments and senior secured debt obligations are “amber” and those that are unable to meet obligations to even senior secured financial creditors are categorized as “red”. According to the plan, IL&FS can service up to Rs 7,000 crore immediately. The resolution plan submitted to NCLAT by the Uday Kotak-led board confirms and assures that the seniority of SPV’s project lenders will be maintained during asset monetization and these project lenders will get utmost priority similar to the waterfall under section 53 of the IBC. This development will bring
a lot of reprieve to the project lenders of these SPVs and its stakeholders. Under Section 53 of IBC, senior secured creditors loans are cleared first and any surplus that remains thereafter is given to unsecured or subordinated creditors and thereafter to the equity owners. The board has put 64 companies in category I. Of these 64 companies, 22 are audited, which can service interest and principal payment of up to Rs 7,000 crore. These include 2 road SPVs- NKEL and JJICL, seven wind SPVs and six fund management. This is a positive development for senior secured creditors of SPVs where cash flows are there. The government and IL&FS have agreed to the appointment of retired Supreme Court Judge DK Jain as a supervisor for the sale of the assets of the debt-laden group in response to a suggestion by the NCLAT at an earlier date. IL&FS group companies have an outstanding debt in excess of Rs 91,000 crore. The Mumbai bench of the National Company Law Tribunal superseded the board of IL&FS with government nominated on October 1 last year.

https://economictimes.indiatimes.com/industry/banking/finance/banking/ilfs-companies-to-be-grouped-on-payment-ability/articleshow/67843661.cms
Dated Feb 05, 2019

TECH ARM OF GLOBAL BANKS PUSHED MORE WORK TO INDIA IN FY18
Indian technology arms of large global banks such as Citigroup, Goldman and Wells Fargo grew revenue exceeding 20% in FY18 and headcount rose as they continued to shift work in-house. The slowest growth was at Fidelity's tech arm at 9% the highest growth was posted by UBS' tech arm at 63% regulatory filings sourced from business intelligence platform Tofler showed. Indian IT companies have struggled to grow banking and financial services revenue, their largest source of business, as their clients have increasingly insourced technology functions. UBS, in particular, has withdrawn contracts from its Indian IT providers such as Cognizant. Citicorp Services India reported revenue of Rs 3,227 crore in FY18, up 22% a year ago. Headcount has also risen. The company staff strength increased by 18% i.e. from 8,773 employees as on March 31, 2017 to 10,328 as on March 31, 2018 and is likely to cross 12,000 by end of 2018. Goldman Sachs Services saw total revenue rise 20% to Rs 2,963 crore. Wells Fargo EGS India reported a nearly 28% increase in revenue from operations to Rs 2,744 crore. BA Continuum India, Bank of America's tech arm, reported a near 15% increase in revenue to Rs 3,651 crore from operations. Morgan Stanley Advantage Services reported an over 17% jump in revenue and other income to Rs 1,729 crore in FY18. Even European banks such as Barclays and Societe Generale reported a near 28% jump in revenue rise 20% to Rs 2,963 crore. Wells Fargo EGS India reported a nearly 28% increase in revenue from operations to Rs 2,744 crore. BA Continuum India, Bank of America's tech arm, reported a near 15% increase in revenue to Rs 3,651 crore from operations. Morgan Stanley Advantage Services reported an over 17% jump in revenue and other income to Rs 1,729 crore in FY18. Even European banks such as Barclays and Societe Generale reported a near 28% jump in revenue.

Dated Feb 05, 2019
RBI MAY ANNOUNCE CHANGE OF STANCE ON FEB 7, INCH TOWARDS RATE CUT

The Reserve Bank of India is likely to change its monetary policy stance to "neutral" from "calibrated tightening" on Thursday and move closer to a rate cut in April as inflation stays below the central bank's 4 percent target. A softer stance would bode well for Prime Minister Narendra Modi’s government, which wants to boost lending and lift growth as it faces elections by May. The ruling Bharatiya Janata Party is already in an election mode. In its budget on February 1, the government doled out cash to farmers and tax cuts to middle-class families, at the cost of a wider fiscal deficit and larger borrowing. While two-thirds of 65 economists expected the RBI to hold the repo rate at 6.50 percent, most respondents predicted the six-member monetary policy committee (MPC) would shift its stance to neutral, according to a Reuters poll published on Jan. 24. Nearly half of respondents expected a 25 basis point rate cut by mid-2019. At Thursday's MPC meeting - the first for RBI Governor Shri Shaktikanta Das - it will be tough to balance desire to support economic growth with the need to contain inflationary expectations. Some economists mentioned Shri Das, a seasoned bureaucrat, is likely to promote growth and aid the fragile financial sector, as inflation is comfortable at present, in December dropping to an 18-month low of 2.19 percent. Given that inflation has crashed, oil prices are much lower than the peak, consumer durables and non-durables demand is slowing and global economy is slowing down, there is a definite scope for a change in stance and even a rate cut on Thursday will not be out of sync. The actual cost of borrowing is very high for the productive sector and there is heightened uncertainty about the health of the financial sector. The RBI needs to ensure the stability of the financial sector. Concerns about non-bank finance companies have increased since a liquidity squeeze in September and a string of defaults at a infrastructure lender IL&FS triggered massive redemption by investors. In the past week, media claims of mismanagement at Dewan Housing Finance Corp Ltd - which the company denied - hit its share price. However, for the central bank, cutting rates to support the financial sector by taking comfort from the sharply lower inflation rate might not be as simple as it sounds. An expansionary budget could bolster consumer spending and stoke inflation. Also, policymakers are likely to be wary of a third straight miss on the fiscal deficit target, a key factor that weighs on the inflation outlook. Re-emergence of inflationary pressures even as growth stays subdued could keep the central bank from cutting rates. Ms. Radhika Rao, economist at DBS in Singapore, does not expect any cuts in 2019, given the budget and uncertainties about the outlook.

https://www.livemint.com/industry/banking/rbi-may-announce-change-of-stance-on-feb-7-inch-towards-rate-cut-1549342419278.html Dated Feb 05, 2019

RBI SLAPS PENALTIES ON AXIS BANK, UCO BANK AND SYNDICATE BANK

The Reserve Bank of India (RBI) has imposed a total penalty of Rs 2.2 crore on private sector lender Axis Bank in two separate cases. A penalty of Rs 2 crore has also been imposed on UCO Bank and Rs 1 crore on Syndicate Bank for violation of norms. The RBI mentioned that the penalty of Rs 2 crore has been imposed each on Axis Bank and UCO Bank for non-compliance of norms related to payment through cheques. In another case, a penalty of Rs 20 lakh has been imposed on Axis Bank for contravention of the directions related to detection and impounding of counterfeit notes. The penalty on Syndicate Bank has been imposed for violation of guidelines related to detection and impounding of counterfeit notes. The penalty on Syndicate Bank has been imposed for violation of guidelines related to checking fraud and managing risk. The RBI, however, mentioned that the action on banks 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.

HSBC CUTS DOZENS OF INVESTMENT BANKING JOBS

The cuts reflect several weeks of 2019 budget planning by the bank's senior management team. HSBC is preparing to lay off dozens of staff in its global banking & markets business, as it continues a cost-cutting drive aimed at protecting its dividend. The redundancies will mainly impact sales and advisory staff in the lender's global banking and markets divisions, with affected staff being informed this week. The cuts reflect several weeks of 2019 budget planning by the bank's senior management team, which recently welcomed former Royal Bank of Scotland executive Ewen Stevenson as its new Chief Financial Officer.


Dated 05 Feb, 2019

BANKS YET TO TAG RS 3.5 LAKH CRORE STRESSED CORPORATE LOANS AS NPAS

Around Rs 3.5 lakh crore or 3.9 percent of the stressed corporate loans continue to remain unrecognized on the books of banks and nearly 40 percent of them may become dud assets by September 2020. These accounts are part of the total stressed corporate exposure (interest coverage ratio of 1.5x) of 19.3 percent or Rs 13.5-14 lakh crore as of September 2018. Around 3.9 percent of the stressed corporate exposure of 19.3 percent total stressed corporate accounts are still unrecognized and are standard in banks' books, while around Rs 1.5-2 lakh crore of them may slip into NPAs by H2 of FY20. Of the Rs 13.5-14 lakh crore stressed corporate loans, banks have recognised only Rs 10 lakh crore as of September 2018. The banks may need an additional Rs 40,000 crore in provisions for these Rs 1.5-2 lakh crore loans, which may slip into NPAs. Meanwhile, the agency has maintained a stable outlook on large private sector banks and just two of the 19-- State Bank of India and Bank of Baroda-- have retained a negative outlook for the remaining state-run banks till FY20. In FY20, all banks on which we have a stable outlook might see moderate write-backs of provisions on corporate assets, depending on the pace of resolutions. The top 40 assets under the NCLT resolution regime are worth Rs 4.50 lakh crore for which banks have made provisions for 70-75 percent. Over FY19 and FY20, credit cost from stressed corporate assets will depend on ageing/resolution/liquidation, if any, the cap on credit cost shall be established by ageing and will be around 4.4 percent, spread over FY19 and FY20. The agency estimates the quantum of government capital infusion (Rs 1.94 lakh crore) in FY18 and FY19 to be around 33 percent of the state-run banks' equity base as of the first half of FY19. This would largely cover the provisioning cost, especially on stressed corporate loans and meet the minimum Basel III requirements by March 2020. The agency expects state-run banks would require incremental capital of about Rs 66,000 crore from the fourth quarter of FY19 through FY20, which is needed for a credit expansion of 10-11 percent in FY19 and FY20 each. This capital infusion, however, is not adequate to cover the impact of Ind-AS which could be substantial. As per the report, in the absence of Ind-AS, the credit cost of some state-run banks can be lower than their pre-provisioning operating profit due to ageing and fresh slippages, and these banks can report profit in FY20. In FY20, competition for deposits will intensify, as borrowings remains high, while system deposit growth remains muted at 6 percent. In a separate report, the agency expects NBFCs to witness margin pressures in FY20. The sector will register a tepid growth in FY20 due to slower traction in segments such as auto and real estate. The performance of collateral-backed MSME loans would continue to deteriorate, leading to the outlook for the segment being revised to negative from stable-to-negative. Lenders' over-reliance on collateral comfort rather than business cash flows of prospective borrowers, which had been stretched during demonetization and formalization of income post-GST rollout, has led to the current state of continuing defaults. For tractor loans, the agency does not anticipate any further improvement in delinquencies in the near term, as the borrowers continue to grapple with less-than-normal monsoons and falling farm goods prices, as evident from lower food inflation.
LENDERS BANK ON BOTS TO IMPROVE CUSTOMER SERVICE

Banks are finding ways of harnessing technology to transform customer service by automating customer queries, minimizing human intervention and extending services to accomplish financial tasks over chat or voice conversation. Prominent lenders like HDFC Bank, IndusInd Bank, Kotak Mahindra Bank and Yes Bank are adopting chat bots and voice bots for customer care. The shift started over the last 12 to 15 months, but with improvements in natural language processing and advancements in artificial intelligence, bankers say they are on the cusp of an automated future. Eva appears on the net-banking portal of the bank. Banks need to keep teaching these bots all the queries that come in through multiple channels and how to handle them. This makes their responses more accurate with time. Since bots do not judge customers and there is no fatigue, they can keep serving them with equal ease. Kotak Mahindra Bank is also pushing its bot to expand its scope of operations. In its first phase, the bank has taken the entire Interactive Voice Recording tree on to the bot, which has increased the efficiency of its operations. For every customer interaction through the bot, we have managed to reduce the number of steps by three to four and overall it has helped reduce customer journey by 45 to 50 seconds. In phase two, these applications will slowly develop capabilities to lock in complaints and solve them as well. Banks are slowly integrating these services with their core banking systems to let them accomplish tasks. Messaging apps have more than 300 million users in some cases banks are still in the 25 million user base range. Banks need to use conversation-based AI platforms to engage with customers within their natural environment. Citing an example, there could be a search bar within the bank application like a Google Search which could list out available services for the customer, and banking interactions could be done through text, emojis, gestures, etc. The future is the AI era for financial services. What this has managed to bring in is cost efficiency as
well as time accuracy, coupled with better customer service. Bankers mentioned that as the number of customers goes up, if these bots can manage the incremental load of serving them, the savings on the extra manpower can be the net savings for the organization. Yes Bank, for instance, allows customers to book fixed deposits, recurring deposits through its banking assistant Yes Robot.

Dated: Feb 06, 2019

RBI BOARD MEETING DEFERRED TO 18 FEB

The meeting of the Reserve Bank of India's (RBI) central board, which was slated to take a call on interim dividend, has been deferred to February 18. The board meeting, which will be the first after the Interim Budget 2019-20, will also be addressed by the finance minister. The customary post-Budget board meeting was earlier scheduled for February 9 but has now been deferred. The RBI board is going to take up request of the government for payment of interim dividend for the current financial year. The board will take a view based on the central bank’s first six months of audited earnings and finalize interim dividend transfer. The RBI follows July-June financial year. So, the first half is completed in December. Last financial year, the RBI had paid an interim dividend of Rs. 10,000 crore, while it has already transferred Rs. 40,000 crore in the current fiscal. The receipt from various sources, including RBI dividend, helps government meet fiscal deficit target. In the Interim Budget 2019-20, the government has projected a fiscal deficit target of 3.4 per cent for the financial year 2019-20. The government also came out with a road map to reduce the fiscal deficit, the gap between total expenditure and revenue, to 3 per cent of the gross domestic product by 2020-21, and eliminate primary deficit. Primary deficit refers to the deficit left after subtracting interest payments from the fiscal deficit.

Dated: Feb 06, 2019

BANKS CANNOT BE ABSOLVED OF LIABILITY FOR UNAUTHORIZED WITHDRAWALS, KERALA HC

The Kerala High Court has mentioned that banks cannot be absolved of liability for unauthorized withdrawals from their customers’ accounts. Justice P B Shri Suresh Kumar also made it clear that banks are liable for unauthorized withdrawals even if customers did not respond to SMS alerts. SMS alerts cannot be the basis to determine the liability of a customer, for there would be account holders who may not be in the habit of checking SMS alerts regularly. It stated this while dismissing an appeal filed by the State Bank of India recently against a lower court order asking it to compensate a customer who lost Rs 2.4 lakh due to unauthorized withdrawals. The customer had sought a refund of the amount with interest. The bank had submitted that SMS alerts were sent to the customer about the disputed withdrawals and he should have requested that his account be blocked...
immediately. It contended that since the customer did not respond to the SMS alerts, the bank was not liable for the loss caused to him. One thing is certain that where a bank is providing service to its customer, it owes a duty to exercise reasonable care to protect the interests of the customer. (It is) needless to say that a bank owes a duty to its customers to take necessary steps to prevent unauthorized withdrawals from their accounts. As a corollary, there is no difficulty in holding that if a customer suffers loss on account of the transactions not authorized by him, the bank is liable to the customer for the loss. It also mentioned that it is the banks' obligation to create a safe electronic banking environment to combat all forms of malicious conduct resulting in losses to their customers. Referring to a Reserve Bank of India circular which stated that unauthorized transactions shall be brought to the notice of the bank forthwith to enable it to block the account, the court mentioned that it only reminds banks of their obligations and responsibilities and does not create any new rights or obligations. In short, there is also no difficulty in holding that if a customer suffers loss in connection with transactions made by fraudsters, it has to be presumed that it is due to the bank's failure to put in place a system which prevents such withdrawals, and the banks are, therefore, liable for the loss caused to their customers.


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RBI CUTS REPO RATE, CHANGES POLICY STANCE TO NEUTRAL

The monetary policy committee of the Reserve Bank of India today cut the policy interest rate by 25 basis points to 6.25% in a 4-2 decision. The move could spur banks and non-banking finance companies into reducing their lending rates for consumer and home loans, resulting in lower
EMIs for borrowers. In another key move, the central bank changed its stance to 'neutral' from the earlier 'calibrated tightening'. The RBI policy is a very dovish one and signals further rate cuts. Inflation estimates have been revised very sharply lower by the central bank. The panel cut its estimates for inflation based on consumer prices for the first six months of the next financial year (April-March) to 3.2% 3.4% from 3.8-4.2% earlier, a cut in estimates by as much as 60 basis points. The central bank also lowered its inflation projection for the entire year 2018-19 to 3.9%. The committee has been more influenced by the persistently low inflation based on retail consumer prices. The MPC is mandated to target headline inflation based on the consumer price index (retail inflation). As per its target for the current period, that is set at 4% (+/- 2). From 4.92% in June, CPI inflation fell to an 18-month low of 2.19% in December, staying below the medium-term target of 4% for five consecutive months. In cutting the rate, the committee has chosen to ignore high core inflation as well as the government’s unimpressive performance on the fiscal front. According to Union Budget 2019-20 an expansionary one the government has slipped on its fiscal deficit target for the second year in a row and the next fiscal year, too, won’t see any consolidation. The 2018-19 number slipped by 10 basis points to 3.4% after revision and is projected to stay the same in the next 12-month period starting April. Hopefully, the RBI’s move should also help ease the liquidity situation in the market, currently facing the IL&FS imbroglio, debt defaults by other corporates and high NPAs in the banking sector. The cost of borrowing for even ‘triple-A’ rated companies had risen to 10.5% 11.0% with home loans being given out at 9% plus and car loans at 10.5% 11.0% to retail consumers. The rate cut should help banks and other lenders bring down those rates.


Dated Feb 07, 2018

RBI TO REGULATE PAYMENT GATEWAY PROVIDERS, DIGITAL PAYMENTS LIKELY TO GET SAFER

The 2009 guidelines issued in this regard asked for the maintenance of nodal accounts of intermediaries like payment gateway providers and payment aggregators. In another move to make digital payments safer, Reserve Bank of India (RBI) proposes to regulate payment gateway service providers and payment aggregators. This would mean that payment gateways such as Paytm, Mobikwik, Bharat Bill Pay and so on would have to adhere to RBI guidelines just as many other financial entities have to do. Consequently, these gateways can be expected to become more transparent and accountable in their working thereby benefitting common people using them for making digital payments. RBI, in a press release dated March 30, 2017 regarding advisory on e-wallets, had mentioned that intermediaries like aggregators and payment gateways that facilitate payment services and not authorised by the central bank, have to route their transactions through a nodal account opened with a bank under Reserve Bank’s guidelines of November 24, 2009. The 2009 guidelines issued in this regard asked for the maintenance of nodal accounts of intermediaries like payment gateway providers and payment aggregators. As per the 2009 guidelines, all accounts opened and maintained by banks facilitating collection of payments by intermediaries from customers of merchants, will have to be treated as internal accounts of the banks. While it is left to the banks to decide on the exact nomenclature of such accounts, it shall be ensured that such accounts are not maintained or operated by the intermediaries. Banks shall ensure that the process of converting all the existing accounts maintained and operated by intermediaries for the purpose covered in these directions shall be completed within three months of issuance of these directions, as per the guidelines. Earlier, the apex bank in its "Payment and Settlement Systems - Vision 2018" has mentioned about it. As per the document, "The increasing growth of electronic payments, especially online payments, riding the growth of e-commerce and m-commerce
transactions, has brought to the fore the increasing role and importance of entities that facilitate such online payments such as payment gateway providers and payment aggregators. The current guidelines on maintenance of nodal accounts for such intermediaries (monitored through banks) are indirect and address only a few specific aspects of their functioning. Given their increasing role, the guidelines will be revised for the payments related activities of these entities."


RBI PLANS ‘UMBRELLA ORGANIZATION’ FOR URBAN COOPERATIVE BANKS

The idea of setting up of UO for the UCB sector was first mooted in 2006. The Reserve Bank of India plans to set up an “umbrella organization” for Urban Cooperative Banks (UCBs) to improve their operational and financial health as per global best practices. A long-term solution to make the UCB sector financially resilient and to enhance the depositors’ confidence is to set up an Umbrella Organization (UO) as prevalent in many countries. Apart from extending liquidity and capital support, it will set up an information and technology infrastructure to enable the banks to widen services at a relatively lower cost. It may also offer fund management and other consultancy services. Another reason for the move is that the structure, size, lack of avenues for raising capital funds and limited area of operation of urban cooperative banks add to their financial vulnerabilities. The idea had been mooted in 2006 by an RBI working group headed by Shri NS Vishwanathan on augmenting the capital of urban cooperative banks. The central bank has received a proposal for setting up such a body from the National Federation of Urban Cooperative Banks and Credit Societies. A decision on the specifics of the proposal will be taken shortly.

https://economictimes.indiatimes.com/industry/banking/finance/banking/indias-cooperative-banks-are-getting-a-brand-new-cover/articleshow/67881975.cms Dated Feb 07, 2019
I N D I A

Chart 1 shows that inflation expectations have been firmly anchored, as households now expect inflation to fall in the coming three months as well as a year ahead. It is clear that the trend has been downwards over the past one year, proof enough that persistent deflation in food prices has led to such expectations. After all, food is a big part of household budgets and low vegetable prices have made Indians believe prices would rise more slowly than before. However, high core inflation could make this tricky going forward.

Chart 2 shows that the consumer confidence index improved in December, although it was still in pessimistic territory. This buttresses RBI's thread of caution with regards to growth, even though it must be mentioned that surveys don't sound a big caution on the growth front so as to warrant a rate cut. Finally, Chart 3 shows that while capacity utilization has improved over the last two quarters, there remains considerable slack in the system. The outlook on order books is modest with new orders declining in the second quarter. All told, it's clear that it's the benign outlook on inflation that is largely responsible for the rate cut by the central bank.

