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I am delighted to be part of this event for the launch of Shri V. Srinivas's book on “India’s Relations with the International Monetary Fund”. A respected civil servant of the 1989 batch, he has drawn extensively on his hands-on stint as Advisor to the Executive Director for India at the IMF during 2003-06, combining it with his scholarship and experience in policy making. The book and the function today will promote readership on an important subject and spur more thoughts and analysis. As you are aware, RBI as an institution is closely involved with the functioning of the IMF both to project our Macro economic interests as well as from the angle of governance of the IMF.

Against the backdrop of previous Fund programs with India in 1966 and 1981, the book trains its focus on perhaps the most eventful period of India’s engagement with the Fund, beginning with the balance of payments crisis of 1991 and covering the period up to 2016 that brings to the fore the dramatic transition in India’s status with the IMF from a debtor to a creditor. In the same period, the Indian economy also witnessed a transformation from an inward-looking economy driven by import substitution to an increasingly open and emerging global power in a dynamic world order. This period also witnessed the transformation of the Fund from a stigmatised lender of last resort focused exclusively on exchange rate surveillance towards a more central role in the international monetary system after the global financial crisis. Over this period, the Fund has not only focussed on macroeconomic policies but embraced a wider gamut of issues that covered women's empowerment, poverty alleviation, sustainable development, fintech and climate change. As Dr. Y.V.Reddy has stated in his Foreword to the book: “The book fills a serious gap in the existing literature on the subject....”. I congratulate Srinivas for his scholarly contribution in writing this book.

I thought I would take this opportunity to share some of my own thoughts on the Fund and its role in the international monetary system, drawing on my experiences, including as G20 Sherpa and now as Alternate to the Finance Minister in the Board of Governors of the Fund. Speaking on the sidelines of the Fund-Bank spring meeting in April this year, I had alluded to labels such as “currency manipulation” and called for greater understanding all around, to the compulsions of Emerging Market Economies (EMEs) in building up their own buffers. I would like to point out that the origin of the phrase ‘currency manipulation’ itself is of recent vintage, dating to 2015, when the US Treasury started publishing a semi-annual report on the subject. Currently, the semi-annual Report judges countries as currency manipulators on the basis of three criteria: (i) a bilateral trade surplus with the US of at least US $ 20 billion; (ii) a material current account surplus of at least 2 per cent of GDP; and (iii) persistent one-sided net purchases in 6 out of 12 months adding to at least 2 per cent...
of an economy’s GDP over a 12-month period. A country is put on the monitoring list even if two out of the three criteria are met. India was recently removed from that list after featuring in it from 2018. In the more recent period, the term has gained greater focus in the heat and dust of trade wars.

A question that crops up is why has labelling become a bilateral prerogative when a multilateral institutional architecture exists for the purpose? After all, Article IV, Section 3 (a) of the Articles of Agreement that established the Fund, invests it with the oversight of the international monetary system. Article IV, section 1(iii) enjoins each member country to avoid manipulating exchange rates to gain unfair competitive advantage. Article VIII, Section 3 obligates members and their fiscal agents not to engage in discriminatory currency arrangements or Multiple Currency Practices (MCPs) unless they are approved by the Fund or maintained under Article XIV, Section 2.3. The application of the MCP concept has been reasonably considered, explained and applied by the Fund with suitable changes carried out when needed.

After the collapse of the Bretton Woods system of fixed exchange rates and the eventual floating of currencies from 1973, the second amendment of the Fund’s Articles of Agreement in 1978 made its mandate more explicit by fixing its oversight over individual countries’ exchange rate policies. The Fund’s mandate was updated in 2007 to clarify that exchange rate manipulation was associated with ‘fundamental misalignment’ that results in external instability. Fears of labelling among the membership led to several reviews culminating in 2012 when an Integrated Surveillance Decision was adopted, which emphasised the connection between domestic and external stability as well as global risks and spillovers.

In pursuit of this mandate, the Fund, in its Article IV Consultations every year, undertakes in-depth assessment of members’ economic developments and policies, including and especially exchange rate policies. This is backed by rigorous technical evaluation through a suite of models. The Consultations report is published and any case of exchange rate misalignment and/or multiple currency practices is candidly brought to the notice of national authorities for correction. This is mandatory, as the Articles of Agreement constitute an international treaty; and in India, they are underpinned by parliamentary legislation in the form of the International Monetary Fund and Bank Act, 1945. Given this multilateral framework, the overlay of bilateral labelling that I talked about earlier raises questions, including on the role of the Fund itself.

Admittedly, like any policy-making institution, the Fund’s policies and practices will not always be the right or the best in terms of their efficacy. As its own Independent Evaluation Office (IEO) pointed out in 2005, a major reason for the Fund failing to meet its core responsibility of exchange rate surveillance was a strong sense among some member countries of a lack of even-handedness in surveillance – that somehow, it was tolerant of currency depreciations but not of countries resisting appreciation. This criticism by the IEO persists in its Evaluation Update of 2017. Notwithstanding such criticisms, the IMF is open to learning and deservedly remains a well-respected institution. We, therefore, look forward to engaging with the Fund on its April 2019 proposal for a more integrated framework encompassing the interaction of monetary, exchange rate, macro-prudential and capital flow management policies. I strongly believe that a multilateral framework under the aegis of the IMF is the most appropriate approach to deal with these issues.
It is important to appreciate the context in which EMEs operate so as to foster a shared understanding of their challenges. First, the nature of shocks which these countries face has changed from balance of payments strains to full-blown financial crises. Second, in the years following the global financial crisis, EMEs and financial markets have been buffeted by global spillovers which have amplified both sudden surges and sudden stops or reversals of capital flows. The existing state of financial safety nets, regional or multilateral, fall grossly short of providing the necessary buffers against such turbulence. Moreover, access to swaps from systemically important central banks is not available to the EMEs. For many EMEs, high fluctuations in currency movements have pronounced macroeconomic consequences. This is corroborated in a recently articulated view by Mark Carney, Governor, Bank of England that significant improvements in the institutional frameworks of EMEs are being offset by asymmetries in the international monetary system and market-driven finance. Against this backdrop, these countries have accumulated reserves over the past two decades which has significantly reduced the sensitivity of capital flows to push factors. Governor Carney adds that this extra insurance, however, has come at a high cost for EMEs. In this context, I may mention that in spite of the insurance coming at a high cost, there is enough evidence to indicate that costs of financial crises have been very high in relation to costs of insurance. Thus, it is evident that build-up of reserves by EMEs, so far is not so much to prop up their currencies as to self-insure themselves against global contagion.

How do we collectively ensure that multilateral principles and frameworks for orderly exchange rate and payment arrangements are not superseded by bilateral hegemony? The best way forward is to strengthen existing institutions like the Fund and make them more relevant and trusted. Through its Articles of Agreement, the Fund is a quota-based organisation, but quotas currently constitute only 49 per cent of its resources. At the height of the global financial crisis and in the years following it, the Fund activated borrowing arrangements such as the New Arrangements to Borrow (NAB) and the bilateral Note Purchase Agreements (NPAs), to which India also contributed. These borrowing arrangements are, however, intended to be temporary bridges. The solution lies in commitments of quota resources by members in order to secure the legitimacy of the Fund as a global lender of the last resort, the overseer of the international monetary system and a trusted policy advisor. This adds urgency to the completion of the 15th General Review of Quotas, delayed for the fourth year now.

The global order today faces several challenges that will test the skills of the international organizations as well as those of national monetary and fiscal authorities. International coordination has become somewhat weaker in the very recent years. Many advanced economies (AEs) have been pursuing low interest rate policies for long without perhaps adequate recognition of their adverse impacts. Today at the global level, the total amount of bonds with negative yields has risen to nearly $13 trillion; implying that nearly a third of AE government bonds trade at negative yields. Equity premium has crossed 4 per cent, which is 1 standard deviation higher than its long-term average. Return to lower interest rates in AEs poses challenges as leverage has already built up in the EMEs and the needed deleveraging is not complete in many European economies. Amid low global interest rates, total credit to the non-financial sector in the EMEs went up from 107.2 per cent of GDP at the end of 2008 to 194.4 per cent of GDP by March 2018, before it dropped to 183.2 per cent at the end of 2018. Net private capital flows to EMEs in the
form of direct and portfolio investments also nearly doubled in the post-crisis period. This has posed risks to some EMEs. Some of these risks have surfaced in form of weak bank/ non-bank balance sheets and some remain latent and can surface, especially when the global interest rate cycles turn decisively. The world will be looking to the IMF to suggest dependable solutions. EMEs on their part need to follow policies that promote macroeconomic and financial stability, while focussing on growth.

Solutions are turning more difficult to come by as the global economy seems to be moving into a new and unsettling phase in an environment of stressed trade negotiations, rising geopolitical confrontation, and limited policy space and high debt levels in several economies. General government debt of AEs as a group has surpassed 100 per cent of GDP. Fiscal space is also constrained in many of the advanced economies.