RBI SLAPS FINE OF RS 1 CR ON STATE BANK OF INDIA:

State Bank of India mentioned that the Reserve Bank of India has slapped Rs 1 crore penalty on the country's largest lender for violating norms. RBI "in exercise of powers conferred under Section 47 A of the Banking Regulation Act, 1949 has levied a penalty of Rupees one crore on the bank for not monitoring the end use of funds in respect of one of its borrowers. SBI, however, did not share details of the borrower and the loan amount given to the borrower.

https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-slaps-fine-of-rs-1-cr-on-sbi/articleshow/67889197.cms

Dated: Feb 07, 2019

THREE BILLBOARDS THAT HELPED THE RBI FIRM UP ITS DECISION TO CUT POLICY RATES

Central banks look to the future for decisions and not past data. To that extent, the Reserve Bank of India’s (RBI’s) surveys that capture sentiment and expectations of households and businesses are crucial. The crux of RBI’s surveys was that Indians believed inflation may be benign going forward, while businesses saw marginal improvement in future prospects. Individuals were more sanguine on future economic prospects, while companies believed cooling input prices will improve profit margins. Cast your eyes on the adjoining three charts that may reveal the reasons for the central bank to slash policy rates.


Dated Feb 08, 2019
BANKS UNLIKELY TO MATCH RBI’S RATE CUT ANY TIME SOON

Bankers say piles of bad debt and the high cost of deposits mean they are unlikely to reduce interest rates on loans by as much as the central bank cut its key lending rate in a bid to spur growth. The reluctance of bankers to pass on all of Thursday’s surprising 25 basis point rate cut is a potential blow to the government, which hopes lower lending rates will lift growth and job creation ahead of general elections due by May.

Four senior public and private sector bankers told Reuters that they might only cut lending rates by 5-10 basis points. A move of that size would have a negligible impact in boosting credit, or in reducing refinancing costs. For Prime Minister Shri Narendra Modi and new Reserve Bank of India Governor Shri Shaktikanta Das, who is keen to boost private investments by lowering rates, this poses a problem. Economic growth has slowed, with private investments slumping and consumption gains muted. Annual industrial output growth in November rose 4.1% down from October’s 8.4%.

For the banks often stuck with bad loans and heavy provisioning any cut in loan rates is unlikely without a corresponding fall in deposit rates, which will require cash conditions to improve significantly and banks are reluctant to cut deposit rates in the fiscal year’s last quarter, as they are keen to shore up their books while not losing hefty deposits. Indian banks price their benchmark loan rates, known as the marginal cost of funds based lending rate (MCLR), mainly based on the cost of deposits. MCLR might not come down significantly very soon as any meaningful change will depend on cost of funds.


Dated Feb 08, 2019

PSBS IDENTIFIED 54 INTERNATIONAL OPERATIONS FOR RATIONALISATION BY MID-JANUARY

As many as 54 overseas operations were identified for rationalisation, while 29 have been rationalized for cost efficiencies, as of January 15. Banks pursue rightsizing and rationalization of their branch network and other operations for cost efficiency and synergy benefits, and invest in and monetise non-core assets as per business strategy, Minister of State for Finance Shri Shiv Pratap Shukla informed the Lok Sabha in a written reply. The minister mentioned that a reform agenda based on recommendations by whole time directors and senior executives of public sector banks (PSBs) was referred by government to PSBs in January 2018 for appropriate action as per approval of bank boards. As per information furnished by PSBs, 54 overseas operations were identified for rationalization and as of January 15, 2019, 29 overseas operations have been rationalized for cost efficiencies and synergies in overseas markets. The reform process includes rationalization of overseas operations for cost efficiencies and monetization of non-core assets to strengthen the bank and focus on core business. As on January 31, 2018, PSBs had about 165 overseas branches, besides subsidiaries, joint ventures and representative offices. All PSBs such as Allahabad Bank, Bank of Baroda, Bank of India, Canara Bank, IDBI Bank, Indian Overseas Bank, Punjab National Bank, SBI and Union Bank of India that have foreign branches have jointly taken the initiative to prepare a note in mutual consultation for rationalization of their foreign branches. State Bank of India (SBI) has the largest number of overseas branches (52) followed by Bank of Baroda (50) and Bank of India (29). The state-owned banks have the largest number of branches in the UK (32) followed by Hong Kong and the UAE (13 each) and Singapore (12). As many as 41 branches were in losses in 2016-17. SBI led the pack with nine of its overseas branches in the red. It was followed by Bank of India and Bank of Baroda with eight and seven branches, respectively. According to the banking sector agenda, approved at the PSB Manthan November 2017, banks have to undertake rationalization of overseas operations. In reply to a separate question on ATM frauds, Shri Shukla mentioned that specific information was not available, however, for state-wise data for
amounts involving Rs 1 lakh and more during last three financial years are there. During 2017-18, there were incidents of 911 automated teller machine (ATM) frauds for amount involving Rs 1 lakh and more. In 2016-17, a total of 724 cases came to light while there were 563 such instances were there in 2015-16 (for amounts Rs 1 lakh and more).

Dated: Feb 08, 2019

**STATE BANK OF INDIA REDUCES HOME LOAN INTEREST RATE BY 5 BASIS POINTS**

Within a day of RBI reducing repo rate by 25 basis points, the country’s largest lender State Bank of India has announced a cut in interest rates by 5 basis points on its home loans up to Rs 30 lakh. In its sixth bi-monthly monetary policy review announced, RBI had cut the repo rate by 25 basis points to 6.25 percent. The bank has the highest market share of the home loans market and it is appropriate to empower the large lower and middle class segment by transmitting the rate cut announced by the RBI. Shri Kumar, Chairman, State Bank of India mentioned that the banks deposit rates are much lower than peers and pointed out that a reduction in deposit rates will be required to cut the overall lending rates under the MCLR system. For effecting a rate cut in home loans, the bank will either have to decrease its one year MCLR or can go for a cut in its spreads over MCLR for the product. Within hours of the RBI move, state-run Bank of Maharashtra had announced a 0.05 percent cut in its MCLR for sixth-month loan tenor. In a post policy conference with reporters, RBI Governor Shri Shaktikanta Das had mentioned that he will speak to bankers to ensure a quicker and better transmission of the policy rates in a meeting scheduled to take place in two-three weeks. When asked about the external benchmark rate which the RBI wants to implement by April, Shri Kumar mentioned that it is unlikely to be implemented as the operative guidelines on the same are yet to be released.

Dated Feb 08, 2019

**RBI SLAPS RS 3.5-CR FINE ON CORP BANK, ALLAHABAD BANK FOR FLOUTING NORMS**

The Reserve Bank has imposed a cumulative penalty of Rs 3.5 crore on state-owned lenders Corporation Bank and Allahabad Bank for violation of various norms. This is to inform that Reserve Bank of India has imposed an aggregate penalty of Rs 20 million on our bank due to some lapses in monitoring of end use of funds and exchange of information with other banks in respect of one borrower along with some other banks. The bank has already taken necessary preventive measures to avoid such recurrence. Allahabad Bank mentioned that RBI has imposed a penalty of Rs 1.5 crore for not monitoring end use of funds, among other violations. The amount of penalty is not material considering the size of the bank. The Kolkata-headquartered lender mentioned that it has taken necessary preventive measures to strengthen internal controls to avoid such recurrence. Earlier the regulator had imposed penalties on Axis Bank, UCO Bank and Syndicate Bank for violation of various norms. The gross penalties on these three lenders amounted to Rs 5.20 crore.

Dated: Feb 08, 2019

**PUBLIC SECTOR BANKS TO BE RANKED ON BASIS OF PERFORMANCE**

The government will start surveying public sector banks annually to rank them on performance parameters ranging from profitability to customer satisfaction. Last year,
the government had initiated its reforms agenda for state run lenders termed EASE (Enhanced Access and Service Excellence) and directed them to draw up a board-approved strategic vision consistent with their risk-appetite framework. The parameters include customer responsiveness, financial inclusion, digital platforms and security. Financial performance will be assessed on the basis of recoveries made, return on assets and differentiated banking strategy. The government expects the financial performance of banks to improve as their bad loans come down. Last month, the RBI allowed three lenders to come out of the prompt corrective action framework, under which some of their activities were curbed. Financial services secretary Shri Rajiv Kumar had then mentioned that both the government and banks are fully committed towards the reform process and other lenders are also working towards faster recovery. The finance ministry had noted that the recognition exercise for public sector banks is almost over, with restructured standard assets declining from a peak of 7% in March 2015 to 0.59% as of September 2018. PSBs have made a record in recoveries at Rs 60,726 crore in the first half of the current financial year, which is more than double the amount recovered over the corresponding period last year. The government will also infuse the last tranche of additional capital of Rs 41,000 in state-run lenders to strengthen their capital base. This would enhance the total recapitalization in the current financial year to Rs 1.06 lakh crore from Rs 65,000 crore. The finance ministry has mentioned that the gross non-performing assets of state-owned banks have started declining after peaking in March 2018, registering a drop of Rs 23,860 crore in the first half of the current financial year.


Dated: Feb 09, 2019
conservative ones. Indian Bank and Vijaya Bank posted losses for the year. Punjab National Bank and State Bank of India posted net losses of Rs 12,283 crore and Rs 6,547 crore, respectively. Banks were in the red as they had to account for higher NPA provisioning, as mandated in the circular. The circular also hit infrastructure, power, iron and steel and textiles, among others, as most non-performing loans were in these sectors. Within that segment, the stressed assets of the power sector stood out. The outstanding loan of scheduled commercial banks to the sector was Rs 5.65 lakh crore as on March 2018, according to RBI data. Thirty-four stressed coal-based thermal power plants became the talking point, as the ministry of finance furnished their names to the parliamentary committee on energy, which in turn submitted its report on the sector in August last year. The outstanding debt in this stressed project was of Rs 1.74 lakh crore as of June 2017, based on RBI data. The ministry mentioned the accounts of seven of those projects, corresponding to an installed capacity of 7,620 MW, were resolved. There is no clarity on what has happened to the rest of the accounts. The RBI did the right thing in cleaning up the system. This one-time prescription was required. But all stressed assets are not finding buyers now. For example, bankrupt steel companies are attracting buyers; similar companies in the power sector are going unsold. There is no data on the size of the NPAs after the circular and how many companies have actually turned bankrupt. In a written reply to ET Magazine's query, a spokesman of Chennai-based Indian Bank mentioned that the impact of the circular on the bank was of Rs 1,275 crore in 13 loan accounts. He did not name the defaulters. The circular was challenged in the courts as well. In the Allahabad High Court, Independent Power Producers Association of India argued their members were by no means willful defaulters, as the defaults arose because of extraneous reasons such as lack of availability of coal and gas, delay of payment by distribution companies, lack of power-purchasing agreements with the states and tariff-related disputes, among others. It was also argued that if the circular was implemented, projects of about 30 GW (GigaWatts) would find their way to bankruptcy courts, leading to a mammoth erosion of enterprise value of the companies concerned. The high court, in an order dated August 27, 2018, refused to grant any interim relief to power companies. The case then moved to the Supreme Court, which has so far ordered a status quo on the implementation of the circular. The year 2018 was unusual in the central bank's 85-year history. It saw government versus central bank bouts. The February 12 circular was one of several flashpoints of the tussle the others being diamond merchant Shri Nirav Modi engineered Rs 14,000 crore PNB fraud and the Centre's continuous prodding of the central bank to release some foreign exchange for an upgrade of the nation's core sector. But the RBI refused to budge an inch on its circular, calling it a necessity to clean up banks' books and also to create a robust credit culture. The entire government machinery indirectly put up its might behind independent power producers, who dragged the banking regulator to the court. The tussle with the RBI ended when Shri Urjit Patel resigned as the governor. His 27-month tenure was the shortest by any RBI chief since 1992. Shri Patel, however, had mentioned that he was resigning due to personal reasons. In a press conference held in Mumbai, new RBI Governor Shri Shaktikanta Das mentioned that there was no proposal to modify the circular. Irrespective of what happens, the February 12 circular will always be the one that shook India Inc.

Dated: Feb 09, 2019

DEPOSITS IN JAN DHAN ACCOUNTS SET TO CROSS RS 90,000 CRORE

The deposits stood at Rs 88,566.92 crore on January 23. Total deposits in Jan Dhan accounts are set to cross Rs 90,000 crore with the government making the flagship financial inclusion programme more attractive especially by doubling accident insurance cover to Rs 2 lakh. According to data from the finance ministry, the deposits, which have been steadily
rising since March 2017, have already reached Rs 89,257.57 crore as on January 30, and are steadily rising. The deposits stood at Rs 88,566.92 crore on January 23. The Pradhan Mantri Jan Dhan Yojana (PMJDY) was launched on August 28, 2014, with an aim to provide universal access to banking facilities for all households. Enthused by the success of the scheme, the government has enhanced the accident insurance cover to Rs 2 lakh from Rs 1 lakh for new accounts opened after August 28, 2018. The overdraft limit has also been doubled to Rs 10,000. The government has also shifted the focus on accounts from 'every household' to 'every unbanked adult'. According to the latest data, there were 34.14 crore account holders under the PMJDY. An average deposit in these accounts was about Rs 2,615, compared with Rs 1,065 on March 25, 2015. Over 53 per cent of the Jan Dhan account holders are women, 59 per cent accounts are in rural and semi-urban areas. As per the data, 27.26 crore accounts holders have been issued RuPay debit cards with an inbuilt accident insurance cover.

Dated Feb 10, 2019

DEUTSCHE BANK MAKES BUMPER EQUITY INFUSION IN INDIA

Deutsche Bank has made its single-largest equity infusion in India, placing bets on digital technologies to expand its retail operations and double revenue from that business in the country. The Frankfurt-headquartered lender has put €500 million (about Rs 4,000 crore) in December, its second infusion within a year, taking its total capital to €1.9 billion. This capital infusion signals our commitment to a very important market and will be used to expand our businesses in India. This infusion also comes at a time when Deutsche Bank is looking for a new CEO in India after Shri Ravneet Gill resigned last month to take the top post at Yes Bank. Deutsche Bank's capital infusion into India comes amid intermittent speculation of the German lender's plans for its retail business in India, the only consumer-facing business outside its home market. Bank considered repositioning their retail business, but at the end they came to a

SBI, ORIENTAL BANK PUT ON SALE STRESSED ACCOUNTS TO RECOVER DUES OF RS 5,740 CR.

State-owned State Bank of India (SBI) and Oriental Bank of Commerce (OBC) have put on sale various financial accounts to recover dues of around Rs 5,740 crore. The country's largest lender SBI has invited bids from asset reconstruction companies (ARCs) and financial institutions (FIs) to recover an outstanding of Rs 4,975 crore. The bulk of accounts up for sale by SBI are of small and medium enterprises (SMEs) that have dues amounting to Rs 4,667 crore. OBC wants to sell 13 accounts with a collective outstanding of Rs 764.44 crore, according to the bid document placed on its website. As many as 281 SME accounts are up for sale by SBI, belonging to those firms that have dues of up to Rs 50 crore. The collective dues on these SMEs are Rs 4,666.50 crore. SBI will sell three accounts Dennis Steels Pvt Ltd with outstanding of Rs 258.73 crore, Shiva Specialty Yarns (Rs 37.90 crore) and Bansidhar Spinning & Weaving Mills Ltd (Rs 11.73 crore). Inviting expression of interest from ARCs and FIs, Oriental Bank of Commerce mentioned that it proposes to sell its stressed financial assets comprising 13 accounts with principal balance of Rs 764.44 crore. Among the major loan accounts invited for sale by OBC include Mittal Corp Ltd (Rs 207.17 crore), Jayaswal Neco Industries Ltd (Rs 157.03 crore), NCS Sugars Ltd (Rs 106.60 crore), Mahalaxmi TMT Pvt. Ltd. (Rs 77.61 crore), Kohinoor Steel (Rs 45.06 crore), Sova Ispat Alloys (Rs 37.99 crore), Atlantic Projects (Rs 33.36 crore) and Sova Ispat Alloys (Mega Projects) Ltd (Rs 31.28 crore). E-bidding for SBI accounts will take place on February 27. For OBC, the e-bidding is scheduled for February 25.

Dated Feb 10, 2019
different conclusion and decided to keep it. The decision was made last year, by the end of 2018 the bank had chalked out a plan for its Indian business. Deutsche Bank's retail business in India includes loans to individuals and wealth management. It has previously sold its Indian credit card, asset management and mortgage businesses as it moved towards investment and corporate banking in the last decade. The bank's net profits in India operations have fallen for three years in a row. In the fiscal ended March 2018, the bank's net profit dropped 8 per cent to Rs 910 crore from Rs 987 crore a year earlier as interest income fell 5 per cent and fee and trading income fell 13 per cent. The reported Indian profits are not a full reflection of the country's potential as a lot of the India-linked revenue is booked in other countries like Singapore. Deutsche Bank's plan is to expand retail and lending to small and medium enterprises (SMEs) without adding new branches by using the unique financial technologies the country has to offer.


Dated Feb 11, 2019

PNB TO SELL STAKE IN HOUSING FINANCE ARM TO GA AND VARDE

General Atlantic Partners (GA) and Varde Partners have emerged the frontrunners to pick up a 22% stake in PNB Housing Finance from Punjab National Bank for around Rs 3,500 crore in one of the most closely fought auctions for a mortgage firm. PNB revived its plans to cash out of the venture in December after the initial plan of a 66% sale by it and private equity investor Carlyle was dropped in the wake of liquidity pressure following the default by Infrastructure Leasing & Financial Services (IL&FS) in September-October. PNB has decided to stay invested with a 10.7% stake and choose two buyers instead of selling the entire block to one suitor. The move ensures that no open offer for an additional 26% of the company gets triggered following the share sale. As principal shareholder, Punjab National Bank owns 32.79% stake. GA, an existing investor, is likely to pick up another 12% in the mortgage firm, thereby taking its stake to around 22%. Varde is expected to pick up a 10% stake. Binding bids were submitted earlier and a formal announcement is expected later this week. Chrys Capital and Carlyle Group the latter already has a 32.6% stake through Quality Investment Holdings were the other two contenders but chose not to bid. A consortium of Blackstone and GIC, tipped to be the strongest contender, opted out last week following Blackstone’s decision to buy Aadhar Housing Finance from the cash-strapped DHFL. Based on Monday's closing price, PNB Housing's market value is Rs 15,924.30 crore. A 22% stake would be worth about Rs 3,500 crore. Varde and PNB Housing declined to comment. General Atlantic Partners and Punjab National Bank didn't respond to queries. Founded in 1988 as a subsidiary of Punjab National Bank, PNB Housing has emerged as one of the leading housing finance firms in the country with assets worth Rs 62,252 crore under management as on March 31, 2018. Its net non-performing loans stood at 0.25% of the total. The company has 84 branches in the north, south and west, and mortgages account for 70% of the business. PNB and Carlyle dropped plans to cash out entirely once the stock hit a 52-week low of Rs 850 on the BSE last October. A larger sale that would have triggered a change in control had seen as many as 20 entities putting in non-binding bids, of which seven were shortlisted. Binding bids were about to be submitted when the process was abruptly halted, and then revived partially in December. Credit Suisse is the adviser for the transaction. After the alleged Shri Nirav Modi- Shri Mehul Choksi fraud, PNB's management assured investors it will liquidate non-core investments such as those in ICRA, CRISIL and BSE to unlock capital and strengthen its balance sheet besides resolving bad loans. The company was able to raise funding from diverse sources which helped AUM (Assets Under Management) growth, albeit (with) some moderation. Underlying loan spreads likely compressed further. Share of non-housing loans continues to rise. PNB had sold a 49% stake to Destimoney Enterprises in 2009, which in turn sold it to Carlyle Group. The New York-headquartered PE fund has made a partial exit
from the company in the past. US-headquartered Varde recently signed a joint venture with the Aditya Birla Group for special situations and distressed investments. Varde manages about $14 billion globally and has invested nearly $500 million in India in the past five years in corporate stressed, special situations and lending assets. GA has made substantial investments in the banking and financial services space, which is at the core of every India-focused private equity firm’s investment strategy. It has invested in India Infoline Wealth Management business and is an investor in the National Stock Exchange.

Dated Feb 12, 2019

BANK OF AMERICA ML SOLE BIDDER FOR SBI'S ESSAR STEEL DEBT
Bank of America Merrill Lynch emerged as the sole bidder in State Bank of India's auction of its loans to bankrupt Essar Steel, but it bid for only a part of the Rs 13,000-crore loans the lender put on the block. The multinational investment bank has bid for about one-sixth of the loans that were up for sale, and is said to have offered Rs 1,300-1,500 crore. SBI's loans to Essar were under different heads, including working capital, term loans and corporate loans. It had total outstanding loans of Rs 15,431 crore to the firm. It is unclear whether SBI would accept the bid as there was no competition. The lenders had mentioned in the sale document that it might exercise the right not to go ahead with the sale at any stage. SBI has not yet communicated (its decision) officially to the sole bidder. An SBI official confirmed the auction took place as scheduled but declined to give details. The development takes place on a day the Supreme Court cleared the decks for ArcelorMittal's buyout of Essar Steel under the Insolvency and Bankruptcy Code. The poor response at SBI's auction was on account of the claw back option mentioned in the sale document. Under this, investors will have to pay more than the Rs 9,588-crore reserve price fixed by the lender if the ongoing resolution of Essar’s debt takes place in less than a year. ArcelorMittal has offered to pay SBI Rs 11,313 crore under the resolution plan. This would leave a surplus of Rs 1,725 crore in the hands of the investor in the loan at the reserve price, if investors showed interest for the entire loans. The claw back option gives SBI the right to claim a part of that surplus depending upon how fast or slow the resolution takes place. The country's largest lender had deferred the auction of the loans because of poor investor response. SBI has the largest exposure in Essar Steel. A few months earlier, Union Bank of India had tried to sell its Essar loans, but shelved the plan midway. Essar Steel's committee of creditors earlier approved Arcelor-Mittal's Rs 42,000-crore bid for the local steelmaker. The National Company Law Appellate Tribunal then validated the proposal, rejecting a late offer from Essar promoters Ruias to fully repay the company's entire arrears of Rs 54,389 crore. The Supreme Court declined a plea of Essar Steel's operational creditors for a stay against the tribunal's order, paving the way for ArcelorMittal to take over the company. Essar Steel's insolvency proceedings have been going on for more than twice the stipulated 270-day period for completing the process, thanks to several legal challenges. At least 167 IAs (interim applications) have been filed. The delay in finalizing a deal prompted SBI to put the loans up for sale.