It is important in the backdrop of slowing global growth that policies of monetary and fiscal authorities are well-calibrated so that they support growth without further build-up of leverage and asset price bubbles. Prudent policies are critical to growth with macro-economic stability. Globally, we need to focus on policy space, judiciously use it and simultaneously undertake structural reforms to improve productivity, innovation and job creation. The coming year will test IMF for its policy advice in these areas. How the IMF and the central banks provide forward guidance will be key to sustaining global economic growth while maintaining financial stability.

I have highlighted a few concerns that have caused me to introspect considerably on the future of the global monetary and financial system, especially as we confront these challenges on a day-to-day basis at the RBI. A global search for effective solutions is underway. This quest must be armed with the lessons of history and experience, and in this context, I commend this book for your reading.
• **Banks Wary Of Rising Hedging Cost:**

A dozen large banks have alerted the Reserve Bank of India (RBI) about the spike in hedging cost of corporates as banks are unable to handle surplus dollar. The higher hedging cost, as borne out by 100 basis points rise in dollar-rupee forward premium in the past three months, is hurting importers and threatening to unsettle plans of many corporates who took cheaper foreign currency loans. Over the last few weeks several large Indian and MNC banks met senior RBI officials to put across their point, two senior bankers told ET. They have sought the central bank’s intervention in allowing foreign banks operating in India to freely park extra dollars offshore with their head office; alternatively, RBI should carry out swaps, as it had done earlier, to absorb the surplus dollar from the banking system. There are multiple reasons behind the hardening hedging cost: a new exposure rule for banks; RBI announcing and discontinuing dollar-rupee swap deals; and higher external commercial borrowings (ECBs) by corporates. Easier norms on foreign currency borrowings and special foreign currency swap deals announced by RBI this year in which RBI took dollars from banks and supplied them rupees had encouraged many corporates to step up their foreign currency borrowings. More so, because these three-year swap deals by RBI kept the premium and hedging cost low. And, since it was widely perceived (following hints from RBI officials) that such swaps would be conducted on a regular basis, corporate were emboldened to borrow more in foreign currencies and hedge their risks (arising out of currency fluctuation) at a manageable cost. A corporate that brings in foreign currency loan exchanges the money into local currency by entering into a swap deal with a bank the corporate gives the bank dollars and accepts rupees from the bank. The difference between the interest on dollar which the bank is supposed to pay the corporate and the interest on rupee which the corporate is required to pay the bank roughly constitutes the forward premium. As more and more corporates borrowed in dollar, more foreign currency had to be swapped. The foreign banks, which are large players in these deals, typically placed the surplus dollar with their head-office abroad a customary transaction they have been carrying out for decades. But this was no longer possible since April with RBI changing the large exposure rules for banks. Under the new rule, the quantum of exposure a bank can have on another bank is linked to its capital. (Till now such restrictions for a bank largely applied to its exposure to a corporate or a business group). Even though the Indian branch and the headquarters of a foreign bank are part of a single global balance-sheet, the local bank’s exposure to its head-office came under the exposure restrictions laid down in the new regulation. Thanks to the new rule, foreign banks who took dollar from corporates as well as from other banks (as part of swap deals) could not park the fund with their head-offices. Instead, they were forced to swap the dollars to another bank. With more and more banks entering the market to swap dollar, the swap rate rose. (In other words, the interest on rupees taken in from a swap rose while the interest on dollar given out in a swap fell,
thereby, widening the interest differential or the forward premium). “On one hand, RBI had stopped announcing three-year swaps while on the other hand the new exposure norms held back banks from parking dollar with headquarters. As a result, many banks were stuck with dollars which had to be swapped. This pushed up rates... It was a perfect example of how a well-meaning measure backfired. When forward premium rises, it hurts a lot of people. And when the one-year forward rates goes up, it has a cascading effect on two or three years also though not to the same extent,” a banker told ET. Stretching the large exposure rule to inter-bank deals was primarily to protect local branches and depositors in India from possible turmoil of the main bank abroad. “But this is having unintended consequences...under the circumstances, RBI has to announce more swaps to soak in the dollars. However, we don’t know when RBI would do it,” said another banker. Till now, RBI conducted two swaps of $5 billion each from bids of $19 billion and $16 billion. But, the central bank stopped further auctions after a large corporate cornered the entire swap. “More than $10 billion had to be swapped in the market as there was a bunching up of dollar loans. Banks have told RBI to come out with green-shoe options in subsequent auctions so that no single corporate would bid aggressively. Putting a cap for a single bidder was also suggested...