Dated: Feb 12, 2019

FRESH NPA ADDITIONS AT LENDERS SLOW DOWN, RECOVERIES ON THE RISE
A year after the Reserve Bank of India (RBI) issued the circular directing banks to move to a more stringent non-performing asset (NPA) recognition with the Insolvency and Bankruptcy Code (IBC) as the main route, credit culture has improved, recovery rates have increased and fresh NPAs are on the way down. Last year when RBI introduced the new norms, setting aside all
the restructuring avenues available for banks, bankers were apprehensive due to the increased provision burden they will have to bear after they adhere to the strict one day default rule of RBI. One year later though bank provisions have increased, there is a perceptible change in credit culture as borrowers have stepped forward with payments to ensure they do not default and force banks' hands. The resolution framework brings in required discipline. But there are also a few difficulties which need reconsideration. SBI, the largest bank in the country, has also been one of the biggest beneficiaries of the change in the credit culture. For example, the bank has witnessed a rise in recovery and upgrades this fiscal, a clear difference from the fiscal ended March 2018. According to the analyst presentation on the bank's website, recoveries and upgrades in the three quarters to December 2018 added to Rs 25,800 crore, up 78% from Rs 14,530 crore in fiscal ended March 2018. The bank has also accelerated provisions this quarter. Its Provision Coverage Ratio (PCR) has improved to 74.63% from 65.92% a year earlier. Bankers have been largely beneficial. It has forced recognition and resolution, two things that are key in tackling the bad loan problem from the bank's side. From the point of view of borrowers, it has improved credit culture which is a big gain. Last month, the Supreme Court (SC) upheld the Insolvency and Bankruptcy Code, in a boost to resolutions under the new law. However, a petition by the power producers association seeking exemption from the RBI's February 12 circular is yet to be heard by the top court. SBI mentioned that some norms like 100% agreement among lenders for restructuring of loans and the requirement of the borrowers to pay at least 20% of the principle needs reconsideration. Shri Kuntal Sur, financial risk and regulation leader at PWC, mentioned the strict timelines to be maintained under the RBI guidelines could be seen as a bit harsh because businesses go through ups and downs. But when you see under what background these rules were framed, you understand the RBI's urgency. The new governor (Shri Shaktikanta) Das' assertion that the circular will not be changed will also increase confidence. In a post policy press conference last week, governor Das mentioned that there was no proposal on RBI's table seeking modifications to the February 12 circular, dispelling speculation that the government had suggested making rules easier for companies. The circular sets a 180-day deadline for loans totaling more than Rs 2,000 crore to be resolved. In case no resolution is found in this period, the loan has to be referred to the NCLT under the IBC.


Dated: Feb 12, 2019

GOVERNMENT SEeks to RAISE RS 5,316 CRORE BY SELLING 3% IN AXIS BANK

The Centre is seeking to raise around Rs 5,316 crore by selling its 3% stake, owned through the Specified Undertaking of the Unit Trust of India (SUUTI), in private sector lender Axis Bank. The stake sale is aimed at helping North Block meet its budgeted disinvestment target. The offer for sale, at Rs 689.52 apiece, translates into a 3% discount to Monday's Axis Bank closing price of 710.35. The sale opens on February 12 for institutional investors. Bidding by retail buyers and funds that choose to extend bids not allotted yet will be held on February 13. About 10% of the offer size will be reserved for retail investors. Citigroup Global Markets India, Morgan Stanley and ICICI Securities are managing the share sale. The stake sale is part of the central government's effort to meet its disinvestment target of Rs 80,000 crore. SUUTI owns around 9.63% in Axis Bank, 7.97% in ITC and 1.80% in L&T.


Dated: Feb 12, 2019

ALLAHABAD BANK DIALS RBI FOR TRANSFER OF BAD LOAN FROM HONG KONG

State-run Allahabad Bank has sought Reserve Bank of India's permission to transfer the bad loans in its Hong Kong branch into the Indian balance sheet even as it is looking to sell down
the good assets to other lenders. The transfer and offloading of assets is necessary as the lender is in the process of winding up its lone overseas branch in Hong Kong. The transfer of NPAs is taking more time than expected as this needs the regulator’s approval. The bank is, by all probability, set to miss the March deadline set by the government for winding up the branch. The government owns 83% in the bank. The branch has about Rs 4700 crore of standard loans while the bad loan amounted to Rs 30-40 crore. Hong Kong does not have any asset reconstruction mechanism. The Kolkata-based lender has Rs 15000 core overseas business at the end of March last year which has now shrunk to about Rs 5200 crore. Of this, Rs 460 crore is deposits. The winding up of the branch will help the bank improve the capital-to-risk-weighted assets ratio and boost profitability, which is as part of its effort to exit the crippling Prompt Corrective Action framework of RBI. Rao expressed hope that the bank would meet most of the critical parameters to get out of PCA June. The lender’s gross non-performing assets ratio slipped to 17.8% from 17.53% a quarter back, while net NPA was at 7.7% at the end of December, improved from 7.96% sequentially. Uco Bank, which is also under PCA, has taken a similar step by rationalizing its branches in Hong Kong and Singapore. Uco had two branches each in these countries which are now merged into one each to preserve capital. These lenders have also stepped up their recoveries and directed their lending to the retail segment. Bank of Maharashtra, Bank of India and Oriental Bank of Commerce are the first batch of banks to come out of PCA recently, while eight others are still facing the crippling rule. 

Dated: Feb 12, 2019

RBI PENALIZES SEVEN BANKS FOR VIOLATING VARIOUS NORMS

Seven Banks were penalized by the Reserve Bank of India for violating various norms. Three banks- HDFC Bank, Kotak Mahindra Bank and IDBI Bank- were fined Rs 2 million each for non-compliance with various directions issued by RBI on Know Your Customer (KYC) norms and Anti-Money Laundering (AML) standards. This action 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 banks with their customers. The central banks also penalized four other bank- Allahabad Bank, Andhra Bank, Indian Overseas Bank and Bank of Maharashtra- for non-compliance with various directions issued by RBI on monitoring of end use of funds, exchange of information with other banks, classification and reporting of frauds, and on restructuring of accounts. While Andhra Bank was fined Rs 10 million, the other banks were fined Rs 15 million each. This action 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 banks with their customers.

https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-penalises-seven-banks-for-violating-various-norms/articleshow/67963476.cms
Dated Feb 12, 2019

EFFECT OF 1-DAY DEFAULT: JUST LOOK AT RCOM VS JET AIRWAYS

There are anecdotal evidences to suggest that the February 12 circular is beginning to work. At a recent event at the Bombay Stock Exchange, a businessman mentioned to Finance Minister Shri Piyush Goyal that it is unfair to treat a company a defaulter when it is due to delay in payments by government departments. The minister promptly promised to consider the request. The demand is obviously fallout of the 2018 February 12 RBI circular that ordered banks to treat even a day’s delay in payment as a default and begin resolution process even if it had 90 days to classify it as a bad loan. On the first anniversary of the landmark regulatory diktat that is transforming the repayment culture of rogue borrowers, it may be time for both the central and state governments to look at reforming the
way they conduct business. While the regulatory order may be aimed at companies which have been manipulating the system, the administration is equally guilty of the dirty payments culture. One major source of corruption at the governmental level is releasing payments to a vendor who has provided services. Roads minister Shri Nitin Gadkari was bang on when he mentioned that bureaucrats don't understand what 'working capital is' because they get their salaries without delay. But does that mean diluting a rule that aims to fix the problem rather than changing ways of conducting business? RBI Governor Shri Shaktikanta Das' promise to stick to the rule is a reassurance. Bankers across the board say that credit discipline has improved in the past year as entrepreneurs now know the scope to manipulate the system has narrowed. The so called Special Mention Accounts data for large borrowers reflect the discipline the February 12 circular has brought in. The number of SMA 1 accounts for state-run banks where interest or principal are overdue for 31 to 60 days has fallen to 1.2% from 3.7% of total advances. For private banks, it is down to 0.9% from 3.7% RBI data show. So is the case with SMA 2 where principal or interest are due 61 to 90 days. For government-owned banks it is down to 1.4% from 2.2% of total advances. At private banks, it is down to 0.7% from 2.1%. Reliance Communications and Jet Airways are a study in contrast to realize what the February 12 circular has achieved. It was 17 months between Shri Anil Ambani's Reliance Communications going technically bankrupt and the actual declaration of bankruptcy. The cost of delay in initiating the resolution process under the bankruptcy law is reflected in the decline in market value of the company which is now down to a tenth of what it was in January 2018. It was in September 2017 that Swedish telecom firm Ericsson filed an insolvency petition against Reliance Communications. Thereafter on November 6, Reliance Communications mentioned it was not paying any interest or principal to any lender due to a 'stand-still pact' with banks. Whatever that meant. Today, the inevitable has just happened. Revival is just a dream and how much the lenders would recover is anyone's guess. It is a standing example of how kicking the can down the road doesn't help. Something contrasting is underway at Jet Airways. Bankers swung into action the very next day of Jet default. Many meetings have taken place between the management and bankers which is bringing in equity and change in the management. It is clear that the company with more than Rs 8,000 crore debt, a negative net worth of Rs 7,700 crore needs an equity investment of about Rs 3,000 crore to have any chance of coming back to life. Although the plan is yet to be finalized, there's hope of salvaging something from it. If the dominant shareholders don't show the money, they won't run the company for sure. But for the February 12 circular, banks would have woken up only after March 31 when the account would have turned a non-performing asset. If the past restructuring programmes were still live, it would have been a repeat of Kingfisher Airlines where a poorly constructed restructuring package failed. There are anecdotal evidences to suggest that the February 12 circular is beginning to work. It would be a disservice to the nation if it is tinkered with. Instead of saving businesses, it would end up sinking banks.

Dated Feb 13, 2019

**PAYMENT GATEWAY FIRMS SPLIT ON RBI INTERVENTION**

The Reserve Bank of India's intention to regulate payment gateway service providers has received a mixed response from industry players, with some welcoming the move and others cautioning that close regulatory scrutiny may cause operational challenges and stifle innovation. The central bank had announced that it will release a white paper for discussion and consult companies before introducing regulations. Shri Vishwas Patel, founder of CCAvenue Payment gateway, believes the sector doesn't need more regulations as it already has all the safety networks in place to ensure customer money is protected. There is a fully functional nodal bank account system as mandated by the Reserve Bank...
of India (RBI); also all gateway entities are PCI-DSS certified ensuring security. What more will the regulator do with the fresh guidelines. Shri Patel is also the chairman of industry body Payments Council of India (PCI), but clarified that his remarks were in his personal capacity. The industry body will take up the matter and organize response to the regulator only after the white paper is released. A section of the industry believes that regulatory scrutiny will be good. Shri Anand Ramachandran, chief financial officer at Ingenico e-Payments India mentioned that the policy statement was released that it was necessary to evolve some sort of regulatory mechanism to ensure serious players with sound financial track record are doing business in this space. Another top payment executive mentioned that the move could help bring payment gateways in direct contact with the RBI. Till date, all the interactions with the regulator regarding payments has been through banks if regulated, the sector will get a direct seat at the table with the RBI, which will be better. A few executives in the payments industry mentioned that they were not sure as to what direction the regulator could be moving in with the new rules. https://economictimes.indiatimes.com/industry/banking/finance/banking/payment-gateway-firms-split-on-rbi-intervention/articleshow/67968891.cms
Dated: Feb 13, 2019

SOON, GET EASY LOANS FOR ELECTRIC VEHICLES

Getting loans from banks for buying electric vehicles is likely to get easier as the government has decided to take measures to facilitate lending by banks for all varieties of these vehicles including e-rickshaws and e-autos. As per the sources Prime Minister’s Office (PMO) has directed the department of financial services to take the necessary steps and has also asked the revenue department to offer attractive tax incentives including faster depreciation on EVs to encourage corporates to go electric rather than buy conventional petrol and diesel vehicles. While the first measure will help people to buy EVs by making less down payment, the second initiative will convince companies to buy quality electric vehicles as the accelerated depreciation will bring major relief in the upfront cost of the vehicles by providing a tax break. Moreover, along with its push to increase e-mobility in the country, the government has decided to accelerate other cleaner fuels for heavy vehicles on highways and personal vehicles in cities. The petroleum and natural gas ministry has been asked to set up LNG stations on highways and to increase the network of CNG stations in cities by March. According to the minutes of the latest meeting chaired by PM’s principal secretary Nripendra Mishra, the department of industrial policy and promotion has been asked to give time-bound clearances from Petroleum and Explosives Safety Organization for installation of additional electric vehicle charging stations and CNG dispensing units at existing fuel pumps. The petroleum ministry has been expanding the network of CNG stations across cities to make the fuel available. https://economictimes.indiatimes.com/industry/banking/finance/banking/soon-get-easy-loans-for-electric-vehicles/articleshow/67971100.cms
Dated: Feb 13, 2019

INDIAN BANKS CLAWING OUT OF THE WOODS

The current fiscal could very well be a watershed for India’s banks. As CRISIL predicted just before the fiscal began, there has been a reversal in two of the biggest challenges credit offtake and asset quality. No doubt, the Reserve Bank of India’s stringent stressed assets resolution norms, and traction on resolution of a number of large-ticket Non-Performing Assets (NPAs) referred under the Insolvency and Bankruptcy Code (IBC) framework, have been game changers. On another front, the government’s mega recapitalization plan for Public Sector Banks (PSBs) and the recent bold step towards their consolidation stacks up in favour of strengthening the sector. CRISIL foresee six things happening in the banking sector in the months ahead: Resolution of large-ticket bad loans should progress further by end of this fiscal; Incremental NPAs will decline, as tightening stressed assets recognition norms pays off; Bank credit will grow at about 12% in the current fiscal compared with 8% in the last. It will

Dated: Feb 13, 2019

ASSOCHAM INDIA

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grow faster for private sector banks, while for public sector banks, there will be some drag though it’d be better than last fiscal; Return on assets for the system as a whole will look up at 0.1% from -0.2% last fiscal; Provisioning coverage of banks will rise and Deferred implementation of the final tranche of capital conservation buffer (CCB) by a year to provide some reprieve to PSBs. However, they will still need to raise Rs 85,000 crore as capital by the end of this fiscal mainly from the government. At long last, asset quality concerns are peaking. About Rs 14 lakh crore worth of NPAs have been recognized by banks in the past three years. CRISIL expects the banking sector gross NPAs (aggregate) to drop to under 11% by March 2019 as against 11.6% reported by the end of fiscal 2018. Three key factors at work are lower incremental slippages to NPAs, drop in SMA-2 (or special mention accounts, where loans are overdue for 60-90 days) levels reflecting significant reduction in quantum of potential stress assets and expected resolution of large-ticket NPA accounts under IBC this year. CRISIL expects bank credit to grow at 12% in the current fiscal compared with 8% in the last fiscal. However, PSBs, especially the ones which continue to face lending constraints due to the prompt corrective action invoked by the RBI and inadequate capital buffer, are expected to grow slower than the system. On the other hand, private banks supported by strong balance sheets and significant presence in the retail segment, are likely to grow at almost twice the rate than the systemic credit growth. As a result, CRISIL estimates private banks’ market share in the total system credit to spike to 40% over the next three years from 30% currently. PSBs are expected to continue reeling under the NPA provisioning pressures, given the expected haircuts on resolution of stressed loans and ageing of NPAs. As a result, PSBs will continue to report losses this fiscal too, albeit lower than the previous year. CRISIL expects the banking system as a whole to report ROAs of 0.1% compared with -0.2% in fiscal 2018. Nevertheless, the provisioning coverage of banks is expected to increase to 55-60% this fiscal. CRISIL believes, the RBI board’s recent decision to extend the timeline for implementation of the last tranche of capital conservation buffer (or CCB, 0.625% of the risk weighted assets) under the Basel III regulations could reduce the capital requirement for PSBs to Rs 85,000 crore for the period November 2018 to March 2019. This compares with Rs 1.2 lakh crore estimated earlier for the same period. CCB is the capital buffer that the banks have to accumulate in normal times to be used for offsetting losses during the period of stress. However, despite the reduction in capital requirement, it is clear the government will need to infuse the bulk of Rs 85,000 crore needed by PSBs, as PSBs have little ability to raise capital from market owing to higher NPAs and weak financial performance.


Dated: Feb 13, 2019

OVER 900 CASES OF FRAUD INVOLVING CARDS, NET BANKING REGISTERED IN APR-SEP 2018

According to data maintained by National Crime Records Bureau (NCRB), 12,317 cyber crime cases were registered in 2016, Ahluwalia noted. Over 900 cases of fraud related to debit/credit cards and internet banking, involving amount of Rs 1 lakh and above, were registered during April-September 2018. Reserve Bank of India (RBI) has registered a total of 921 cases of fraud involving ATM/debit cards, credit cards and Internet banking, wherein the amount involved was Rs 1 lakh and above, during 2018-19 (up to September 30, 2018), Minister of State for Electronics and IT S S Ahluwalia mentioned in a written reply to Lok Sabha. During the year 2015-16, 2016-17, 2017-18, the number of such cases of fraud registered by the RBI stood at 1,191, 1,372 and 2,059 respectively. Ahluwalia further noted that a total of 3, 14 and 6 financial fraud incidents affecting ATMs, cards, Point of sale (PoS) systems and Unified Payment Interface (UPI) have been reported during the year 2016, 2017 and 2018 (up to November) respectively, as per information reported to Indian Computer
Emergency response Team (CERT-In). According to data maintained by National Crime Records Bureau (NCRB), 12,317 cyber crime cases were registered in 2016, Ahluwalia noted. This is against a total of 9,622 and 11,592 cyber crime cases registered during 2014 and 2015, respectively, he added. This includes cases registered under the Information Technology (IT) Act, 2000 and related sections of Indian Penal Code and Special and local laws involving computer as medium/ target, data for year 2017 is still under compilation by NCRB.


BANK CREDIT GROWS 14.5%, DEPOSITS UP 9.63%

Both bank credit as well as deposits growth marginally declined on a fortnightly basis, clipping at 14.5 percent at Rs 94.29 lakh crore deposits grew at a tepid 9.63 percent to Rs 121.22 lakh crore for the fortnight ending February 1, according to the latest RBI data. In the previous fortnight ended January 18, deposits had increased by 9.69 percent to Rs 119.86 lakh crore and credit grew by 14.61 percent to Rs 93.32 lakh crore. The decline was mainly driven by the poor show by agriculture and allied activities and the personal loans during the week. While credit demand from agriculture and allied activities grew by 8.4 percent in December 2018, compared to an increase of 9.5 percent in December 2017, industrial credit rose by 4.4 percent in December 2018 over 2.1 percent in the year-ago month. Similarly non-food credit also increased faster at 12.8 percent year-on-year basis in December 2018 compared to a 10 percent growth in the same month last year. In the reporting month, credit to the services sector almost doubled to 23.2 percent as against 14.7 percent year-ago period but personal loans growth decelerated to 17 percent from 18.9 percent.

https://economictimes.indiatimes.com/industry/banking/finance/banking/bank-credit-grows-14-5-deposits-up-9-63/articleshow/67978527.cms Dated Feb 13, 2019

PNB TO E-AUCTION 4,000 PROPERTIES TO RECOVER LOANS

Recently, the state-owned lender reported a net profit of Rs 247 crore for the third quarter ending December 2018 over the Rs 230 crore profit after tax (PAT) reported for the corresponding quarter of 2017-18. Lending major Punjab National Bank (PNB) has decided to place more than 4,000 properties all over India on e-auction as part of its loan recovery effort. According to the bank, the action under the Securitization and Reconstruction of Financial Assets and Enforcement of Securities Interest Act (SARFAESI) will help in achieving the recovery of Rs 26,000 crore during current Financial Year 2018-19. The bank has up to December 31, 2018 recovered Rs 16,600 crore. It is expected that the scheduled e-auctions of these 4,000 properties will substantially add to the overall recovery tally of the bank. Recently, the state-owned lender reported a net profit of Rs 247 crore for the third quarter ending December 2018 over the Rs 230 crore profit after tax (PAT) reported for the corresponding quarter of 2017-18.


PARLIAMENTARY PANEL WANTS PROBE INTO LIC ROLE IN IL&FS CASE

The role of CRAs has come under the scanner as they failed to adequately vet IL&FS financials that led them to over-rate IL&FS entities. A parliamentary committee recommended an inquiry into the role played by Life Insurance Corporation of India (LIC) and credit rating agencies (CRAs) in landing Infrastructure Leasing and Financial Services Limited (IL&FS) into a debt trap. An investigation into the role played by LIC in the IL&FS mess becomes imminent as it is the largest shareholder in the conglomerate. The role of CRAs has come under the scanner as they failed to adequately vet IL&FS financials that led them to over-rate IL&FS entities just before signs of stress started appearing. Calling for urgent
measures to revive IL&FS while noting that it is the "only major institution funding the infrastructure projects in the country" the Parliamentary Standing Committee on Finance mentioned that the governance failures and indecision on the part of the IL&FS Board should also be thoroughly probed. In its recommendations, the panel suggested the implementation of mandatory rotation of CRAs to "bring more accountability among the credit rating agencies as they will be wary of committing negligence". "In order to have more vibrant functioning of domestic capital and money markets and enhancing credibility in the credit rating industry, we feel the mandatory rotation of CRAs may be implemented". The recommendation comes as the panel in the report highlighted that the credibility of credit rating action has "come into sharp question" in the crisis involving IL&FS. As 'rating' of an instrument or entity is being increasingly relied upon by capital markets, bankers and investors and, since it constitutes a key input for financial decision-making of far-reaching magnitude, the committee stressed the need for the rating process to be "absolutely professional".


Dated: Feb 13, 2019

RBI CLEARS YES BANK OF DIVERGENCE CHARGES

The Reserve Bank of India (RBI) has cleared Yes Bank of any disparity in reporting bad loans, known as divergence in market parlance. The report observes NIL divergences in the bank's asset classification and provisioning from the RBI norms. The banking regulator assesses compliance by banks with extant prudential norms on income recognition, asset classification and provisioning (IRACP) as part of its supervisory processes. Yes Bank has received the Risk Assessment Report for FY18 as an outcome of the IRACP process. Divergence refers to the difference between the RBI's inspection report and the lender's own report. Against the Rs 748.98-crore of gross NPAs reported by Yes Bank as on March 31, 2016, the RBI assessment showed the tally at Rs 4,925.68 crore, leading to a divergence of Rs 4,176.70 crore. This divergence further increased to Rs 6,335 crore in FY17 and was the main reason the former CEO Rana Kapoor's tenure was curtailed last year by the central bank.


Dated: Feb 14, 2019

YES BANK SHARES SURGE NEARLY 30% AFTER NIL DIVERGENCE REPORT FROM RBI

Shares of Yes Bank Ltd gained as much as 28.96% to Rs. 218 after the Reserve Bank of India observed "no asset quality divergence" in 2017-18. Yesterday, in a exchange filing, Yes Bank revealed a risk assessment report from the RBI for 2017-18, which met its norms and had zero divergence in its asset classification and provisioning. From the beginning of this fiscal year, the Yes Bank stock has dropped 39% as the benchmark Sensex has gained 9.39% and the banking index, Bankex, has gained 10.64% So far till now on it is the best performing stock on the Sensex, Nifty and BSE100 indices. The number of financially oriented social media postings about the bank rose to 17, compared with the average of 2.7 during half-hour periods in recent days, according to Bloomberg. Brokerages have rerated the stock mostly with a "buy" rating with a new target price. Motilal Oswal has a buy rating with a target price of Rs. 270, SBI Cap has a target price of Rs. 315 with a buy rating and Jefferies has a buy rating with a target price of Rs. 275. According to a note released by JM Financial after the divergence report it expects Yes Bank to continuously improve its retail franchise which, in turn, will substantially reduce concentration risks and capital consumption and diversify the fee income profile. It also believes Yes Bank is now in a better position to raise capital having received a clean chit on asset quality, though the timing of the capital raise remains to be seen. Yes Bank's profit fell to Rs. 1,001.8 crore in the quarter ended December 31, 2018, from Rs. 1,076.87 crore in...
SHRI PIYUSH GOYAL ASKS BANKS TO MEET REALTY COMPANIES WITHIN A FORTNIGHT TO UNDERSTAND INDUSTRY ISSUES

Finance Minister Shri Piyush Goyal has asked banks to meet real estate sector representatives within the next fortnight to discuss the issues being faced by them. The minister also assured that goods and services tax (GST) rates would be brought down soon for the sector, which has been facing a demand slack. There is a real problem (being faced by the realty sector), banks should take some initiatives to assess the projects and fast track them. Within the next 7-15 days the Indian Banks' Association (IBA) has a meeting with the real estate players to help increase funding to the sector. The group of ministers (GoM) under GST Council has worked out a mechanism for taxing real estate sector under GST. A state ministerial panel favored lowering GST on under-construction residential properties to 5 per cent, from 12 per cent currently. It also favored slashing GST on affordable housing from 8 per cent to 3 per cent.

Currently, GST is levied at 12 per cent with input tax credit (ITC) on payments made for under-construction property or ready-to-move-in flats where completion certificate has not been issued at the time of sale. The effective pre-GST tax incidence on such housing property was 15-18 per cent. GST, however, is not levied on buyers of real estate properties for which completion certificate has been issued at the time of sale. There have been complaints that builders are not passing on the ITC benefit to consumers by way of reduction in price of the property after the rollout of GST, following which the GST Council had set up a ministerial panel tosuggest ways to boost realty sector.


Dated: Feb 14, 2019

Finance Ministry Asks Six Public Sector Banks To Improve On PCA Parameters

The Finance Ministry has asked the six remaining public sector banks, currently under Prompt Corrective Action (PCA), to improve on seven parameters to get the government's support for coming out of the PCA framework. Earlier, a Finance ministry official had mentioned that all the six banks were expected to come out of PCA over the next two quarters or by June. Out of a total of 11 banks put under PCA last year, three have already moved out while another two will merge with a stronger entity. This leaves six in the list of weak banks that also face restrictions on lending. The recent recapitalization has taken care of the banks' tier-I core capital requirements. As per Basel III norms, all banks need to meet both risk-based capital minimum Common Equity Tier 1 (CET1) requirement of 4.5 per cent and the target level CET1 requirement of 7 per cent. The government had infused capital in banks that was used to increase provisions and lower the net NPA ratio enabling RBI to lift restrictions on the three banks - Bank of Maharashtra, Bank of India and Oriental Bank of Commerce. Breaching net NPA ratio of 6 per cent is one of the conditions that trigger restrictions. The immediate impact of banks under PCA is loan growth is impacted since they cannot lend to below AAA rated corporates. CASA ratio of a bank is the ratio of deposits in current and saving accounts to total deposits. A higher CASA ratio indicates a lower cost of funds, because banks do not usually give any interests on current account
deposits and the interest on saving accounts is usually very low: 3-4 per cent. Last year, while the government allocated Rs 88,139 crore for bank recapitalization (predominantly through recap bonds), Rs 52,311 crore was allocated to 11 PSU banks under PCA. Since then Bank of Maharashtra, Bank of India and Oriental Bank of Commerce have moved out of PCA and IDBI Bank has been taken over by LIC and Dena Bank is being merged with Vijaya and Bank of Baroda and are by default out of PCA. The Reserve Bank has specified certain regulatory trigger points as a part of PCA Framework in terms of three parameters -- capital to risk weighted assets ratio (CRAR), net non-performing assets (NPA) and Return on Assets (RoA), for initiation of certain structured and discretionary actions in respect of banks hitting such trigger points. Recently, when BoI, BoM and OBC were taken out of the PCA, they were falling short of meeting the RoA norms. But since none of these banks have met the requirement for 'return on assets', it appears that the trigger has been diluted. An official mentioned the norm for RoA as per the PCA rules is that the bank should not make losses for two years straight, but a lot of banks will have to report losses for FY19 as well. The banks under PCA are Allahabad Bank, United Bank of India, Corporation Bank, UCO Bank, Central Bank of India and Indian Overseas Bank. Under the PCA, banks face restrictions on distributing dividends and remitting profits. Besides, the lenders are stopped from expanding their branch networks and need to maintain higher provisions. Management compensation and directors fees are also capped. The recovery plan, as presented by these banks, include cost cutting, reducing branches size, closing foreign branches, shrinking corporate loan book as well as selling risky assets to other lenders.

Dated: Feb 14, 2019

After the news of default by IL&FS broek, the sector faced a liquidity problem which prompted the regulators to direct banks to buy NBFC loan portfolio and help them address their liquidity woes. When mutual funds turn fair weather friends, banks provide the helping hand. Banks lending to Non - Banking Finance Companies (NBFCs) were hit the sector following IL&FS default. After the news of default by IL&FS broek, the sector faced a liquidity problem which prompted the regulators to direct banks to buy NBFC loan portfolio and help them address their liquidity woes. When mutual funds turn fair weather friends, banks provide the helping hand. Banks lending to Non - Banking Finance Companies were hit the sector following IL&FS default.

Dated: Feb 14, 2019

BANKS LEND OVER RS 20,000 CRORE TO NBFCS SINCE THE CRISIS HIT THE SECTOR FOLLOWING IL&FS DEFAULT
CRACK WITHIN UFBU MAY HAMPER WAGE REVISION TALKS

A major crack has surfaced between bank officers and workmen unions over the issue of wage settlement, threatening to hamper the 11th bipartite negotiation. The United Forum of Bank Unions (UFBU), the umbrella body of nine trade unions which holds wage revision talks on behalf of their members with the Indian Banks' Association (IBA), is even facing a split if the matter is not resolved fast. The two of the officers organizations abstained from the negotiation table in the last round of talks. The fight erupted between UFBU members following an IBA proposal of bank-wise wage settlement for senior officers from scale IV and above. Six banks, State Bank of India, Bank of Baroda, Indian Bank, Oriental Bank of Commerce, Punjab National Bank and Union Bank of India have mandated IBA to restrict the wage rise offer to officers up to scale III. These banks proposed to fix compensation for their senior officers independent of the bipartite negotiation, and based on their paying capacity. In other words, these banks with better financials than the rest have shown willingness to offer higher remuneration package to their officers from chief managers to general managers. The 21 public sector banks employ over 10 lakh people. About 3.5 lakh are officers with about 60-65% of them being from these six banks. However, about 90% of the officers in all banks taken together fall in the scale I to scale III category. Protesting against the split mandate to IBA, the All India Bank Officers Confederation (AIBOC) the largest officers’ organization abstained from the last negotiation talks held on February 2 in Mumbai. At that meeting where two other bank officers unions were present, IBA raised its wage increase proposal to 10% from the previous 8% offer. AIBOC had walked out of the negotiation table on November 30 as well. Earlier, AIBOC criticized AIBEA general secretary CH Venkatachalam for reportedly inciting a split within UFBU. He (Venkatachalam) has stated that the present offer of IBA is more in quantitative terms than the quantum paid in the 10th bipartite settlement. He has also mentioned that the officers’ associations are creating impediment to the settlement. We strongly denounce unilateral pronouncement of one constituent of UFBU on the merit of the present offer of IBA which is very likely to jeopardize the ongoing negotiation. National Organization of Bank Officers (NOBO) also did not take part at the February 2 meeting while All Indian All India Bank Officers Association (AIBOA) and Indian National Bank Officers Congress (INBOC) were present. His (Venkatachalam’s) statement has been distorted. He has only narrated the truth at a union meeting in Kanpur. The fact remains that we have rejected IBA’s 10% offer. The 11th bipartite settlement is due from November 1, 2017.


Dated: Feb 14, 2019

PAYTM PLEDGES ALL ITS ASSETS TO BORROW RS. 1,400 CRORE FROM ICICI BANK

Shri Vijay Shekhar Sharma's One97 Communications Ltd, the parent of fintech startup Paytm, has pledged all its current assets and mutual fund investments to be able to borrow Rs. 1,400 crore for working capital needs from ICICI Bank Ltd. On 18 January, Paytm and ICICI Bank Ltd entered into an agreement under which One97 Communications' entire current assets worth Rs. 7,085.1 crore as on 31 March 2018 was hypothecated by the bank to boost the startup's borrowing capacity. Until now, Paytm could borrow up to Rs. 400 crore from the bank for working capital. The higher borrowing limit helps Paytm secure capital for everyday operations amid tight liquidity conditions in the market and banks' unwillingness to lend to startups and financial services companies. It may also help Paytm fuel its growth plans that primarily include Online-To-Offline (O2O) retail businesses and enter new overseas markets in the digital payments space moves that are aimed at narrowing losses. One97 Communications has clear goals. Several attractive deals are on the table and even if there is a difficulty to get an
equity buyer due to the cost of stake in a large-scale startup such as One97, the company's plans should not suffer due to shortage of working capital limits. In a recent share-swap deal (registered with MCA on 18 January), involving issuance of shares by One97 Communications to acquire stakes of Gannat Pte. Ltd and SAIF Partners India IV Ltd in Little Internet Pvt. Ltd, a unit of One97 Communications, the firm was given an enterprise value of Rs. 44,893.29 crore by Corporate Professionals Capital Pvt. Ltd, the appointed valuer for the deal. On 24 January, at the World Economic Forum in Davos, One97 Communications' chief financial officer Madhur Deora mentioned that Paytm is considering foraying into one or two more developed markets in 2019. While the company can't commit to a definite launch in other markets, it is working on building a scalable business. In August, billionaire investor ‘Warren Buffets Berkshire Hathaway Inc. bought a $356 million stake in One97 Communications. Paytm recently hired Raghu Chakravarthi from online grocery retailer BigBasket to help with its O2O strategy. Over the past few years, Paytm group has been losing more money in its online retail business as compared to digital payments, where it is the market leader. Paytm's online retail business Paytm Mall, under Paytm E-Commerce Pvt. Ltd, saw its financials deteriorating with a loss of Rs. 1,787.55 crore on a total revenue of Rs. 774.86 crore during FY18, according to filings with the registrar of companies. Paytm has been expanding its businesses rapidly over the past one year. On 22 October, it launched a barcode-based smartphone payment service called PayPay in Japan, in a joint venture with SoftBank Group Corp. and Yahoo Japan Corp. On 30 January, Paytm acquired a hotel booking app called NightStay that allows travellers to book hotels instantly. With the Rs. 142 crore acquisition of NightStay, Paytm is looking to re-enter the hotel aggregation business and expand its travel operations by offering last-minute deals to tourists especially in the mid-to-upper range hotel booking segment. Paytm has already tied up with at least 5,000 hotels across the budget, luxury and business segments. One97 Communications' total losses during the fiscal year 2018 almost doubled to Rs. 1,604.34 crore from around Rs. 899.64 crore in the previous year.


Dated Feb 15, 2019

ED TO ASK BANK OF MAHARASHTRA FOR DETAILS ON DSK GROUP TRANSACTIONS

The Enforcement Directorate (ED), probing an alleged Rs 3,000-crore money laundering case concerning Pune based business conglomerate DSK group, will soon be writing to the Bank of Maharashtra (BoM) seeking details on certain suspicious transactions that are linked to the case. The ED, meanwhile, has attached assets worth Rs 904 crore of DSK group in the form of land, buildings, flats, LIC policies and cash deposits. According to sources, the accused couple Deepak and Hemanti Kulkarni and their son Shirish have accounts with BoM in which most of the alleged laundered money is said to have been transferred and subsequently siphoned off. Over 470 system generated alerts were issued by the bank, but no suspicious transaction report (STR) was generated. The federal anti-money laundering agency has also found instances of circular entries. The accused and the firms held accounts with the bank. The probe has revealed that while the alerts were generated, STR was never made. The probe has nowhere shown their involvement as far as laundering of the funds are concerned, but there are certain issues on which clarity is needed. In the predicate offence probed by the Pune police last month, a Pune court discharged three senior officials of BoM including its chairman and managing director for want of evidence. Three officials of BoM: Ravindra Marathe, CMD, Rajendra Gupta, executive director, and Sushil Muhnoot, former CMD were arrested on June 20 last year in connection with a 2017 cheating and forgery case along with certain sections of the MPID (Maharashtra Protection of Interest of Depositors Act) against Deepak Kulkarni, Hemanti Kulkarni and Shirish Kulkarni of the DSK group. The complaint stated that the accused
committed fraud to the tune of Rs 2,043.18 crore, which included Rs 1,083.7 crore taken as deposits and loans from depositors, Rs 711.36 crore worth of loans taken from banks and financial institutions, Rs 111.35 crore of debentures and Rs 136.77 crore of misappropriations in a land deal at Fursungi. Their arrests, however, sparked a massive protest in the banking industry which felt that such cases should be probed by central agencies. Senior Union government officials were forced to step in and engage with the Maharashtra government to look into the merits of the case. Citing an instance of circular transaction, a source said that in 2013, Hemanti gave a director's loan of about Rs 350 crore to DSK Global Education and Research Pvt. (an industrial design, animation, and gaming school in India) over a period of time. DSK Global took an unsecured loan of around Rs 170 crore from the partnership firms. DSK Global then squared off the loan it owed to Hemanti with this amount. Hemanti transferred the money to the partnership firms which gave the loan to DSK Global. This is a case of circular entry. Interestingly, all the three transactions were performed on a single day and none of the three accounts had sufficient balance to carry out the transactions. We will be asking the bank on the said transaction and in case it was cleared by any official. According to sources, the ED probe has established that the accused floated eight partnership firms and DSKDL, a public limited company of the DSK group. Under the pretext of different deposits schemes claiming to be linked to the public limited firm, the accused however issued receipts of the eight partnership firms. The monies raised where then diverted to DSKDL and the accounts of Hemanti Kulkarni and through various high-value sham transactions under cover of capital borrowing, advances against properties, director's loan between more than 40 group companies laundered it to buy real estate in New Jersey, Bengaluru, Pune, Mahableshwar and other parts of Maharashtra, open a design and animation school, finance an USA-based animation movie Sabrina The Teenage Witch. While the accused raised Rs 3,000 crore through fake deposit schemes and loans they managed to return a bulk of it, however Rs 1,129 crore is the outstanding amount as on date. Between 2006 and 2017, the accused transferred over Rs 2,000 crore to DSKDL through eight partnership firms in lieu of advance against properties, which was never purchased. Fake MoUs were signed between the parties but no funds were ever transferred or any sale deed executed. These were created only to camouflage the sham transactions.

Dated: Feb 15, 2019

RBI Threatens Action Against Yes Bank For Disclosing Nil Divergence Report

The Reserve Bank has warned Yes Bank of regulatory action for disclosure of nil divergence report in violation of the confidentiality clause. Yes Bank in a press release earlier this week had mentioned that the RBI has not found any divergence in the asset classification and provisioning done by the lender during 2017-18. In a regulatory filing, Yes Bank has received a letter from the RBI which noted that the Risk Assessment Report (RAR) was marked
'confidential' and it was expected that no part of the report be divulged except for the information in the form and manner of disclosure prescribed by regulations. Therefore, the press release breaches confidentiality and violates regulatory guidelines. Moreover, NIL divergence is not an achievement to be published and is only compliance with the extant Income Recognition and Asset Classification norms. The issuance of the Press Release has, therefore, been viewed seriously by the RBI and could entail further regulatory action/s. The RAR also identifies several other lapses and regulatory breaches in various areas of the bank’s functioning and the disclosure of just one part of the RAR is viewed by RBI as a deliberate attempt to mislead the public. The RBI conducted its first asset quality review (AQR) of banks in 2015 in order to find corporate loan accounts with severe financial weakness from the books of the lenders. Post this review, RBI found a large divergence of Rs 4,176 crore in the reported gross NPAs in the books of Yes Bank for 2015-16. Further, the RBI judged gross NPAs at Rs 8,373.8 crore for Yes Bank for 2016-17 against the declared gross NPAs of Rs 2,018 crore. Thus, there was a divergence of Rs 6,355 crore or three times the reported amount.


LIC MAY INFUSE UP TO RS 12,000 CRORE IN IDBI BANK TO HELP IT MEET PROVISIONING FOR NPAS IN Q4

IDBI Bank has sounded out its new owner LIC seeking another tranche of up to Rs 12,000 crore to meet its huge provisioning requirements amid mounting losses. The fresh support is required to cover for non-performing assets (NPAs) in the January-March quarter. Life Insurance Corporation of India (LIC) completed acquisition of 51 per cent controlling stake in IDBI Bank on January 21. The bank received total capital of Rs 21,624 crore from the insurer in the four-month period prior to formalization of acquisition.

Recently IDBI and LIC officials met Department of Financial Services senior officials and are mentioned to have taken up the matter of fresh capital infusion. LIC has not commented so far. In the backdrop of capital infusion from LIC, the bank has achieved regulatory capital requirement as on December 31, 2018, and its common equity tier-1 (CET-1) capital improved to 9.32 per cent as on December 31, 2018, against 6.62 per cent a year ago. IDBI Bank Q3 loss has widened threefold to Rs 4,185 crore. Total income decreased to Rs 6,190.94 crore for the quarter, compared with Rs 7,125.20 crore in the corresponding quarter a year ago. The bank’s gross NPAs shot up to 29.67 per cent of gross advances during the quarter, against 24.72 per cent in the year-ago period. However, net NPAs declined to 14.01 per cent of the total advances, from 16.02 per cent in the December 2017 quarter. As a result, the bank’s provision for bad loan increased to Rs 5,074.80 crore in Q3, compared with Rs 3,649.82 crore a year ago. Provisions and contingencies for the September-December period spiked 30 per cent to Rs 4,179.12 crore against Rs 3,205.56 crore in December quarter last fiscal. Gross bad loans as a percentage of total loans stood at 24.72 per cent at end-December compared with 24.98 per cent in the previous quarter and 15.16 per cent a year ago. IDBI Bank, with its highest NPAs, had got the maximum Rs 10,610 crore from disclosing-nil-divergence-report-3546261.html Dated Feb 15, 2019.