We are yet to hear anything from RBI. But if forward rates have to be lowered in the near term, the regulator has to consider carrying out more swaps or changing the exposure rules,” said another banker. RBI officials did not comment on the matter.


Dated: Jul 01, 2019

• Shell Out Fee On Paytm Transactions From Today:

Starting today, using Paytm will get a little dearer. It will start passing on the Merchant Discount Rate (MDR) that banks and card companies charge for digital transactions to consumers to help reduce the burn rate at the Noida company and turn profitable, said two people familiar with the development. The charge amounts to 1% on payments through credit cards, 0.9% for debit cards and up to Rs 12-15 for transactions by net banking and the Unified Payments Interface (UPI), one of the sources said. Paytm, backed by SoftBank and the Alibaba Group and a leader in the segment, has been absorbing the charge and hasn’t been charging anything extra for payments made through its platform. The new levies will be applicable for all modes of digital payments topping up the wallet, paying utility bills or school fees and buying cinema tickets. “There is a cost associated with every transaction,” said one of the persons. “Now (Paytm is) trying to cover that cost by passing them onto the consumers.” The person said the additional charges would be effective from Monday. Paytm said it is merely passing on the MDR that banks and card companies charge and denied levying any convenience fees. “In case there is any fee being charged, then it is in fact the MDR being passed on by the merchant to
the customer,” a spokesperson said. “Paytm does not (itself) charge any convenience fee or MDR from the consumers and has no plans to levy the same in the future.” Experts said the decision was economically justified. “In 2016, when digital payment was in its infancy, it needed 0% MDR for the uptick of the overall digital payment. But now the market-formation days are long gone, so it is fair for these companies to levy the MDR back onto the consumers because it is an operational cost for them,” said Sanchit Gogia, chief analyst at Greyhound Research. “Companies like Paytm would have pressures from investors and would have to prove to them that they can become profitable now. So MDR cannot be funded all the time. You cannot have zero percent MDR situation for five years and that’s not how business works.” Last year, to promote digital transactions, the government said it will bear MDR charges on transactions up to Rs 2,000 made through debit cards, BHIM (Bharat Interface for Money), UPI or Aadhaar-enabled payment systems. Experts said Paytm’s latest decision could have a marginal impact on the overall digital payment business in India that has expanded 10 times since the NDA government assumed charge in 2014. “There will be a certain loss of customers, which I am sure that Paytm expects,” Gogia of Greyhound said. “But the fact is that ultimately this system cannot be run for the longest time. So, it is short-term loss for the long-term gain.” Paytm has, however, issued a clarification that no such extra charge will be levied.

Digital wallet Paytm on Monday refuted reports that it is going to charge users extra amount for digital transactions on its platform. “We would like to clarify that Paytm app/ payment gateway owned by One97 Communications Limited does not charge or levy any convenience/ transaction fee from our customers on using any payment method which includes cards, UPI, net-banking and wallet. “Paytm customers will continue using all the services available on the platform without any fee,” the Noida-headquartered company said in a statement. The ET report said that Paytm is going to allegedly charge 1 per cent on payments via credit cards, 0.9 per cent for debit cards and up to Rs 12-15 through net banking and UPI-based methods. According to the digital payments company, there have been few merchants like educational institutes or utility service providers who do not absorb credit card charges and expect customers to pay the same. “In such cases, we recommend our users to pay through their debit cards and UPI to avoid these charges. We would like to reiterate that these charges aren’t levied by Paytm in any scenario,” said the company, adding that it does not have any plans to levy any such fee in the future.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/shell-out-fee-on-paytm-transactions-from-today/articleshow/70017284.cms

Dated: Jul 01, 2019

• Not Charging Extra For Digital Transactions, Paytm:

• Citibank Moves SAT, Questions SEBI And Exchanges’ Power To Annul Trades:

Lawyers privy to the development said while Citi doesn’t have much direct exposure to the trade, it had offered the contracts to some of its clients in its capacity as a broker to foreign investors. Citibank on Monday moved the Securities Appellant
Tribunal (SAT) questioning the powers of the capital markets regulator and stock exchanges to annul legitimate trades done on the exchange platform. The bank was a counterparty to the option contracts traded by Mumbai-based Allied Financial Services, which had illegally used mutual fund units it did not own as collateral margin for the transactions. The development comes after the Supreme Court of India last week stayed the settlement of these contracts until SAT and Bombay High Court deliver their verdict on whether the trades can be annulled. IL&FS Securities Services, which cleared the trades of Allied, wants the trades to be annulled as it will have to pay for the margins out of its pocket since the regulatory agencies have frozen the mutual fund units that were used as margins. Lawyers privy to the development said while Citi doesn't have much direct exposure to the trade, it had offered the contracts to some of its clients in its capacity as a broker to foreign investors. Senior counsel Janak Dwarkadas, who appeared in the matter on behalf of Citi, on Monday argued that the underlying trades purchased by the foreign bank had come up for expiry in June and failure on the part of a broker (Allied) shouldn’t impact this settlement. An email sent to Citi's spokesperson seeking comments remained unanswered. IL&FS's lawyers on Monday argued that Allied Financial Services fraudulently carried out the transaction by providing mutual fund units as securities which were originally owned by its clients Dalmia Cement (Bharat) and OCL India. If these trades are not annulled and come up for settlement, IL&FS will be liable to pay ₹380 crore out of its own pocket as margins for the trade. The division bench of SAT including presiding officer Justice Tarun Agarwala, member CKG Nair and judicial member Justice MT Joshi reserved the order after hearing the arguments. The liability of paying fresh margins for the option trades remains the main contention in the case. In cases where brokers default, their custodians are required to pay the margins. If the custodian also defaults, the shortfall has to be borne out of investor protection funds. Hence, if the trades are not annulled and IL&FS also defaults on the margins, money from investor pooled funds has to be used. However, such a default by IL&FS could lead to regulatory action. The matter has also brought forth some grey areas in the current regulations on trade annulment. Sebi has traditionally maintained distance from cases involving trade annulment. Regulatory sources said Sebi is not keen on trade annulment since it could set a bad example in the markets. Even the current regulations on trade annulment vest large powers on stock exchanges and clearing corporations in such matters.

Dated: Jul 02, 2019

- **One BKC Developer Radius Defaults On Interest Payments:**

The slowdown in the non-bank lending industry continues to haunt real-estate companies. Mumbai-based Radius Developers has defaulted on scheduled interest payments on a Rs 1,200-crore loan to private lender Yes Bank, two people aware of the development told ET. The company, which has delayed interest payments by 45-60 days, has exposure of about Rs 5,500 crore to the banking system. “The Radius Developers account is currently in the SMA-2 category and it has delayed interest payments of Rs 30 crore,” said an official familiar with the matter. “We have made requisite
provisions on the account if they don’t pay before the 90-day period.” A Radius Group spokesperson told ET that the company will be paying the interest component of Rs 30 crore to Yes Bank by July 5. The Radius Group project that Yes Bank had funded is located in Chembur, a sprawling northeast Mumbai suburb. The development has been delayed by about four years due to want of environmental clearances. The developer had got into an agreement with a prominent NBFC last year to sell a part of the project at a lower rate for Rs 360 crore. But just after the IL&FS crisis squeezed the flow of funds to NBFCs, the non-bank lender called-off the deal putting the developer in lurch. Real-estate developers have been facing a funding freeze owing to debt repayment worries at IL&FS group companies, Dewan Housing Finance and the Zee Group, with financing costs at NBFCs rising to record highs. Spreads on top-rated five-year bonds of Indian non-banking lenders rose 70 basis points in just one year. The Piramal Group, considered among the growth leaders in the non-bank lending industry, is also struggling due to the current cash crunch in the real-estate sector because of its heavy builder loans. ET had reported on April 29 that real-estate funding was undergoing a major change with banks and home financiers focusing on the quality and liquidity of assets instead of indiscriminate lending that had previously helped inflate their loan books. Some bankers are also insisting on rental income from finished commercial projects as collateral in lieu of lower interest costs. Developers need to pay nearly Rs 1.29 lakh crore 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 Liases Foras. Experts say that rolling over loans and tapping into private equity funds will be a struggle for all but the most established builders. With the banking sector in doldrums, the risk of a potential crisis involving wary lenders and troubled developers has increased. The liquidity crunch has worsened the outlook for property companies that have been battling declining home sales, mounting inventories, and falling prices.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/one-bkc-developer-radius-defaults-on-interest-payments/articleshow/70034728.cms
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• **PwC Exits Put Auditors, Banks, Rating Cos In A Fix:**

The exit of Pricewaterhouse Coopers (PwC) as the auditor of Eveready Industries, Reliance Capital, Reliance Infra and Reliance Home Finance after differences over the books has increased pressure on rival firms, rating agencies and banks to take a quick decision on companies with dodgy accounting. With June quarter results coming up, many audit firms that have a difference of opinion with managements over the numbers are in a quandary should they resign or heavily qualify their audit reports? The PwC move comes in the backdrop of the profession running into a rough patch after the auditors of Infrastructure Leasing and Financial Services failed to issue warning of a shock default that set off a liquidity crisis and roiled the financial markets. With earnings due shortly, the auditors don’t have much time, experts said, adding that PwC’s use of what’s seen as the weapon of last resort has jolted the industry. Following PwC’s departure, all the companies concerned have replaced it with an Indian auditor, not a Big Four firm (Deloitte, KPMG, EY or PwC). PwC’s questioning of intracompany transactions will force the rating agencies
to reconsider their ratings while banks will have to take another look at assessments. “Each player in the ecosystem has to do its part well for improvement of governance,” said JN Gupta, founder of proxy advisory firm Stakeholder Empowerment Services (SES). “The problem is that no one wants to be different. Each one wants to conform to the existing norms. Now, they are all acting out of fear.” Some experts said the move may burnish PwC’s image following a ban on the company by Sebi over the fraud at Satyam Computer Services, where it was the auditor. The ban has been stayed pending its appeal before the Supreme Court. “The firm wants a clean slate to build a quality long-term business and it’s willing to take tough decisions towards that end. It may take us longer but we want to grow the business the right way,” said an insider who is not authorised to speak to the media. However, PwC’s own client acceptance policies are also under question. PwC did not respond to questions from ET. Deloitte and KPMG network firm BSR & Co face the prospect of a ban over their role in IL&FS while EY firm SR Batliboi & Co has been banned by the RBI for lapses in a statutory audit. Some leading auditors have started forensic checks over possible corporate governance wrongdoing. “This is being done without the knowledge of the companies. People are being sent on the ground to see if the projects even in cases where end-use certificates are there — are actually on track, among other things,” said a forensic partner with a major firm. In most cases, auditors rely on bank certificates and other documents provided by the company and their advisors to carry out certain entries. However, in the case of IL&FS Financial Services, the auditors are accused of not cross-checking the on-ground status of certain infrastructure projects. The Indian auditing firms are also being cautious. “Even smaller firms are being more careful. No qualification is small enough to be missed,” said Neeraj Bhagat, CEO, Neeraj Bhagat & Co. More auditors are likely to jump ship. “Auditors do not have the wherewithal to deal with criminal proceedings initiated like in the case of IFIN and this has really spooked several mid-level executives in audit firms. Many more resignations may be rendered in during the next few months,” said an audit head in one of the top six firms. The role of a joint auditor, where present, is also being questioned in the PwC cases. Why didn’t the joint auditor have doubts about the accounts? The role of independent directors in these companies is also open to scrutiny — what was their position on the accounts? “For many auditors, the risk-reward ratio doesn’t make sense. The regulators have to distinguish between cases where auditors are helping promoters manipulate accounts and perpetuating the fraud,” said Suresh Surana, managing partner at RSM.

Queues Get Longer As ATM Numbers Shrink:

With currency in circulation surging to a new high and the number of ATMs shrinking
over the past two years, the average usage of ATMs is on the rise. From the low of 105 transactions a day recorded after the demonetisation in April 2017, average daily transactions have gone up to 130 in April 2019. What has also contributed to the increase in average usage of ATMs is the fact that banks are issuing more debit cards. In April 2017, at the end of the demonetisation process, the number of debit cards stood at 78 crore. This went up to 88 crore in April 2019. Bankers point out that after ATM regulations were tightened, several banks found it economical to be net issuers and pay the transaction charges of Rs 15 to other banks for use of their ATMs. For the week ended June 14, 2019, currency in circulation stood at Rs 22.19 lakh crore—a year-on-year increase of 13%. In April 2017, the amount was Rs 14.17 lakh crore. Given that ATM usage is picking up in Tier II and Tier III towns, where rents are low, the viability of ATMs has gone up. Another development that is expected to boost ATM usage is the activation of the Pradhan Mantri Jan Dhan Yojana accounts. While these accounts were opened three years ago, many of them are now getting funded thanks to the PM-Kisan scheme that credits Rs 2,000 every quarter into the accounts of low-income farmers. Currently, the total number of ATM withdrawals in a month is less than the total number of debit cards in circulation. As against the 88 crore cards, the total monthly withdrawals are 80.9 crore—an average of 0.9 transactions per card. The average monthly withdrawal per account stands at Rs 3,214. According to Mani Mamallan, founder chairman of Electronic Payment and Services, India has a long way to go before ATMs reach saturation level, considering that the average ATM per one lakh adults in India is around 22, which is half the global average. “In China, despite advances in digital payment, there are three more ATMs than in India,” said Mamallan. The parliamentary standing committee on finance has expressed concern that there are just not enough ATMs being installed or added to cater to the rising demand for cash in an expanding economy, even as more and more debit cards are being issued and a large number of Jan Dhan accounts are opened by banks. One of the reasons banks are reluctant to deploy more ATMs is that the RBI has recently made security norms more stringent. These are expected to increase the cost handling cash. According to Mamallan, one way of improving efficiency in cash handling is to install cash-recycling machines instead of ATMs when they come up for replacement. Cash-recycling machines can accept deposits and credit them instantly to the account. Also, the cash is made available instantly for withdrawal.
• **RBI Fines 4 Bank, Including PNB For Violation Of KYC Norms:**