INDIVIDUAL INSOLVENCY CODE MAY SOON BE A REALITY

Failure to repay home loans might drag future defaulters to dedicated bankruptcy courts as New Delhi is seeking to put in place a broad framework on individual insolvency two years after it revamped such laws for stressed companies. Three sets of entities will fall under the individual insolvency code. Shri M S Sahoo,
chairman of the Insolvency and Bankruptcy Board of India (IBBI) mentioned that they would include the personal guarantor to corporate debtors, proprietary firms and other individual borrowers. According to a market source ET spoke with, the insolvency rules to recover bad loans from individuals could only come after the impending general elections. Shri Sahoo was in Mumbai to launch a bespoke academic programme the first of its kind that would graduate 40 insolvency professionals annually. ET had reported on January 15 about this programme. As per Shri Sumant Batra, managing partner of Kesar Dass B & Associates, The Indian Institute of Corporate Affairs (IICA) has launched the Graduate Insolvency Programme (GIP) for individuals aspiring to join the profession anywhere in the world. Even NCLT judges and professionals across industries will come to take classes. Individuals are currently allowed to act as insolvency professionals if s/he has 10 years of post-membership experience as a chartered accountant, company secretary, cost accountant or advocate, or 15 years of management experience after a bachelor degree.

https://economictimes.indiatimes.com/industry/banking/finance/banking/individual-insolvency-code-may-soon-be-a-reality/articleshow/68015306.cms
Dated: Feb 15, 2019

**SBI APPROACHES BIG 4 AUDITORS TO APPOINT RESOLUTION PROFESSIONAL FOR RCOM**

State Bank of India (SBI), one of the major lenders to Shri Anil Ambani’s Reliance Communications (RCom), has approached some of the Big Four audit firms and consultants to identify and select a resolution professional (RP) to manage insolvency proceedings of the telecom company. EY and a previously appointed resolution professional for RCom are among the firms interviewed by the state-run lender, according to people in the know. SBI is considering initiating an independent application to take RCom to the National Company Law Tribunal though the debt-ridden company had informed stock exchanges on February 4 that it had decided to submit itself to NCLT as it was unable to pay its debts. The lender also has the option of waiting for RCom to initiate bankruptcy proceedings on its own and then recommending an RP of its choice once the committee of creditors is convened. RCom owes banks close to Rs 40,000 crore. It is a policy of the bank not to comment upon individual accounts and its treatment. Swedish telecom equipment maker Ericsson had dragged RCom to NCLT in May last year on the grounds that the telecom firm had not paid Rs 550 crore in dues for equipment supplied to it. NCLT had approved the appointment of consulting firm RBSA as the resolution professional for RCom and two of its subsidiaries Reliance Infratel and Reliance Telecom at the time. RCom later got a stay on the insolvency proceedings by promising to repay Ericsson’s dues within a stipulated time frame at the national company law appellate tribunal (NCLAT). Earlier this year, after its proposed deal with Reliance Jio fell through, RCom sought to withdraw its application from the NCLAT, but this was opposed by the Swedish equipment maker. The dispute between the two parties is now being adjudicated upon by the Supreme Court. RCom has been unsuccessful in repaying creditors despite numerous attempts at settlements. The proposed deal to sell spectrum to Shri Mukesh Ambani’s Jio that would have helped the company shed some of its debt has also failed to make headway. RCom stopped wireless telephony services to customers in late 2017 and it would only focus on its B2B offerings to reduce costs.

https://economictimes.indiatimes.com/industry/banking/finance/banking/sbi-approaches-big-4-auditors-to-appoint-resolution-professional-for-rcom/articleshow/68018083.cms
Dated Feb 16, 2019

**RBI Spots Fraud That Wipes Out A Customer's Bank Balance Via UPI, Alarm Sounded**

The Reserve Bank of India has warned banks of an emerging digital banking fraud that can wipe out a customer’s bank balance by using the Unified Payment Interface (UPI) route. The modus operandi is simple: fraudsters get victims to
download an app called AnyDesk. Hackers get remote access to the mobile through a nine-digit code generated on the victim’s device. Once a fraudster inserts this app code on his device, he will ask the victim to grant certain permissions, which are similar to what are required while using other apps. This enables the imposter to gain access to the victim’s device and carry out transaction fraudulently. The modus operandi, according to RBI, can be used to carry out transactions through any mobile banking app or payment-related apps, including UPI or wallets. The central bank has sent an advisory to all commercial banks as the magnitude of the threat could well jeopardize thousands of crores of rupees in the accounts of retail customers. This is also relevant to customers transacting on various e-commerce platforms, the person added. January 2019 transaction volumes over the government-backed UPI rose 8.47% to nearly 673 million against 620.17 million a month earlier. The worth of the transactions was Rs 10,900 crore.

https://economictimes.indiatimes.com/industry/finance/banking/sbi-approaches-big-4-auditors-to-appoint-resolution-professional-for-rcom/articleshow/68018083.cms Dated Feb 16, 2019

SBI TAKES WORK-LIFE BALANCE TO A NEW HIGH CUTTING MECHANICAL LIVES IN THE BUD

The nation’s largest lender State Bank has begun a massive employee engagement programme to ensure its 2.6 lakh-strong staff does not work mechanically and is sufficiently motivated to take on newer challenges that the future will throw up. The programme, christened Nayi Disha or the new path, focuses on work-life balance and also involves the staffs’ immediate family members, also giving them the ability to inform the bank if an employee is not able to leave work on time. The previous chairperson Smt. Arundhati Bhattacharya too had initiated a slew of pro-employee measures such as letting them choose the location before transferring a couple of both of them are with the bank, extending sick leave to attend to in-laws health needs, long leaves to help their children during the exams among others. He said the bank has hired an external hand to design the programme, and started implementing it in December with the top management, including Chairman Shri Rajnish Kumar. Over 350 trained staff are reaching out to every employee in the programme, which is the first major initiative reaching out to every member of the staff in over four years. They undertake five to six hour-long sessions which end with a team dinner with each ones spouses. Half the staff has already undergone the module and the programme will be finished by March 15, in time to let the employees focus on the heavy duty workdays towards the end of the fiscal year. At the end of the training module, the employee signs a pledge which draws from the banks value statement released last year, vowing to keep herself healthy, not damage the environment, speak positively of the bank and leave for home at least once a week. Interestingly, the pledge card has a special bar code which, if scanned by the employees spouse using a mobile phone, will send out an alert to the employees superiors about the employee spending long time at work and result in corrective action. Without mentioning non-performing assets, it was mentioned that the banking sector has had a difficult time in the last two-three years which has affected the employees and the bank found it essential to rejuvenate and prepare them for the future as well. While stressing that the worst is behind the bank, the employee is told about the business plan and also the way banking is changing due to technology, which will entail changes in their working as well. The bank had already started stressing on the importance of employees health and the need to maintain work-life balance around a year ago, this programme takes it up as a strong need. Over 27 per cent of SBI staff are women and the average age has now come down to 43.

HEADROOM TO CUT RATES DOES NOT EXIST

As per State Bank of India Chairman Shri Rajnish Kumar, State Bank of India, the country's largest public sector lender, currently does not have any headroom to cut deposit rates and thus cannot cut its base lending rate. Shri Kumar was responding to a query on why the bank had not cut the marginal cost of funds based lending rates, or the MCLR and only cut the rate on home loans by 5 basis points despite a 25 basis points cut by the central bank at its monetary policy review earlier in the month. Indian banks price their benchmark loan rates, known as MCLR, mainly based on the cost of deposits. Shri Kumar mentioned that the issue is that we need to cut the rate on the deposit if we need to cut the MCLR, this is not possible as other banks are currently offering significantly higher interest rates on deposits and these would need to get slashed first in order for SBI to react. The headroom to cut the rates for deposits for State Bank of India does not exist as on date and that is my point.

Dated: Feb 18, 2019

A YEAR AFTER INDIA'S BIGGEST BANK FRAUD, PNB ON ROAD FOR ANNUAL PROFIT

According to Refinitiv data, one year after being hit by a $2 billion scam, Punjab National Bank (PNB) is set to return to annual profits and strong loan growth in fiscal 2020 even as investigations continue into the country's biggest banking fraud. State-run PNB has already surprised markets with an earlier-than-expected profit for the quarter ended Dec. 31 as it completed setting aside funds to cover for the scam and its bad loan levels eased. While the lender is still likely to post a loss of 59.84 billion rupees ($837.16 million) for this fiscal year ending March 31, analysts expect PNB to return to a full-year profit in the next fiscal. The bank is expected to clock a net profit of 22.66 billion rupees for the year ending March 2020, which would be its highest annual profit in five years. The way the bank is shaping up, it is quite clear FY20 promises to be a much cleaner and better year for them. PNB's loan growth is estimated to be 8.33 percent for fiscal 2020, its highest in 4 years, as per the mean of analysts' estimates from Refinitiv. Its total assets are projected to grow at the highest rate in three years. The lender mentioned in February 2018 two jewellery groups used fake bank guarantees issued by rogue staff to raise credit overseas, triggering a plunge in its stock and driving it to three straight quarterly losses due to fraud-related provisions. PNB's loss for the quarter following the scam's discovery was also a massive $1.90 billion - the biggest ever for an Indian lender. Market participants believe fiscal 2020 will likely be good for other lenders as well. It's going to be a good period for corporate lenders on the whole in FY20 as credit growth has picked up and asset quality-related problems are largely behind us. In FY20, State Bank of India, the country's largest lender by assets, and smaller peer Bank of Baroda are expected to report their best annual profits since at least 1998. PNB's shares have fallen about 56 percent since mid-Feb last year. That plunge makes its shares undervalued compared to their valuation in previous years. It currently trades at a 12-month forward price to earnings ratio (PE) of 9.29 in comparison with the last five years' average of 15.7 and last two years' average of 31.9. Analysts too feel the stock is currently undervalued after multiple infusions of capital by the Indian government. Since Jan. 2018, the government has infused close to $2 billion into PNB to help shore up capital and revive loan growth. Some analysts, though, are cautious about PNB's prospects. The major concern is how PNB has changed its systems and processes following the scam, as it was unimaginable that such a big fraud could take place at one bank.

Dated Feb 18, 2019
RBI MAY NUDGE BANK CHIEFS TO CUT INTEREST RATES IN THURSDAY’S MEET
The Reserve Bank of India (RBI) may prod commercial banks in a scheduled meeting on Thursday to cut interest rates after its unexpected 25 basis points policy rate cut on 7 February. After a customary address by finance minister Shri Arun Jaitley to the board of the Reserve Bank of India (RBI) post the presentation of the interim budget, transmission of rates is very important after the central bank announces a rate cut. Shri Shaktikanta Das, Governor, Reserve Bank of India addressing the RBI board and Shri Arun Jaitley, Hon’ble Finance Minister, GoI mentioned that the fiscal situation and reform measures undertaken by the government as well as government's view on the state of the Indian economy. When asked about high real interest rates, Shri Jaitley evaded the question. India's retail inflation slowed to a 19-month low in January at 2.05% opening more space for the central bank to cut interest rates. The Monetary Policy Committee (MPC) of the RBI on 7 February changed its stance from calibrated tightening to neutral and cut the policy rate by 25 basis points on the back of benign headline retail inflation and slowing global growth. On availability of credit in the economy, while credit growth to the commercial sector as a whole has shown some improvement, it is not broad based. It is not flowing into various sectors as it should be. On merger of public sector banks, India needs fewer and bigger banks which are strong in every sense, from borrowing rate to optimum utilization. The economies of scale as far as banking sector is concerned are of great help. Source:https://www.livemint.com/industry/banking/rbi-may-nudge-bank-chiefs-to-cut-interest-rates-in-thursday’s-meet-1550488196085.html
Dated  Feb 18, 2019

HDFC BANK HAS NO PLANS TO CUT DOWN BRANCH EXPANSION
The bank is targeting to take its services to 1 lakh villages. Largest domestic lender from the private sector space, HDFC Bank, does not intend to cut down on branch expansion. It can be noted many banks globally are focusing on technology more than the physical presence in recent times. Absolutely not, HDFC Bank's managing director and chief executive Shri Aditya Puri replied, when asked if the lender will be cutting branches in the future. He mentioned that the bank will give a choice to the customers, who can transact either through mobile phone or a laptop or visit a branch. India is the fastest growing major economy in the world and banking services are yet to reach all the people. The bank is targeting to take its services to 1 lakh villages. Global lenders’ call on cutting down on physical presence has also had an impact in India, with decisions like HSBC’s call to halve its branch presence in the country or Standard Chartered cutting down on at least 500 jobs. The bank has also entered the 25th year of its operations in the country. Shri Puri, who has been heading the bank since its formation, mentioned it is a nostalgic and emotional moment and added that it has seen India change in the last quarter century. He mentioned that the bank has benefited from India's growth and also contributes for social change with over half its network in rural and semi-urban areas.  https://economictimes.indiatimes.com/industry/banking/finance/banking/hdfc-bank-has-no-plans-to-cut-down-branch-expansion/articleshow/68048312.cms
Dated  Feb 18, 2019

SBI To Waive Loans Taken By Slain CRPF Person; To Expedite Insurance Payments
State Bank of India will waive all outstanding loans taken by 23 CRPF personnel who were killed in the Pulwama terror attack. The state-owned lender would also expedite payment of insurance amount of Rs 30 lakh each to the families of CRPF personnel killed. In a release, the bank announced a special initiative for the CRPF soldiers who were martyred in a dreadful terrorist attack in Pulwama, Jammu and Kashmir. Last week, 40 Central Reserve Police Force (CRPF) were killed in the attack. All the CRPF soldiers were customers of the bank under Defence Salary Package where the bank provides insurance of Rs
Experts believe that Budget announcements and transfer of interim dividend will lead to enhanced liquidity in the system. Earlier, Finance Minister Shri Arun Jaitley addressed the post-Budget meeting of the Central Board and discussed various "issues related to fiscal policy decisions taken by the government". With this surplus transfer, the total dividend payout by the RBI to the government in FY19 stands at Rs 68,000 crore. The RBI follows the July-June fiscal calendar. According to a written reply by Finance Ministry in Rajya Sabha on February 12, the RBI transferred Rs 40,000 crore in August 2018 as excess surplus to the government.


Dated Feb 19, 2019

SOON BANKS WILL TAKE BACK HEFTY PAYOUTS FROM ERRANT CEOs

Did a bank CEO airbrush financials to prop up profitability, make inadequate provisioning of sticky loans or fail to meet regulatory norms of RBI, Sebi or IRDAI? He will no longer be able to leave his job with hefty payouts in the form of bonuses and stock options. New norms being framed the Reserve Bank of India (RBI) will ensure that such benefits are taken back from the CEO. The RBI is working on a set of rules that would link remuneration of banks CEOs to parameters like balance sheet size of a bank, loan delinquency, profits and governance record. The proposed framework is expected to provide a broad template to the board of directors of banks while approving increase in salary, performance bonus and stock options to the senior most executive. The RBI's compensation package policy for bank CEOs will reduce “the scope for interpretation” on remuneration, and lead to a significantly higher price being paid by them by way of claw back of stock options and bonuses on non-compliance with the regulatory norms, according to a Business Standard report. The Economic Times had first reported about the RBI framing these new rules in January. A clawback provision enables a company to retrieve money already paid to an executive for various reasons.
The RBI is tightening the CEO compensation norms in the wake of instances of large non-performing assets and sharp practices adopted by top bank executives to dodge the regulators. The regulatory guidance that exists today is a general directive on the remuneration of senior officials in broad functions like 'business', 'control' and 'risk'. What the RBI is considering is one that specifically relates to CEO compensation. Two specific aspects of CEOs' contract the extent of variable pay and the possibility of including stock options in the same will be up for review even as well-defined terms of claw back are set to be written in, according to the BS report. What is sought by way of outcome is to make the linkage between governance and compensation. The RBI is considering clear-cut claw back terms for stock options and bonuses, making non-compliance of regulatory norms the basis for claw backs, making ESOPs part of the variable pay, bringing uniformity to how private banks tabulate CEO pay and narrowing the scope to interpret its norms by banks, says the report. “Even today RBI clears the remuneration of a bank CEO and has the powers to claw back a slice of it in case of non-performance or governance lapses. However, a framework would ensure that the board does not have to shoot in the dark while approving the package for the CEO and referring it to RBI for its clearance,” a person aware of the plan had told ET in January.

Dated Feb 19, 2019

REMOTE ACCESS APPS USED TO STEAL MONEY FROM BANK ACCOUNT

The RBI cautioned banks on the “new modus operandi to commit fraud in digital payments”. A new fraud has emerged where the customer is led to install a third-party app, which provides access to the bank account. A Bengaluru-based former bank official lost Rs 1 lakh after fraudsters gained access to his phone by getting him to download an app that allows for malicious access. Narayan Hegde, a retired Syndicate Bank officer, was swindled after he installed the AnyDesk app. Hegde was an e-wallet user and needed help in restoring the app on his new phone. He called one of the numbers that showed up after an online search for the mobile wallet's helpline. The party at the other end directed Hegde to download the AnyDesk app and asked him to forward a hashed string text that he received. Soon after he did this, money was withdrawn from his account in a series of debits. When he contacted his bank's branch, he was informed that the money was transferred to an Aditya Birla Payments Bank account using the Unified Payments Interface (UPI) platform. While five transactions were made to withdraw Rs 1.24 lakh, the fraudsters were successful in debiting only Rs 1 lakh. However, Hegde received alerts for just two of the five transactions. “Banks shouldn’t make their clients run around and should follow the RBI guidelines to pay up customers when they fall prey to such frauds. Even former bank employees are not spared,” said Prashant Mali, a cyber law expert and a Bombay high court lawyer. He added that the finance ministry should follow up with banks’ management teams for compliance with the RBI guidelines to compensate victims of such frauds. Incidentally, two days after this incident, the RBI cautioned banks on the “new modus operandi to commit fraud in digital payments”. The banking regulator said that fraudsters were luring victims to download the AnyDesk app from the various app stores. Besides obtaining permissions from the users, it would generate a nine-digit code which, if shared, provided the fraudster with access to the victim's mobile. The RBI noted that there are other apps similar to AnyDesk that provide remote access to devices. According to the RBI, this modus operandi can be used to carry out transactions through any mobile banking and payment-related apps, including UPI and e-wallets. “While NPCI is continuously working towards enhancing the security of its products and services from such attacks, this type of fraud can be better prevented by consumer education. The entire ecosystem, including banks and fintech companies, has to work collectively towards creating awareness and educating customers to refrain from sharing their account/card credentials, OTP/PIN and/or giving access to their mobile handsets to unscrupulous persons through such remote screen-access.
apps,” said Bharat Panchal, head of risk management at NPCI. He added that the UPI platform is fully secure and is also enabled with two-factor authentication. Syndicate Bank did not respond to queries.


Dated Feb 19, 2019

RESERVE BANK OF INDIA MAY LIFT PROMPT CORRECTIVE ACTION CURBS ON DENA, CENTRAL & ALLAHABAD BANKS

Allahabad Bank, Central Bank of India and Dena Bank may be next in line to be taken out of the Reserve Bank of India's prompt corrective action (PCA) framework, with the government likely to inject more capital into these lenders and hopes of better loan recovery through the insolvency resolution mechanism. “The government is encouraging banks under PCA to adjust the fresh capital from it against bad loans. The fresh equity is largely being used for reduction in net non-performing asset ratio below the 6% level,” said the chief executive officer of a state-owned lender that’s under the corrective mechanism. “Three to four banks are likely to get out of the stringent rule after March even as their gross NPA remained elevated beyond 16-17%.” The government is expected to provide another Rs 12,500 crore of capital in the current quarter to banks that have capital ratios below the mandatory level. The RBI removed Bank of Maharashtra, Bank of India and Oriental Bank of Commerce from the PCA on January 31. Both BoM and BoI have net NPA ratios below 6% but their return on assets remained negative. In the case of OBC, though its net NPA was at 7.15% the government’s capital infusion helped the lender to improve that ratio to less than 6% “Hence, it has been decided to remove the restrictions placed on OBC under PCA framework subject to certain conditions and close monitoring,” the central bank had said. Among the eight state-owned lenders still under business restrictions, Allahabad Bank has the lowest net NPA ratio of 7.7% which is within striking distance of the 6% risk threshold. The bank expects another dose of capital, which may help its common equity tier (CET) 1 ratio surpass the minimum 7.75% requirement to get out of PCA from the current 7.06% “RBI has given leeway in terms of ROA. We expect to bring down net NPA below 6% by March if the large accounts admitted under NCLT are resolved,” Allahabad Bank chief executive S.S. Mallikarjuna Rao said. Central Bank of India’s net NPA stood at 10.32% while its CET1 ratio was at 7.39% on December 31, 2018. Dena Bank’s net NPA was at 10.44% and CET1 ratio was at 7.62% Corporation Bank, which made a profit in the past two successive quarters, is another contender for the relaxed norms. Its CET1 ratio has improved to 8.84% while its net NPA at 11.47% remained within the second risk threshold. The government has more room to infuse fresh capital into Allahabad Bank and Dena Bank as its stakeholding in them is at 83% and 81% respectively.


Dated Feb 20, 2019

JET AIRWAYS BAILOUT PUTS FOCUS ON INDIA BANKS’ DEBT-TO-EQUITY LOSSES

From cloth makers to shipyards, Indian banks are getting stuck with shares of companies that are rapidly losing value even as the lenders seek to turn more loans they have made into equity in borrower firms. In the latest move, State Bank of India and other creditors are planning to convert part of their loans to the beleaguered carrier Jet
Airways Ltd. into equity as it struggles to repay debt. That's a risk for the largest Indian bank, whose equity holdings' market value crashed to about $104 million last quarter from $480 million a year earlier, while its stakes remained largely unchanged, data compiled by Bloomberg show. State Bank of India isn't alone: competitors including ICICI Bank Ltd., Bank of Baroda and Axis Bank Ltd. saw the market value of their equity holdings drop last year. Those banks switched debt into equity in stressed companies from Bombay Rayon Fashions Ltd. to ABG Shipyard Ltd. No bank in India has expertise in turning around companies. None of them engage with the companies. Converting debt to equity normally leads to losses without such expertise.