The Reserve Bank of India (RBI) has imposed a penalty of Rs 1.75 crore on four public sector banks, including PNB and UCO Bank, for non-compliance with KYC requirement and norms for opening of current accounts. Punjab National Bank, Allahabad Bank and UCO Bank have been fined Rs 50 lakh each, while a penalty of Rs 25 lakh has been imposed on Corporation Bank. Giving details, the RBI said the penalty has been imposed for non-compliance with certain provisions of directions issued by it on Know Your Customer norms or anti-money laundering standards and opening of current accounts. The action, however is based on the deficiencies in regulatory compliance and is not intended to pronounce upon the validity of any transaction or agreement entered into by the banks with their customers, the RBI added.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-fines-4-bank-including-pnb-for-violation-of-kyc-norms/articleshow/70046294.cms
Dated: Jul 02, 2019

• **Number Of Bank Frauds Declines To 6,735 In 2018-19, Finance Minister:**

The bank fraud incidence involving over Rs 1 lakh has declined to 6,735 in 2018-19 as compared to 9,866 in the previous fiscal, Parliament was informed Tuesday. During 2018-19, as many as 6,735 incidences of fraud occurred with financial implication Rs 2,836 crore as compared to 9,866 such activities involving over Rs 4,228 crore a year ago, Finance Minister Nirmala Sitharaman said in a written reply to the Rajya Sabha. Occurrence of frauds was enabled by lack of discipline in the financial system and a lax credit culture, she said. “Earlier, credit culture and discipline in the financial system was lax across various stakeholders. Shell companies for layered operations to siphon off funds, control of assets and continued access to funds despite default or being a fugitive abroad, non-availability of passport details and powers to issue look-out circulars with banks, and lack of assured checking for wilful default and fraud in high-value NPA cases, all led borrowers to believe that they could get away with default, wilful default or even fraud,” she added. The role of bankers too was also not as rigorously examined earlier, and auditors were not independently regulated, the minister noted. Through extensive reforms, change in credit culture has been instituted and discipline tightened for every stakeholder in the financial system, which has enabled a decline in the occurrence of frauds, Sitharaman said. The minister also said the RBI has issued comprehensive instructions in respect of security and risk mitigation measures related to electronic or digital transactions, including steps for securing card transactions like online alerts for all transactions, certification of merchant terminals, and conversion of all existing magnetic strip cards to EMV chip and PIN cards. Replying to another question, the finance minister said the ratio of gross non-performing assets (GNPA) to gross advances of banks as on March 31 of 2017, 2018 and 2019 (provisional data), were 9.3 per cent, 11.18 per cent and 9.08 per cent, respectively. Public sector banks have been recapitalised by Rs 3,19,497 crore during the last five financial years from 2014-15 to 2018-19, including recapitalisation of Rs 1,30,225 during financial year 2018-19, she said. Over the last four financial years, the
minister said, PSBs were recapitalised to the extent of Rs 3.12 lakh crore, with infusion of Rs 2.46 lakh crore by the government and mobilisation of over Rs 0.66 lakh crore by themselves. Replying to a separate question, Sitharaman said, the RBI has powers under other laws as well, which include, the power under section 12 of the Foreign Exchange Management Act, 1999 to inspect for compliance with the Act and rules etc made there under. The RBI also maintains that the Central Repository of Information on Large Credits (CRILC) on aggregate fund-based and non-fund-based exposures of Rs 5 crore and above of all banks, she said. Further, she said, the RBI maintains the Central Fraud Registry and banks report all frauds involving amount above Rs 1 lakh to the apex bank. In addition, the RBI’s master directions on frauds lay out guidelines on categorisation, reporting and review of frauds, along with norms for consequent provisioning, she said. “The powers of RBI are wide-ranging and comprehensive to deal with various situations that may emerge in all banks, including public sector banks. The improvement in regulatory functioning being an ongoing process, Government engages with RBI and discusses issues as they evolve,” she said. In reply to another question, the finance minister said Asian Infrastructure Investment Bank (AIIB) has approved seven projects in India for an amount of USD 1.91 billion as of now.