Dated Feb 20, 2019

CAN'T SHARE DIVERGENCE REPORT IN FULL WITHOUT RBI NOD, YES BANK SAYS

Yes Bank Ltd has partly disclosed the divergence report because the Reserve Bank of India (RBI) had mentioned that no other part of the risk assessment report can be made public. Besides, since the RBI risk assessment report was confidential, it cannot share it in full unless the central bank permits it, it added. RBI had also observed that the risk assessment report identifies several other lapses and regulatory breaches in various areas of the bank's functioning and, therefore, the disclosure of just one part of the report will be viewed as a deliberate attempt to mislead the public. Moreover, nil divergence is not an achievement to be published and is only compliance with the extant Income Recognition and Asset Classification (IRAC) norms. The bank also mentioned the confidentiality clause does not allow it provide any further details even to the stock exchanges, unless allowed by the RBI. Yes Bank said a few of its peers have submitted the information pertaining to divergence to the stock exchanges, along with their quarterly results, much ahead of the finalization of their annual results. It added that given its past disclosures on divergence, it was receiving queries from various stakeholders on the compliance with the central bank's IRAC guidelines for the period ended 31 March 2018. Citing the Securities and Exchange Board of India’s (Prohibition on Insider Trading) Regulations on unpublished price sensitive information (UPSI), the bank said it was of the view that the disclosure pertaining to divergence was a UPSI, and required prompt dissemination to the stock exchanges in order to ensure compliance with Sebi regulations. “The bank has not made any undue advantage or benefit by disseminating the UPSI. Hence, we humbly submit that the bank has not misrepresented or mislead the stock exchanges/ investors in terms of Regulation 4(1)(c) of Listing Regulations,” it said.

Dated Feb 20, 2019

MERGER OF VIJAYA BANK AND DENA BANK WITH BOB TO BE EFFECTIVE FROM APRIL 1

Bank of Baroda mentioned that the merger of Dena Bank and Vijaya Bank with itself would be effective from April 1 as per the scheme of amalgamation approved by the government. Besides, the board of the bank fixed March 11, 2019, as record date for issuing and allotting equity shares of the Bank of Baroda to the Shareholders of Vijaya Bank and Dena Bank. This scheme may be called the Amalgamation of Vijaya Bank and Dena Bank with Bank of Baroda Scheme, 2019, BoB said citing the government notification. "It (amalgamation) shall come into force on the 1st day of April, 2019," it said. As per the Scheme of Amalgamation, shareholders of Vijaya Bank will get 402 equity shares of BoB for every 1,000 shares held. In case of Dena Bank, its shareholders will get 110 shares for every 1,000 shares of BoB. The government in September last year had announced merger of state-owned Vijaya Bank and Dena Bank, with larger peer Bank of Baroda, aiming to create the third largest
GOVT TO INFUSE RS 48,239 CRORE IN 12 PSU BANKS

The government on February 20, announced final recapitalization tranche amount of Rs 48,239 crore for as many as 12 public sector banks, in a bid to take them out of Reserve Bank of India’s (RBI) prompt corrective action framework. The 12 banks are Allahabad Bank, Corporation Bank, Bank of India, Bank of Maharashtra, Punjab National Bank, Union Bank, Andhra Bank, Syndicate Bank, Central Bank, United Bank, UCO Bank and IOB. In a tweet, Shri Rajeev Kumar, secretary, Department of Financial Services mentioned that the banks would receive the capital to “equip better performing PCA banks to be above regulatory capital threshold, to help banks that are out of PCA to remain so and equip non PCA banks to stay above regulatory norms of PCA.” As per the recapitalization drive, the government has categorized the banks in three categories with respect to their capital position as against that required by the RBI.

WILL BANKS RESPOND TO RBI’S CALL FOR LOWER RATES?

Some banks may reduce lending rates from next week onward responding to Reserve Bank of India's call for creating positive market sentiment. The lending rate cut may just be symbolic at this point as sticky deposit rates are coming in the way of smooth monetary transmission. RBI Governor Shri Shaktikanta Das held a meeting with country's top bankers on Thursday and nudged them to reduce the financing cost to encourage investment. “Market sentiment on soft rates needs to be created,” the Governor was said to have told bankers. RBI lowered the benchmark repo rate by 25 basis points but no lender except for State Bank of India followed suit. SBI's reduced home loan rate
by a mere 5 bps points, immediately after RBI’s rate cut decision but it was also seen as symbolic. Bankers present at the meeting held at RBI’s headquarters on Mint Road said that tight liquidity and year-end pressure have prevented them from reducing deposit rates, which has crucial role in rate dynamics under the marginal-cost-based lending rate (MCLR) system. The impact of deposit rate cut also comes with at least three-four months lag. “Mathematically, there seems to be no room available for rate cut since the March MCLR remained almost flat as compared to last months,” a chief executive with a public sector lender said. “But if we discount the future, there may be some possibility of lowering rates. Also, the repo rate reduction has provided some headroom with lower borrowing cost and also helped banks mark-to-market investment gains,” said the CEO, who was present at the meeting. Several banks have asset liability committee meeting in the last week of February where decisions on interest rates will be taken. Governor Shri Das called on bank chief executive to discuss the monetary transmission of repo rate which is typically slow when the central bank signals lowering of rates. “If some banks now cut rates, it will be merely for optics. Cut in lending rates without deposit rate reduction will put further pressure on already thin interest rate margin,” said a CEO of a smaller state-owned bank who was not invited at the meeting. SBI Chairman Shri Rajnish Kumar had said Tuesday that there was no room for lending rate cut without deposit rate reduction. Das, a former economic affairs secretary in Narendra Modi government, however argued that India needs softer rates to push growth. “The more recent high frequency indicators point to investment demand losing some traction, with production of capital goods and import of capital goods contracting in recent months,” Shri Das said at the Monetary Policy Committee earlier in the month. There has been pick-up in credit with the growth print being at around 15% but it has largely been driven by private sector banks, while public sector banks remained laggards burdened by a huge pile of sticky loans. The governor expected the food inflation to be benign in the backdrop of excess domestic supply conditions in many food items. Despite, lower inflation projections, RBI has revised growth outlook downwards to 7.4% for FY20 from its earlier prediction of 7.6% At the February MPC meeting, RBI revised the CPI inflation prediction downwards to 2.8% for fourth quarter in FY19, from earlier forecast of 2.7-3.2% The projection for H1 in FY20 is at 3.2-3.4% with risks broadly balanced around the central trajectory. RBI Deputy Governor Viral Acharya however expressed concerns over the elevated level of inflation excluding food and fuel, the upward risks that could emanate from oil prices, fiscal implications of sustained food deflation and lack of adequate and sustained downward adjustment in household inflation expectations over the past 12 months.

https://economictimes.indiatimess.com/industry/banking/finance/banking/will-banks-respond-to-rbis-call-for-lower-rates/articleshow/68101669.cms
Dated Feb 21, 2019

CBI ISSUES LOOK OUT CIRCULARS AGAINST MS. KOCHHARS, DHOOT IN CORRUPTION CASE
The Central Bureau of Investigation (CBI) has issued look out circulars (LOC) against former ICICI Bank chief executive Ms. Chanda Kochhar, her husband Shri Deepak Kochhar and Videocon managing director Shri Venugopal Dhoot. An FIR was registered last month for alleged corruption in six loans worth Rs 1,875 crore given to Videocon group during 2009-11. The Enforcement Directorate (ED) is extending the probe into possible forex rules violations. After CBI filed its preliminary inquiry last year, look out circulars against Shri Deepak Kochhar and Shri Venugopal Dhoot were issued for all airports, which have been revived now. This is the first time an LOC has been issued against Ms. Chanda Kochhar. Ms. Chanda Kochhar and Shri Venugopal Dhoot were unavailable for comment for this story. LOCs were filed after the FIR and are mandatory in cases where such economic offences are alleged. In recent times, keeping an eye on travel plans is a top concern for regulators. However, ED, investigating agency
for illegal foreign exchange transactions, wants to investigate assets the couple built and possessed, including their South Mumbai apartment. Recently, ED officials met income tax sleuths dealing with the case. They (income tax officers) have made a lot of headway in their probe. This includes sending requests under the Double Taxation Agreement (DTA) and the Mutual Legal Assistance Treaty (MLAT) to a few foreign jurisdictions where the money has been suspiciously routed. Since our case concerns money laundering, the income tax findings are a matter of interest to us. The couple will be quizzed on this. The Kochhars had floated several companies to route the money. These companies had close transactions with various Videocon Group companies. We want the details from the Registrar of Companies (RoC) to study the fund flow. A senior lawyer close to the development said the LOC by CBI in this case was unwarranted, given the profile of the former ICICI chief executive. A look out circular is a letter used by authorities to check whether a traveler is wanted by the police. Its use is mostly at immigration checks at international borders such as airports. Over the past few years, several economic offenders including Shri Nirav Modi, Shri Vijay Mallya and Shri Mehul Choksi have fled India. Last month, the Srikrishna committee that was tasked to investigate the quid pro quo transactions submitted its report, saying Ms. Chanda Kochhar violated the bank’s code of conduct. This led the country’s second largest bank to treat Kochhar’s exit as ‘termination for cause’ under bank internal policies. A few days before her expulsion, the CBI filed an FIR naming Kochhar and others in the alleged quid pro quo for extending a Rs 3,250-crore loan to Videocon. Kochhar was on the bank’s credit committee that sanctioned the loan to Videocon in 2012. Promoter Dhoit was one of the first investors in NuPower Renewables, promoted by Deepak Kochhar, Chanda’s husband, in 2008. The inquiry report concluded that she failed to discharge her fiduciary functions to avoid any conflict of interest. The FIR alleged that Kochhar had ‘illegal gratification through her husband and Dhoot for sanctioning a term loan of 300 crore to Videocon International Electronics. Her influence in disbursal decisions in relevant committees of the bank were also brought under the scanner. The loan to Videocon International Electronics was disbursed on September 7, 2009, and the next day, an entity linked to Dhoot transferred Rs 64 crore to NuPower Renewables, managed by Deepak Kochhar. This was the first major capital received by NRL to acquire its first power plant, the FIR had said.

Dated Feb 22, 2019

**SOME BANKS MAY MAKE TOKEN RATE CUTS**

Some banks may reduce lending rates from next week responding to Reserve Bank of India’s call for creating a positive market sentiment. The rate cut may just be symbolic as sticky deposit rates are coming in the way of smooth monetary transmission. RBI Governor Shaktikanta Das held a meeting with the country’s top bankers on Thursday and nudged them to reduce financing cost to encourage investment. “Market sentiment on soft rates needs to be created,” Das is said to have told bankers. RBI lowered the benchmark repo rate by 25 basis points but no lender except State Bank of India followed suit. SBI reduced home loan rate by just 5 bps, but it was also seen as symbolic. Bankers present at the meeting held at RBI’s headquarters on Mint Road said that tight liquidity and year-end pressure have prevented them from reducing deposit rates, which has a crucial role in rate dynamics under the marginal cost-based lending rate (MCLR) system. The impact of deposit rate cut also comes with at least a three-four month lag. “Mathematically, there seems to be no room for rate cut since the March MCLR remained almost flat compared to the last month’s,” a chief executive with a public sector lender said. “But if we discount the future, there may be some possibility of lowering rates. Also, the repo rate reduction has provided some headroom with lower borrowing cost and also helped banks mark-to-market investment gains,” said the CEO. Several banks have asset liability committee meetings in the last week of February where
decisions on interest rates will be taken. Governor Das called on bank chief executive to discuss the monetary transmission of repo rate which is typically slow when the central bank signals lowering of rates. “If some banks now cut rates, it will be merely for optics. Cut in lending rates without deposit rate reduction will put further pressure on the already thin interest rate margin,” said a CEO of a smaller state-owned bank who was not invited at the meeting. SBI Chairman Rajnish Kumar had said on Tuesday that there was no room for lending rate cut without deposit rate reduction. Das, however, argued that India needs softer rates to push growth. “The more recent high frequency indicators point to investment demand losing some traction, with production of capital goods and import of capital goods contracting in recent months,” Das said at the Monetary Policy Committee earlier in the month. There has been pick-up in credit with growth being around 15 per cent but it has been largely driven by private sector banks, while public sector banks remained laggards due to a huge pile of sticky loans. The governor expected food inflation to be benign in the backdrop of excess domestic supply conditions in many food items. Despite lower inflation projections, RBI has revised growth outlook downwards to 7.4 per cent for FY20 from its earlier prediction of 7.6 per cent. At the February MPC meeting, RBI revised the CPI inflation prediction downwards to 2.8 per cent for fourth quarter in FY19, from the earlier forecast of 2.7-3.2 per cent. The projection for H1 in FY20 is at 3.2-3.4 per cent with risks broadly balanced around the central trajectory.

RBI Deputy Governor Viral Acharya has, however, expressed concerns over the elevated level of inflation excluding food and fuel, the upward risks that could emanate from oil prices, fiscal implications of sustained food deflation and lack of adequate and sustained downward adjustment in household inflation expectations over the past 12 months.

https://economictimes.indiatimes.com/industry/finance/banking/some-banks-may-make-token-rate-cuts/articleshow/68105995.cms

Dated Feb 22, 2019

RENEWED US SANCTIONS ON IRAN REVIVE FORTUNES OF AN INDIAN BANK

Renewed U.S. sanctions on Iran's oil exports are giving a boost to the profits of one of India's smaller state-owned banks, which has been struggling under the weight of a mountain of bad loans. Kolkata-based UCO Bank expects its privileged status processing refiners' payments for Iranian oil shipments to add more than Rs 800 crore ($110 million) to annual earnings. Indian refiners are required to deposit any money destined for Iran without interest with UCO Bank during periods when U.S. sanctions are in force. Being involved in the country's oil imports from Iran gives us access to zero-interest funds, which refiners place with us. It will improve our net interest income as well as operating profit. UCO Bank was first designated by India's government as the payment bank for Iranian oil in 2012, as the U.S. tightened an earlier round of sanctions in an effort to get Iran to accept controls on its nuclear program. The bank was chosen because of its limited international presence, which made it less vulnerable to any repercussions from its involvement in the oil trade, processed in euros and rupees to avoid exposure to the U.S. banking system. Those sanctions were lifted in 2015, leading to a drop in UCO Bank's profits as other Indian banks entered the business. But the lender has resumed its former privileged role as U.S. President Donald Trump pulled out of the 2015 nuclear deal last year and started reimposing penalties. India was one of eight countries benefiting from a U.S. waiver, allowing it to import 9 million barrels of Iranian oil a month until April. UCO Bank, which was chosen by the government to pay for the imports during the waiver, said it started receiving the funds to pay for these shipments earlier this year and now has a steady float of more than 100 billion rupees. Money from refiners has started coming in from January and we are making payments on a daily basis to exporters. The bank is paying out more than one billion rupees a day for the oil, he added. The boost to earnings from the interest-free float may bolster the bank's efforts to come out of a so-called Prompt Corrective Action plan under which lenders are restricted from making loans.
while they mend balance sheets which was imposed by the Reserve Bank of India. UCO Bank will also get an injection of about 33 billion rupees by March 31 to strengthen its risk buffers, as part of the government’s capital infusion plan announced. As much as a quarter of UCO Bank’s loan book had soured as of Dec. 31, though Goel said he doesn’t expect that to increase in coming quarters.

https://economictimes.indiatimes.com/industry/banking/finance/banking/renewed-us-sanctions-on-iran-revive-fortunes-of-an-indian-bank/articleshow/68106427.cms

Dated Feb 22, 2019

BANKS’ CONSORTIUM CONSIDERING RS 500 CR INTERIM FUNDING TO JET AIRWAYS, SAYS PNB CHIEF

Regarding Jet Airways, PNB chief said the consortium is looking at the entire process and something is being worked out. A consortium of banks is considering an interim funding of Rs 500 crore for debt- laden Jet Airways but a final decision is yet to be taken, Punjab National Bank Managing Director Sunil Mehta said on Friday. PNB is part of the lenders’ consortium, led by State Bank of India (SBI), that has extended loans to the airline. The full service carrier is looking to raise funds and restructure its debt. Regarding Jet Airways, Mehta said the consortium is looking at the entire process and something is being worked out. "Of course, (the) consortium is in favour (of interim funding). It is a going concern and we would like to preserve its (airline’s) value,” he said. About interim funding for the carrier, Mehta said, “it is too premature to tell you about that plan” and the bankers are already working on it. The SBI has taken a lead on it, and let the entire plan be worked out, he said, adding that it would be too early to announce the timings. “Rs 500 crore that you are talking about is the interim funding but banks are looking at the long term resolution of the issues for which the plan is already in place for discussions,” he noted. He was responding to a query about the banks’ extending interim funding to Jet Airways. On February 14, the board of Jet Airways approved a Bank-Led Provisional Resolution Plan (BLPRP), whereby lenders would become the largest shareholders in the airline. Lenders are to convert part of the airline’s debt into 11.4 crore shares at a consideration of Re 1 apiece as per RBI norms. Later, appropriate interim credit facilities by domestic lenders would be sanctioned to the airline, as per a regulatory filing made on February 14. The extraordinary meeting of Jet Airways shareholders was held on February 21 where various proposals were discussed. The results of the voting on the proposals would be released on Saturday.


Dated Feb 22, 2019

BANK WAGE TALKS TO COVER OFFICERS UP TO AGM RANK

Indian Banks’ Association has expressed willingness to expand the scope of bipartite wage talks up to Scale V officers in public sector banks while suggesting bank-wise and performance-linked reward structure for deputy general managers and general managers. Deputy general managers and general managers in state- owned lenders fall in the Scale VI and VII categories respectively. The updated proposal for officers means bipartite negotiation will now cover 3.76 lakh officers, which is 99.27% of total officers in public sector banks. Earlier, IBA had proposed to restrict the bipartite wage settlement for officers up to Scale III suggesting
FINANCE MINISTRY EXPECTS 3-4 MORE BANKS TO COME OUT OF RBI'S PCA FRAMEWORK THIS YEAR

The RBI may in the next few weeks take a decision to remove Corporation Bank & Allahabad Bank out of PCA supervision. The finance ministry expects three to four more lenders to come out of weak bank list of the Reserve Bank in the next six to eight months on account of improvement in financial health amid capital infusion and falling bad loans. The recent capital infusion of Rs 48,239 crore in 12 Public Sector Banks (PSBs) will help Corporation Bank and Allahabad Bank to come out of the Prompt Corrective Action (PCA) framework in the next few weeks. Corporation Bank is the biggest beneficiary of this round of capital infusion with Rs 9,086 crore of funding, followed by Allahabad Bank with Rs 6,896 crore. This infusion will help these two lenders meet requisite capital thresholds of 7.375 CET-1 ratio, 8.875 per cent Tier I ratio, 10.875 per cent of capital-to-risk weighted assets ratio (CRAR) and the net NPA ratio threshold of below 6 per cent. The RBI may in the next few weeks take a decision to remove these two lenders out of PCA supervision as they had done in the case of Bank of India (BoI), Bank of Maharashtra (BoM) and Oriental Bank of Commerce (OBC) last month after capital infusion in December, sources said. With the removal of three banks on January 31, the list has already come down to 8 from 11. Dena Bank, which is among eight entities under PCA, will cease to exist from April 1, 2019. So, the list will further shorten with the bank merging with Bank of Baroda beginning next fiscal, sources said. IDBI Bank, now majority owned by LIC, is also improving its financial health and bringing down its net non-performing assets (NPAs) in a bid to come out of the PCA supervision. If the bank continue to improve its health, it is anticipated that the RBI would lift the curb from IDBI Bank after September numbers. Besides, Central Bank and UCO Bank are trying to improve their parameters on mission mode. So, sources said, four more banks are likely see curb lifted by RBI on them in 6-8 months. Last month, Financial Services Secretary Rajiv Kumar had said: "Government's sustained 4R's (Recognition, Recapitalization,
I N D I A

Resolution, and Reform) strategy for banking transformation delivers again. 3 better-performing PSBs (BoM, BoI & OBC) exit PCA. Banks need to be more responsible, adopt high underwriting & risk management standards to avoid recurrence”. Kumar, who has been credited with undertaking multiple reforms in the banking sector, provided record amount of capital infusion in the public sector banks (PSBs). Since commencement of clean-up in 2015-16, the recapitalisation has crossed over Rs 3 lakh crore through mix of budgetary support and market raising helping banks to make adequate provisions for the bad loans. As a result, there has been reversal in the deteriorating bad loan situation and there has been record loan recovery during the current fiscal. Various initiatives taken by the government have yielded results, with the bad loans of public sector banks declining by over Rs 23,860 crore in the first half of the current fiscal. At the same time, PSBs have also made a record recovery of Rs 60,726 crore in the first half of the current financial year, which is more than double the amount recovered in the corresponding period last year.


Dated  Feb 24, 2019

SBI MULLING INSOLVENCY ROUTE VIA NCLT TO RECOVER JET AIRWAYS LOAN

State-run State Bank of India (SBI) is looking at approaching the National Company Law Tribunal (NCLT) to recover its loans from private carrier Jet Airways, according to SBI officials. By an overwhelming majority, shareholders of the beleaguered Jet Airways approved a proposal at the extraordinary general meeting (EGM) on Thursday to convert a part of the company’s loans into shares. The development assumes significance as the approval was required to go ahead with the consortium of lending banks-led Provisional Resolution Plan (BLPRP). As part of this, public sector lenders will become the largest equity owners of the airline, virtually making it a nationalised carrier. According to the bank sources, overseas carrier Etihad, which currently holds 24 per cent stake in Jet Airways, abstained from voting on various proposals during the EGM earlier this week. Punjab National Bank (PNB) said on Friday that the bankers’ consortium is finalising Jet Airways’ resolution plan for the long term as the lenders favour preserving the value of the airline. "It is too premature to tell about the interim funding plan (of Rs 550 crore). Bankers are working on it and the SBI has already taken a lead," PNB CEO and MD Sunil Mehta said at a bankers’ event. "Let the entire plan be worked out first. Consortium is looking at the options, Jet’s resolution is a going concern and we would like to preserve (its) value," he added. Both the SBI and PNB are said to have agreed to provide Rs 500 crore interim funding for Jet Airways to continue operations, until a long term plan for restructuring the company is worked out for the carrier’s Rs 8,000-crore debt. Under the BLPRP, lenders are to convert part of the airline’s debt into 11.4 crore shares at a consideration of Re 1 per share, as per RBI norms. Subsequently, appropriate interim credit facilities would be sanctioned to the airline by the lenders.


Dated  Feb 24, 2019

AUTOMATION HAS SBI LEAVING 25% RETIREMENT VACANCIES OPEN FOR TECH

As technological shifts make more inroads into banking, the nations largest lender SBI has decided to replace only 75 percent of its retiring workforce over a five-year period and is benefiting from the prevailing poor jobs scenario by getting the best of candidates for the roles on offer, a senior official has said. In a situation akin to the one observed in the Railways, the State Bank Group has got close to 28 lakh job applications for 8,000 clerical jobs in the last two years. Starting 2018 fiscal, it has begun hiring only about 10,000 to replace the over 12,000 retirements annually, and 80 percent of the new
recruits joining as clerks are either MBAs or engineers. "It is very good for us. We are getting good people at clerical levels who are adept with technology and other tools. Career progressions are also happening fast, as most of them will appear for internal exams to be promoted as officers after joining as clerks," Prashant Kumar, deputy managing director and corporate development officer, told PTI. Last year, the Railways had received a whopping 23 million applications for 90,000 posts that it was filling up. A government job is always sought-after due to the life-time financial security and the other social benefits it offers. Banks globally are re-aligning to changing realities due to the advent of technology. British banking major HSBC has decided to nearly halve its network presence in the country, while its peer Standard Chartered axed 200 here due to automation. The board has come out with a five-year roadmap in 2018 to replace only 75 percent of the retiring employees every year, he said, adding an average of up to 10,000, including 8,000 clerks and 2,000 officers are being hired annually as replacements. The retirements will hit a peak in fiscal 2020 at 12,500, after that the number will start receding further, he said. The new recruitments are helping get the average age of employees down, helping the bank become a much more vibrant organisation, with the average age coming down to 43, from 48 five years ago, Kumar said. There is a clear shift in the areas for which the new recruitments are happening, with the share of branch banking coming down over time, he said. The new roles which are opening up include those in varied functions like advisory loans and wealth management, recovery, risk management as well as analytics, he said. Kumar said as much as 87 percent of the bank’s overall transactions are happening outside branches today, and the present hiring reflects these ground realities. Apart from fresher recruits, the bank also hires specialists directly from the market offering market rates, he said. The bank does not go to campuses like its private sector peers which go directly to reputed B-schools for hiring talent, he said, explaining that it is restricted by the process which lays focus on direct recruitments. https://economictimes.indiatimes.com/industry/banking/finance/banking/ automation-has-sbi-leaving-25-retirement-vacancies-open-for-tech/articleshow/68137577.cms
Dated Feb 25, 2019

REALTY CASH CRUNCH IS RISK FOR STRUGGLING INDIA SHADOW BANKS

India’s property developers are finding it hard to borrow money, raising the prospect of a wave of debt defaults from the sector hitting shadow lenders that are trying to survive a funding crunch of their own. Developers have to repay about 1.29 trillion rupees a year on outstanding debt but generate less than half the amount in income that can be used for repayments, according to an analysis of about 11,000 companies by research firm Liasies Foras. Rolling over loans and tapping private-equity funds will be a struggle for all but the established names, like Oberoi Realty Ltd. and Godrej Properties Ltd., said Niraj Rathi, an analyst at India Ratings and Research. This drying up of liquidity comes on top of years of sluggish home sales, mounting inventories and falling prices. The difficulties were masked over as non-banks lenders rapidly increased exposure to developer loans not protected by rental revenues in recent years, according to Jefferies Group LLC. They accounted for more than a third of lending to the sector last financial year. Now there’s a risk of a vicious cycle developing between struggling lenders and distressed builders. “Non-bank financial companies were facing developer defaults for more than 12 months but were brushing them under the carpet,” said Vikas Chimakurthy, CEO, Kotak Realty Fund, a $1.5 billion realty-focused private equity fund. “We may start to see some of these issues come to the surface in the next few quarters.” Already real-estate and allied businesses account for the largest number of cases referred to India’s two-year-old bankruptcy process after a 2016 crackdown on cash, tightened regulations and a new tax damped sentiment. The metropolitan areas around national capital Delhi and financial capital Mumbai have been the hardest hit. Developers in the north have been jailed and home prices in the Mumbai dropped in 2018 for a second year. The high-priced pockets of Mumbai
are “the epicenter of all problems,” Nirmal Jain, chairman of IIFL Holdings Ltd. said in a Bloomberg Quint interview. Builders may lose a significant part of their equity and some lenders will need to haircuts, said Jain, whose company has real-estate exposure of 10 percent of its assets. More defaults will come from the north and west, with fewer likely from the south, said Kumaran Chandrasekaran, a credit fund manager at Sundaram Alternate Assets Ltd. About 10 percent of outstanding loans probably won’t be repaid and 10-15 percent will face delays, he said. For shadow banks, defaults would raise the risk of a repeat of last year’s funding freeze after investor confidence was rocked by a series of missed payments by a large non-banking financial company, Infrastructure Leasing & Financial Services Ltd. Developers accounted for 10.7 percent of advances made by non-banks and housing finance companies as of March 2018, compared with 4.4 percent for banks, according to Jefferies. India Ratings, the local unit of Fitch Ratings, has a negative outlook on NBFCs focused on the wholesale lending, large-ticket housing and loans against property. Builders such as DLF Ltd. and Indiabulls Real Estate Ltd. have responded by selling rent-yielding office assets and land parcels as well as entering development agreements with private equity players. Lodha Developers Ltd. shifted focus to affordable housing, where demand remains strong. The sector got a reprieve over the weekend when India reduced the sales tax on unfinished residential buildings and affordable houses from April 1. The cuts are likely to cover 90-95 percent of homes in smaller towns and about a third of projects in big cities. Some fund managers see an opportunity to bridge the sector’s funding gap, Sundaram Alternate Assets’ Chandrasekaran said, while increased sales will help ease liquidity. “The chance for large-scale default is limited.” The sector averted crisis in 2008-2009 as there was no supply overhang, according to Pankaj Kapoor, managing director at Liases Foras, which estimates it would now take more than three years to clear inventories in the top eight cities. “We are reaching an inflection point, home prices will crash,” Kapoor said. “Developers may be able to hold on till this fiscal end, but the situation will worsen.”

WOOING CUSTOMERS, PSU BANKS STEP UP TO WREST AWAY MORTGAGES FROM NBFCs

State-run lenders are stepping up their loans to home buyers armed with better liquidity and lower rates. Large public sector lenders such as State Bank of India and Bank of Baroda have launched special schemes to wrest market share away from private banks and home finance companies that are facing a liquidity squeeze and higher cost of funds. BoB, for instance, has initiated a 'switch karo, save karo' campaign which allows customers to switch their home loans without any income proof provided a minimum of 12 monthly instalments have been paid and their credit score is at, or above, 725 points. “This scheme has started recently as we have received good response so far. It is difficult for us to get customers who do not have a clear income certificate or tax statements. However, a lot of NBFCs have done the due diligence and given loans to this section of the population. Since they have a repayment record, it is easier for us to onboard them at our rates which are lower,” said Virendra Kumar Sethi, head mortgages at BoB. BoB links its home loan rate to its one-year marginal cost of funding based lending rate (MCLR) which is currently at 8.75%. For credit scores of 725 up to 759, the bank offers home loans at 9%. Compare this, for example, with the 9.75%starting rate offered by home finance company DHFL, according to its website. It is this gap that large PSU lenders want to exploit. “NBFCs are not scaling up business at the same pace like they were doing before, while we expect to continue growing. We have grown our mortgage book at 17%to 18%in the last two to three years and expect to grow at that or faster adding to our market share,” said PK Gupta, managing director at SBI. Earlier this month, the bank cut its home loan rate on loans up to Rs 30 lakhs to 8.70%from 8.75% The lender has a Rs 3.80 lakh crore home loan book, the largest...
among commercial banks. BoB has also steadily increased its home loan book from Rs 19,500 crore in March 2014 to Rs 51,300 crore in December 2018. “Mortgage business makes up a majority of the bank’s retail assets business because the chances of a credit loss are less, the capital charge on these loans is minimal, and it’s a growing profitable business for us,” Sethi said. The bank has a net NPA ratio of less than 1% in mortgage loans.


Dated Feb 26, 2019

THE INTRUDER THAT UNDERMINES INDIA’S CENTRAL BANK

Bankruptcy proceedings usually involve protecting a firm’s assets from creditors. An Indian tribunal has turned the concept on its head by offering protection to the lenders. The National Company Law Appellate Tribunal ordered that no lender can declare its exposure to embattled IL&FS Group as nonperforming without its permission – even if there is a default. The ruling by the bankruptcy court, which is overseeing the government-sponsored $12.8 billion insolvency of the infrastructure financier-operator, undermines the Reserve Bank of India’s powers to make banks and nonbank finance firms present a truthful account of their financial position at all times. Already India has lost two RBI governors because, among other things, they dared to ask banks to acknowledge problem loans in time, classify them correctly and make adequate provisions for losses. Powerful business interests are holding on to their debt-funded empires with the help of complicit lenders who are loath to take such charges. Attempts to smash this cozy nexus has even involved penalizing bank CEOs for wrongly classifying bad loans as standard assets. Those gains, painfully accumulated over the past three years, are being thrown away. Such expediency is silly. There’s nothing to stop the asset-classification relief being given in IL&FS from eventually becoming the norm in all bankruptcies. Already-delayed Indian tribunal proceedings will stretch forever, with no rush on creditors’ part to accept resolutions that involve haircuts. Extracting productive capital trapped in failed businesses will remain a challenge. Shaktikanta Das, the former bureaucrat who now runs the RBI, has already started walking back from previous Governor Urjit Patel’s uncompromising position on bad-loan recognition. Defaulted loans to small enterprises have been allowed a one-time restructuring without being classified as nonperforming. The bankruptcy tribunal’s intrusion into the central bank’s affairs takes that culture of regulatory forbearance a step further. It also comes at a dangerous time. Already the RBI’s autonomy – and capital – are under siege. A Chennai-based accountant who waged a campaign against Patel’s predecessor, Raghuram Rajan, for insisting on truth-telling and provisioning was rewarded by the government with a seat on the RBI’s board. For Das, failing to mount a legal challenge to the ruling on loan classification could further damage the central bank’s credibility. Rather than being second-guessed at every step, the RBI may as well let the government, which owns 70 percent of the banking system’s assets, also be the regulator.


Dated Feb 26, 2019

STANChART RESETS GROWTH STRATEGY WITH COST CUTTING, DIVESTMENT PLANS

Standard Chartered PLC would cut $700 million in costs and exit smaller businesses as part of a three-year strategy overhaul aimed at boosting growth and possibly doubling dividend payments. The bank plans to achieve return on tangible equity of at least 10% by 2021, from 5.1% last year, and intends to distribute to shareholders surplus capital not deployed to fund additional growth. Earnings growth and divestment are likely to generate that surplus capital, planned exits and the run-down of low-return businesses include discontinuing ship leasing and completing the sale of its private
equity arm. "We will achieve this through relentlessly focusing on where we have a distinct competitive advantage, attacking the residual causes of lower returns and ramping-up innovation and productivity," chief executive Bill Winters said in a statement. StanChart said it aims to improve returns in India, South Korea, the United Arab Emirates and Indonesia, four large markets that have in recent years been a drag on its financials, accounting for 21% of costs but just 13% of profit. The bank also said its 45% stake in Indonesia's PT Bank Permata Tbk was "no longer core", indicating that it could move towards selling the holding. StanChart did not elaborate on its divestment plans in the earnings statement. Its stake in Permata is valued at about $835 million as per the Indonesian bank's current market value. StanChart shares have fallen 40% since Winters, a former JPMorgan Chase & Co banker, took over in June 2015. Last year, its London shares dropped 22% compared with a 15.6% fall for rival HSBC Holdings. The 150-year-old lender's new strategy comes at a time when its core emerging markets face increasing risk of slowdown due to the impact of the Sino-US trade war as well as economic uncertainties in China and Britain, two of its main markets. StanChart, which generates the bulk of its revenue in Asia, has seen its fortunes slump as restructuring under Winters repaired a balance sheet hit by excessive lending in the previous decade, but left the bank struggling to lift profit. Winters, in addition to cutting risky lending, has also worked to improve senior bankers' accountability and exit some businesses. Hong Kong shares in StanChart extended their morning gains to be up more than 2.5% at 0635 GMT, while the main Hong Kong market index was trading down 0.8%. To stimulate growth, StanChart has poured money into retail banking and wealth management technology platforms in the last couple of years, a move which led to a surge in costs but has yet to yield significant return. Chief financial officer Andy Halford told staff in October the bank had made "virtually no progress" in meeting cost targets and urged managers to consider cutting jobs, paring back travel expenses and freezing recruitment. The bank's costs grew 2% in 2018 to $10.1 billion. However, it said, "continued cost discipline" would enable sustained investments, as well as the potentially doubling of full-year dividend by 2021 from 15 cents per share last year. StanChart also raised its target range for common equity tier 1 ratio - a key measure of financial strength to 13-14% from its previous view of 12-13%. The ratio rose to 14.2% last year, from 13.6% in 2017. Earlier, the bank posted a 5.5% rise in 2018 pre-tax profit, pulled down by $900 million in provisions set aside to cover any impact from regulatory investigations in the United States and Britain. StanChart last week said the provision related to the potential resolution of US investigations into alleged sanctions violations and foreign exchange trades. The emerging markets-focused bank booked profit of $2.55 billion, versus $2.42 billion in 2017. Before provision for regulatory matters, restructuring and other items, StanChart reported a profit of $3.9 billion, compared with the $3.9 billion average of 16 analyst estimates compiled by Refinitiv.


RBI SUGGESTS MAJOR CHANGES TO TOP BANK EXECUTIVES' PAY STRUCTURE

India's banking regulator has proposed wide-ranging changes in compensation plans for top bank executives, including directors and ace traders often earning bulge-bracket bonuses, suggesting even the inclusion of a claw back clause on variable pay when assessments of the central bank and those of a lender differed on asset quality. "Banks are required to put in place appropriate modalities to incorporate malus/claw back mechanism in respect of variable pay," the Reserve Bank of India (RBI) said in a discussion paper posted on its website. "Wherever the assessed divergence in bank's asset classification or provisioning from the RBI norms exceeds the prescribed threshold for public disclosure, the bank shall not pay the unvested portion of the variable compensation for the assessment year under the 'malus' clause."
The regulator’s proposals come at a time when bankers have faced charges of giving themselves fat bonuses and wage increases even though their banks reported higher bad loans. In the recent past, the RBI had held back its approval on the proposed bonuses for Chanda Kochhar and Shikha Sharma at ICICI Bank and Axis Bank, respectively. Other proposals by the central bank include maintaining the ideal balance between fixed and variable components of targeted remuneration and creating plans that reward talent with employee stock options. “A substantial proportion of compensation i.e. at least 50% should be variable, and paid on the basis of individual, business-unit and firm-wide measures that adequately measure performance,” the RBI discussion paper said. The regulator has also listed down the items that should be included among the perquisites. These include residential accommodation, cars and club memberships and all other retirement benefits, entitlements that should be part of fixed pay. “The banks are required to furnish the monetary value of all components of pay, including perquisites, to the nearest rupee value,” it said. The regulator suggested a cap on variable pay. “It should be ensured that there is a proper balance between fixed pay and variable pay,” the paper said. “The total variable pay shall be limited to a maximum of 200% of the fixed pay (for the relative period). Within this ceiling, at higher levels of responsibility, the proportion of variable pay should be higher. The deterioration in the financial performance of the bank should generally lead to a contraction in the total amount of variable compensation paid.” To ensure that decisions of top executives do not damage long-term interests at a bank, the RBI has suggested payment of these benefits in a deferred manner. “For senior executives, including directors and other employees who are material risk takers, deferral arrangements must invariably exist for the variable pay, regardless of the quantum of pay,” it said. “For such executives of the bank, a minimum of 60% of the total variable pay must invariably be under deferral arrangements. Of this, at least 50% of the cash component should also be deferred.”

KOTAK MAHINDRA BANK RAISES FOREIGN INVESTMENT LIMIT

The hike in the shareholding limit comes as the private-sector lender grapples with a central bank directive on reducing its Chief Executive Uday Kotak’s stake in the bank. Kotak Mahindra Bank Ltd raised the limit on total shareholding of foreign institutional investors and foreign portfolio investors in the company to 45 percent from 43 percent. The hike in the shareholding limit comes as the private-sector lender grapples with a central bank directive on reducing its Chief Executive Shri Uday Kotak’s stake in the bank.

RBI TO SOON PUT INTO CIRCULATION RS 100 BANK NOTES IN NEW SERIES

The Reserve Bank of India (RBI) would shortly put into circulation new-series Rs 100 denomination bank notes bearing the signature of its Governor Shri Shaktikanta Das. The RBI will shortly issue Rs 100 denomination bank notes in Mahatma Gandhi (new) series bearing the signature of Shri Das, the central bank mentioned in a release. The design of these notes is similar in all respects to the Rs 100 bank notes in circulation currently. All bank notes in the denomination of Rs 100 issued by the RBI in the past will continue to be legal tender.
SYNDICATE BANK TO BRING DOWN NPA IN THE CURRENT YEAR

Syndicate Bank is aiming at bringing down the gross NPA to below 12% and the net NPA to below 6% in the current year from the existing level of 12.5 and 6.5% respectively. The bank chairman and CEO Shri Mrutyunjay Mahapatra mentioned that the bank has made a profit in the third quarter after loss in the previous quarters of FY 19. He hoped for an early settlement of the Rs 18,000 crore loans that are before national company law tribunal (NCLT). The recent Rs 1600 crore fund infusion by the government along with previous tranches of funds have helped strengthen the capital base of the bank and the it may not need further support in the immediate future. The bank is betting on house, retail, MSME and gold loans for its growth. The bank is planning to launch employee share purchase scheme in the first week of March. The scheme offers shares of the bank at a discount ranging from 23 to 25% with lower grade employees getting maximum discount. The bank is expecting to raise Rs 500 to 600 crore from the process. The share of the government which stands at 80% now will be reduced by 3 to 3.5% by this measure. The bank has plans to open three more branches in Kerala in Palakkad district.

Dated Feb 26, 2019

RBI REMOVES ALLAHABAD BANK, CORPORATION BANK AND DHANLAXMI BANK FROM PCA FRAMEWORK

The Reserve Bank of India (RBI) on February 26 said that Allahabad Bank, Corporation Bank and Dhanlaxmi Bank have been taken out of the Prompt Corrective Action (PCA) framework. In a statement, RBI said the Board for Financial Supervision (BFS) reviewed the performance of banks under PCA and noted that the government has infused fresh capital on February 21 into various banks including some of the banks currently under the PCA framework. "Of these banks, the Board for Financial Supervision (BFS) noted that Allahabad Bank and Corporation Bank had received Rs 6896 crore and Rs 9086 crore respectively. This has shored up their capital funds and also increased their loan loss provision to ensure that the PCA parameters were complied with," RBI said. The release noted that the two banks made the necessary disclosures to the Stock Exchange and after the infusion of capital, the CRAR, CET1, Net NPA and Leverage Ratios are no longer in breach of the PCA thresholds. The release also noted that the banks also apprised RBI of the structural and systemic improvements put in place to maintain these numbers and based on the principles adopted by the BFS, decided to remove Allahabad Bank and Corporation Bank from the PCA framework. Bank of India (BoI), Bank of Maharashtra (BoM) and Oriental Bank of Commerce (OBC) were taken out of PCA framework on January 31 after infusion of capital in these banks.

Dated Feb 26, 2019

MERGER OF REGIONAL RURAL BANKS WITHIN SAME STATE LIKELY

The government is looking at the possibility of merging Regional Rural Banks (RRBs) operating within the same state and has urged the state-owned banks to explore such options, as it wants further consolidation among RRBs. It eventually wants to bring them down to a more manageable number of 10-15. There are 56 RRBs functioning in the country, and State Bank of India, the largest bank, is the biggest sponsor with 14 RRBs. Already, around 10 have been merged which will be effective from April 1 this year. In some lead banks which have more presence in a particular area, they can take over the stake of another lender in an RRB for purposes of synergy and efficiencies. At present, the Centre holds 50% stake in RRBs, while 35% and 15% are with the sponsor banks and state governments, respectively. In 2015, the government had
passed the Regional Rural Banks (Amendment) Bill, which seeks to enhance Authorised and issued capital of RRBs, strengthen their capital base and bring flexibility in the shareholding between central government, state government and sponsor bank. The finance ministry has already directed Public Sector Banks (PSBs) to consolidate operations in the same geography and take into account operations of other state-run lenders. Bank boards have been asked to draw up business unit-wise approved plans, closure of nonviable branches. Further, strengthening RRBs will help them play a greater role in financial inclusion and meeting credit requirements of rural areas. The government in the past few years have been trying to consolidate RRBs. Earlier in January, three regional rural banks (RRBs) Punjab Gramin Bank, Malwa Gramin Bank and Sutlej Gramin Bank were merged into a single entity. In February, it approved merger of two RRBs in Karnataka Kaveri Grameena Bank and Pragathi Krishna Grameena Bank. Canara Bank will be the sponsor bank for the merged entity. Last week, finance minister Shri Arun Jaitley had called for further consolidation of India's banking industry, saying the country needs fewer, stronger mega lenders to exploit economies of scale. “I think India needs fewer and mega banks which are strong because in every sense, from borrowing rates to optimum utilisation, the economies of scale as far as the banking sector is concerned are of great help,” he had said.


Dated Feb 27, 2019

IN DEPOSIT WAR, PRIVATE SECTOR BANKS WIN HANDS DOWN

Are private sector banks winning the deposit war against public sector banks? It would appear so given the recent figures from the Reserve Bank of India. The difference between the weighted average term deposit rates of public sector banks and their private sector counterparts has increased to the highest in at least five years showcasing private banks’ ability to raise rates and drive higher credit growth. Data from the Reserve Bank of India (RBI) highlighted by Elara Securities shows that average term deposit rates for private sector banks in December 2018 was 43 basis points higher at 7.21% compared to 6.78% for public sector banks. One basis points is 0.01 percentage point. This is the highest differential between private and public-sector banks in at least five years and shows that fast growing private sector banks are able to offer a much higher rate to garner deposits helped by a better pricing power. Data shows that this differential has turned since April 2017 when private sector banks, taking advantage of benign liquidity conditions post demonetization were in fact offering a lower rate compared to public sector banks. Private sector banks rates were 8 to 10 basis points lower to public sector banks between January and April 2017 and have since turned the other way. In a note, Elara Securities said private banks have been more aggressive than public sector banks in the race for resources. “Private banks and PSBs hiked their rates by 15 basis points and 8 basis points respectively, over the past three months. On fresh loans, private banks’ quarterly average of weighted average lending rate (WALR) in Q3FY19 was 10.41% vs 10.08% in Q2FY19, a rise of 33 basis points QoQ while PSBs’ quarterly average was 9.43% vs 9.33% in Q2FY19, a rise of 10 basis points QoQ. This shows strength of private banks as they are able to garner market share along with rise in yields,” Elara said. However, higher
deposit rates mean lending rates will also not come down in a hurry as both are linked in the current marginal cost-based lending rate regime. “In the current scenario it will be difficult for banks to cut lending rates unless they are ready to take a hit on their margins. Lending rates will hence remain elevated,” said Karthik Srinivasan, group head, financial sector ratings at ICRA. It also prevents public sector banks from reducing their deposit rates further. “The difference between one-year deposit for SBI and some private sector banks is as high as 100 basis points. But we cannot cut our deposit rates further because there is a risk of people being attracted towards private sector banks, though at 70% credit deposit ratio, we are better placed than private sector banks,” said Prashant Kumar, CFO, SBI.

Dated Feb 27, 2019

PB N C U T S M C L R R A T E S B Y 1 0 B P S F R O M M A R C H 1
State-owned Punjab National Bank (PNB) will reduce the MCLR by 0.10 percentage point for various tenor loans from March 1. There is a reduction in the marginal cost of funds based lending rate (MCLR) with effect from March 1, 2019, PNB said in a regulatory filing. The one-year tenor loans, against which most of the consumer loans are benchmarked ... year MCLR has been cut to 8.65 per cent. The rates for overnight, one/three/six month MCLRs are also down by 10 basis points each at 8.05 per cent, 8.10 per cent and 8.15 per cent respectively. Base rate at 9.25 per cent will remain unchanged. Country's largest lender SBI on February 8 had announced to cut home loan rates by 0.05 percentage point for loans up to Rs 30 lakh. The Reserve Bank in its last bi-monthly policy review for 2018-19 had cut the key repo rate by 25 basis points to 6.25 per cent, paving the way for banks to make consumer loans cheaper.

Dated Feb 27, 2019

S B I H A S F O U N D F R A U D W O R T H R S 7,951.3 C R O R E I N A P R - D E C
The bank also did not share details of these frauds such a due to phishing/online/debit/credit cards fraudulent transactions or borrowers engaging in fraudulent activities with the borrowed money. As per State Bank Group as much as Rs 7,951.29 crore involving 1,885 cases of fraudulent activities have come to light during the first nine months of the current fiscal year. In an RTI reply, the nation's largest lender mentioned, the first quarter reported 669 cases of fraudulent activities amounting to Rs 723.06 crore, the second quarter saw 660 cases involving an Rs 4,832.42 crore and the third quarter reported 556 cases amounting to Rs 2,395.81-crore. According to RTI activist Shri Chandrashekhar Gaud, the bank shared the data on February 25. Though he had also sought information about the financial losses to its customers due to these fraudulent activities, SBI refused to share the same saying such information is exempted from disclosure under Section 7 (9) of the RTI Act of 2005. The bank also did not share details of these frauds such a due to phishing/online/debit/credit cards fraudulent transactions or borrowers engaging in fraudulent activities with the borrowed money.
GOVT KEEN ON AMALGAMATION OF PSBS TO CREATE GLOBALLY COMPETITIVE, HEALTHY LARGE BANKS, SHRI ARUN JAITLEY

The minister mentioned that Non-Performing Assets (NPAs) or bad loans had initially gone up because of truthful disclosure requirements which ensured that there was no sweeping of bad loans under the carpet. The government is following the policy of amalgamating public sector banks to create healthy large banks which are globally competitive. The NPA situation of PSU banks has improved in the last 2-3 quarters and the NDA government has ended the practice of "phone banking" and has maintained arm's length by not interfering in the functioning of lenders. In order to make them (banks) sound, whether it is legislative steps or important steps like creating healthy large banks, which can be globally competitive, the government is also gradually following the policy of amalgamation. The minister mentioned that the Non-Performing Assets (NPAs) or bad loans had initially gone up because of truthful disclosure requirements which ensured that there was no sweeping of bad loans under the carpet. Moreover, he said the Reserve Bank insisted that banks should provision for all stressed assets so that only sound banks survive. The NPA curve has gone down in the last two-three quarters. Since 2014-15, PSU banks have recovered Rs 2.87 lakh crore bad loans up till December 2018. In the first nine months of current fiscal, the amount recovered by state-owned banks stood at Rs 98,493 crore, a 100 per cent growth over the previous year. Asked about the future plans for amalgamation, SBI Chairman Rajnish Kumar mentioned "three are already in the process and April 1 is the date. The success of this merger will determine the future course." In January, the Cabinet had approved the merger of Vijaya Bank and Dena Bank with Bank of Baroda (BoB). This will make BoB the third largest PSU bank after State Bank of India and Punjab National Bank. Kumar further mentioned the situation for public sector banks is "looking much better" with declining NPAs and improving profitability. On the rise in credit offtake, Kumar mentioned "If you look at RBI statistics, the industry has been growing at around 15-16 per cent and that trend will continue".

Dated Feb 28, 2019

CANARA BANK LOAN FOR BANK OF INDIA, UNION BANK EMPLOYEES

State-owned lenders Bank of India and Union Bank of India appear to have made arrangements with Canara Bank to provide collateral-free loans to their respective employees, a veiled move to fund purchase of shares under Employee Stock Purchase Scheme (ESPS). Regulations do not allow banks to offer loans to their own employees for purchasing shares under ESPS. Both Bank of India and Union Bank of India have informally told their employees that they may take loans from Canara Bank should they want to purchase shares. The move reflects the desperation by the lenders while several other state-owned banks had earlier faced lukewarm response on their ESPS amid their financial stress. Bank of India even disbursed February staff salary in the mid of the month apparently to encourage employees buy shares. The BoI issue of Rs 10 crore equity shares opened on January 15 and closed Thursday. Canara launched the scheme for BoI employees in mid-January. At Rs 80 per share, BoI was looking to raise up to Rs 800 crore. Union Bank looks to raise Rs 600 crore by issuing up to eight crore equity shares. The loan christened Special Canara Budget Scheme is priced at 8.7% per year, which is the bank’s one year marginal cost based lending rate. This is significantly lower than the bank’s other personal loans under the “Budget Scheme” category for which the bank charges MCLR plus 4.30% The size of the loan was 10 months of employees’ gross salary subject to maximum of Rs 5 lakh. The Canara Bank scheme for BoI and Union Bank employees is for meeting personal and domestic needs while there was no mention of share purchase. The scheme for Union Bank employees is valid up only up to March 8, 2019, suggesting it was tailored for a specific purpose.
A Canara Bank executive mentioned that the Budget Scheme is for salaried employees and the same is extended to employees of the two banks. These are personal loans and customers are free to use for any purpose. ESPS is a way of diluting government's shareholding in state-owned banks as these lenders are mandated to increase public shareholding to a minimum 75% under market rules governed by regulator Securities & Exchange Board of India. Earlier, banks such as Allahabad Bank and United Bank of India saw tepid response from their employees while Indian Overseas Bank and Punjab National Bank saw staff better participation. United Bank's Rs 50 crore ESPS was subscribed 65% even after several extensions of deadline, while Allahabad Bank managed to raise around Rs 236 crore against the target of Rs 270 crore. PNB's scheme Rs 500 crore was subscribed 91% while IOB issue was fully subscribed. http://economictimes.indiatimes.com/industry/banking/finance/banking/canara-bank-loan-for-bank-of-india-union-bank-employees/articleshow/68208437.cms
Dated Feb 28, 2019

INDIA’S FOREIGN TRADE

India's overall exports (Merchandise and Services combined) in April-January 2018-19* are estimated to be USD 439.98Billion, exhibiting a positive growth of 9.07 per cent over the same period last year. Overall imports in April-January 2018-19* are estimated to be USD 530.55 Billion, exhibiting a positive growth of 10.74 per cent over the same period last year.

Merchandise Trade

Exports (Including Re-Exports):
Exports in January 2019 were US $ 26.36 Billion, as compared to US $ 25.41 Billion in January 2018, exhibiting a positive growth of 3.74 per cent. In Rupee terms, exports were Rs. 1,86,453.23 Crore in January 2019, as compared to Rs. 1,61,697.38 Crore in January 2018, registering a positive growth of 15.31 per cent.

In January 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-January 2018-19 was US $ 271.80 Billion (Rs. 18,98,311.63 Crore) as against US $ 248.18 Billion (Rs. 15,98,311.63 Crore) during the period April-January 2017-18, registering a positive growth of 9.52 per cent in Dollar terms (18.77 per cent in Rupee terms). Non-petroleum and Non Gems and Jewellery exports in January 2019 were US $ 19.90 Billion, as compared to US $ 18.40 Billion in January 2018, exhibiting a positive growth of 9.17 per cent. Non-petroleum and Non Gems and Jewellery exports in April-January 2018-19 were US $ 197.56 Billion, as compared to US $ 183.05 Billion for the corresponding period in 2017-18, an increase of 7.92 per cent.

Imports in January 2019 were US $ 41.09 Billion (Rs. 2,90,611.86 Crore), which was 0.01 per cent higher in Dollar terms and 11.16 per cent higher in Rupee terms over imports of US $ 41.08 Billion (Rs. 2,61,441.48 Crore) in January 2018.
Cumulative value of imports for the period April-January 2018-19 was US $ 427.73 Billion (Rs. 29,87,918.68 Crore), as against US $
384.42 Billion (Rs. 24,75,812.40 Crore) during the period April-January 2017-18, registering a positive growth of 11.27 per cent in Dollar terms (20.68 per cent in Rupee terms).

Non-Oil and Non-Gold imports were US $ 27.53 Billion in January 2019, recording a negative growth of 0.78 per cent, as compared to Non-Oil and Non-Gold imports in January 2018. Non-Oil and Non-Gold imports were US $ 308.39 Billion (Rs. 21,53,154.84 Crore) which was 3.80 per cent higher in Dollar terms (12.52 per cent higher in Rupee terms), compared to US $ 297.09 Billion (Rs. 19,13,490.53 Crore) in April-January 2017-18 Non-Oil and Non-Gold imports were US $ 27.53 Billion in January 2019, recording a negative growth of 0.78 per cent, as compared to Non-Oil and Non-Gold imports in January 2018. Non-Oil and Non-Gold imports were US $ 281.42 Billion in April-January 2018-19, recording a positive growth of 4.69 per cent, as compared to Non-Oil and Non-Gold imports in April-January 2017-18.

TRADE IN SERVICES

Exports (Receipts)
Exports in December 2018 were US $ 17.93 Billion (Rs. 1,26,799.64 Crore) registering a positive growth of 7.50 per cent in dollar terms, compared to US $ 17.30 Billion in November 2018. (as per RBI's Press Release for the respective months).

Imports (Payments)
Imports in December 2018 were US $ 11.38 Billion (Rs. 80,463.70 Crore) registering a positive growth of 12.53 per cent in dollar terms, compared to US $ 29.42 Billion (Rs. 21,53,154.84 Crore) which was 3.80 per cent higher in Dollar terms (12.52 per cent higher in Rupee terms), compared to US $ 297.09 Billion (Rs. 19,13,490.53 Crore) in April-January 2017-18.

Merchandise: The trade deficit for January 2019 was estimated at US $ 14.73 Billion as against the deficit of US $ 15.67 Billion in January 2018.

Services: As per RBI's Press Release dated 15th March 2019, the trade balance in Services (i.e. Net Services export) for December 2018 is estimated at US $ 6.55 Billion.

Overall Trade Balance: Taking merchandise and services together, overall trade deficit for April-January 2018-19 is estimated at US $ 90.58 Billion as compared to US $ 75.73 Billion in April-January 2017-18.
## MERCHANDISE TRADE

### Exports & Imports: (US $ Billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>January</th>
<th>April-January</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exports Including Re-Exports</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017-18</td>
<td>25.41</td>
<td>248.18</td>
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<tr>
<td>2018-19</td>
<td>26.36</td>
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<tr>
<td>% Growth 2018/2017</td>
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<td>9.52</td>
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<tr>
<td><strong>Imports</strong></td>
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<tr>
<td>2017-18</td>
<td>41.08</td>
<td>384.42</td>
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<td>2018-19</td>
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<td>% Growth 2018/2017</td>
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<td><strong>Trade Balance</strong></td>
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<tr>
<td>2017-18</td>
<td>-15.67</td>
<td>-136.25</td>
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<tr>
<td>2018-19</td>
<td>-14.73</td>
<td>-155.93</td>
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### Exports & Imports: (Rs. Crore)

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<tr>
<th>Year</th>
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<th>April-January</th>
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<tbody>
<tr>
<td><strong>Exports Including Re-Exports</strong></td>
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<tr>
<td>2017-18</td>
<td>1,61,697.38</td>
<td>15,98,311.63</td>
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<tr>
<td>2018-19</td>
<td>1,86,453.23</td>
<td>18,98,358.83</td>
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<tr>
<td>% Growth 2018/2017</td>
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<td><strong>Imports</strong></td>
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<td>2017-18</td>
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<tr>
<td>2018-19</td>
<td>2,90,611.86</td>
<td>29,87,918.68</td>
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<td>% Growth 2018/2017</td>
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<td><strong>Trade Balance</strong></td>
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<tr>
<td>2017-18</td>
<td>-99,744.10</td>
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<td>2018-19</td>
<td>-1,04,158.63</td>
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## SERVICES TRADE

### Exports & Imports (Services) (US $ Billion)

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<td>Exports(Receipts)</td>
<td>17.93</td>
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<td>Imports(Payments)</td>
<td>11.38</td>
<td>90.91</td>
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<td>Trade Balance</td>
<td>6.55</td>
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### Exports & Imports (Services) (Rs. Crore)

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<th>Year</th>
<th>December 2018</th>
<th>April-December 2018-19</th>
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<tr>
<td>Exports(Receipts)</td>
<td>1,26,799.64</td>
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<tr>
<td>Imports(Payments)</td>
<td>80,463.70</td>
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<td>Trade Balance</td>
<td>46,335.94</td>
<td>4,62,240.62</td>
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SMT. P V BHARATHI ASSUMES CHARGE AS CEO OF CORPORATION BANK

Smt. P V Bharathi, executive director of Canara Bank, has assumed charge as managing director and Chief Executive Officer (CEO) of the city-based Corporation Bank. She is the first woman to serve the bank in this capacity. Smt. Bharathi has been executive director of Canara Bank since September 15, 2016 and served as the firm’s general manager in the risk management wing. She has more than 37 years of experience in the banking industry. She has served in different branches in the National Capital Region (NCR) and also in Tamil Nadu. She has experience in rural, semi-urban, urban and metro branches of the bank as also in administrative offices of the bank. Smt. Bharathi has been a non-executive director of Can-Fin Homes Limited since September 22, 2014 and also served as a director board member of Canbank Venture Capital Limited. She is a Certified Associate of the Indian Institute of Bankers (CAIIB) and a post-graduate in Economics.


TOP EXPERT REPORTS

BANKS NEED RS 20 LAKH CRORE DEPOSITS FOR CREDIT GROWTH, MAY UP RATES (CRISIL)

As per a report from CRISIL, the jump in credit growth will require banks to raise over Rs 20 lakh crore in deposits by March 2020 and may also push up interest rates. The healthier private sector lenders will account for up to 60 percent of the incremental deposit mobilization. In the last few years, deposit growth has dropped due to lower interest rates on fixed deposits as compared to other financial avenues banks have been collecting an average of Rs 7 lakh crore per annum in the last few years. The additional deposit requirements will also "put upward pressure on the interest rates bank offer on deposits. Volatility in the equity markets, moderating flows into other investment avenues, and a hike in bank deposit rates in recent months
can bring household financial savings back into bank deposits, it said. In the last few months, deposits rates have gone up by an average of 0.40-0.60 percent, which will increase the cost of funds for the lenders. As seen in earlier cycles, banks will continue to rely on excess investments in government securities beyond the mandatory statutory liquidity ratio to fuel the credit demand, but will also have to increase the deposits, it said, adding the excess SLR books of banks will halve to 4 percent. The agency pegged the credit growth in the system to rise 13-14 percent for fiscal years 2018-19 and 2019-20, as against the 8 percent observed in FY18. Consequently, the deposit growth will also have to rise to 10 percent levels from the 6 percent observed in FY18, even at the elevated level it will be a lot lower than the historic high of 25 percent in FY07. The agency's senior director Shri Krishnan Sitaraman mentioned that the credit to deposit ratio will jump to 78 percent by the end of FY19 from the 73 percent levels in March 2017, and hike it up further to a decade high of 80 percent by March 2020. Private banks with strong balance sheets and robust credit growth are expected to lead the race for deposits and will account for 55-60 percent of the incremental deposit mobilization, state-run banks outside Prompt Corrective Action framework will garner 30-35 percent. The share of private banks in the overall deposits has gone up to 30 percent, an increase of 7 percentage points in the last five years.

Dated Feb 06, 2019

BANKS EXPECT LIQUIDITY TO REMAIN TIGHT IN Q4 (FICCI-IBA BANKERS' SURVEY)

A majority of banks expect liquidity to remain tight in the last quarter of this fiscal despite a slight improvement in the situation. The liquidity scenario remained in deficit in the third quarter of 2018-19, As per the survey of 23 banks from public, private, foreign and small finance segments. The banks also agreed that the RBI has taken adequate measures, by the way of open market operations (OMOs) to maintain liquidity and suggested that the central bank should continue OMO purchases for remaining period of the fiscal year. A majority of respondent banks mentioned that the liquidity scenario in quarter three of the current fiscal year has remained in deficit and though it has slightly improved off-late, but liquidity could remain tight even in quarter four, owing to year end liquidity demands, tax outflows, higher fiscal deficit and run-up to elections. The eighth round of the survey for the period July to December 2018 witnessed participation of 23 banks. Another key finding of the survey has been the changing trend in (non-performing assets) NPAs, it said adding about 54 per cent of reporting public sector banks have cited a reduction in the NPA levels. While infrastructure continues to remain the key sector with high NPAs, with over 90 per cent of respondents citing so. The bankers were of the view that the recent recapitalization plan of the government will further help in improving the balance sheets and then write-off some of their current bad loans. This is expected to improve financial health of PSBs, bring out some PSBs from the PCA (Prompt Corrective Action) framework and facilitate overall economic growth. It will help banks to extend fresh credit and thus support credit growth, especially for small and micro industries.

Dated Feb 17, 2019
HOME BUYERS AS FINANCIAL CREDITORS: DEVELOPERS' DEFAULT RISK SPIKE (ICRA)

Treating home-buyers as financial creditors under the bankruptcy law has increased the default risks for developers with delayed projects, warns a report. Last August, Parliament had passed an amendment to the Insolvency and Bankruptcy Code (IBC) allowing home-buyers to be treated as financial creditors. In recent months, there have been various instances of aggrieved home-buyers initiating insolvency proceedings against developers who have delayed project execution. As per rating agency ICRA, the time-bound nature of the insolvency process provides a limited window for developers to reach settlement with the aggrieved buyers, failing which the resolution professional takes over the management. According to a report by rating agency ICRA, as the amounts paid by home-buyers now constitute a financial debt, any delay in handing over the property as per the commitments in the sale agreement can be ground for initiating the insolvency proceeding under the IBC. Even a single buyer in a single project pursuing such a remedy can put the company at risk of financial default, irrespective of the liquidity position of the company, the report warned without quantifying the defaults by the number of companies. Managing such risks will be a challenge for developers, especially those who have legacy projects where completion has been affected by factors such as weak sales, falling prices or inadequate funds. According to the Insolvency and Bankruptcy Board of India website, some companies against whom claims were admitted in recent months include Puri Construction, Pioneer Urban Land & Infrastructure, Emaar MGF Land, Vardhman Buildtech and Sikka Infrastructure. Some of these companies could reach settlements with the claimants resulting in closure of the insolvency proceedings, but in some other cases they could not obtain a stay on the proceedings from the Supreme Court. However, if such remedies are not in place before the resolution professional takes over the management, debt servicing can be at risk as the RP may decide to enforce moratorium on any such payments while the resolution proceedings go on.


Dated Feb 19, 2019
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