Dated: Jul 02, 2019

• **Banks Expect Adlabs Resolution Before Sept Outside NCLT:**

The Union Bank-led consortium of 13 banks is hopeful of finding a resolution for their Rs 1,100-crore exposure to Adlabs Entertainment before September outside the NCLT either by selling their distressed loans to ARCs or finding an investor, two sources familiar with the development said. The bankers, however, are more hopeful and keen on selling their loans to asset reconstruction companies, and a loan auction is likely to begin shortly, said the sources. It can be noted that while Tourism Finance Corporation had moved the Mumbai NCLT last September to recover its Rs 46 crore dues from the company, state-run Corporation Bank had filed for bankruptcy in early June to recover its Rs 80-crore loan. However, the bankruptcy tribunal has not approved both these pleas as 11 other banks are not keen on a bankruptcy process. This has renewed the hope of other 11 lenders to find a resolution, said a banker. The bankruptcy laws demand 75 percent of the lenders consent for a plea to be admitted for insolvency proceedings. Apart from Union Bank, Adlabss bankers include Bank of Baroda, Indian Overseas Bank, Bank of India, Central Bank, Syndicate Bank, Punjab & Sindh Bank and Jammu & Kashmir Bank among others. The lenders to the Manmohan Shetty-owned company that runs the countrys first theme park Imagica near here on the Mumbai-Pune Expressway along with a 5-star hotel are at advanced stage of discussions for an out-of-court settlement, which includes selling their loans to an ARC or finding a financial investor a buyer for a majority stake from the popular Hindi film producer Shetty who owns 32 percent in the firm. The rest of the stakes in the company are with the public. We are in the process of soliciting consent from other 11 banks to sell our loan exposure collectively to an investor or an ARC, said the banker cited above. When contacted a senior official at Union Bank, which is the lead lender with an exposure of Rs 240 crore to the company, confirmed
to PTI that “they are at an advanced stage of discussions with all interested parties,” but refused to share details. Adlabs refused to confirm or deny the developments, saying, the management is in active conversation with the lenders to find a resolution outside the bankruptcy tribunal. There have been reports that asset reconstruction company Arcil has expressed interest in taking over the debt. In fact, Arcil along with its hedge fund partner Avenue Capital has submitted a proposal to the creditors to take over the stressed loans. Union Bank had in January appointed financial consultant BDO to advice it on the loan sale, while the company has roped in Imap India to advise it on a debt resolution. Another source said the company is in negotiations with some financial investors led by Shaan Agro & Reality India which already owns a 7.85 percent in Adlabs. Another investor who has shown interest is Catalytic Solutions & Management Services, floated by Ashutosh Maheshwari, who was earlier with Rabobank and Motilal Oswal. This consortium is keen on rescuing the company, though it isn’t yet clear whether it would buy the remaining equity or partner with Shetty for a one-time settlement with creditors, the source said. Apart from the theme park spread over 130 acres at Khopoli and the 287-key Novotel hotel nearby, Adlabs has a 204-acre land parcel nearby which it has been trying to sell for long but landed in a legal tangle. The Imagica runs a waterpark, an indoor snow-based theme park and Bollywood theme park apart from rollercoasters. The Novotel hotel is 70 percent-owned by Paris-based hotel chain operator Accor group. In FY18 it had signed a term sheet with big bull Radhakishan Damanis Bright Star Investments for the hotel, along with a 6.1 acre underlying land and an additional 2.9 acres for over Rs 215 crore, but the deal did not go through as banks refused to give their consent for the deal. The Adlabs counter closed 2.34 percent up on the BSE at Rs 5.25 as against a 0.33 percent gains on the benchmark.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/banks-expect-adlabs-resolution-before-sept-outside-nclt/articleshow/70043950.cms
Dated: Jul 02, 2019

- **Bank Employees Seek PM’s Attention To Pension Demand:**

Public sector bank employees have knocked at the doors of Prime Minister’s Office renewing their long-pending demand for pension update. They have raised the pitch following the government’s decision to clear the pension issues for Reserve Bank of India earlier this year. The employees have been demanding pension update as part of their bipartite wage talks with the Indian Banks’ Association (IBA), which represents bank management, but it has always been turned down. IBA has pegged the cost of updating pension in PSBs at Rs 95,000 crore and said that banks, which have been under severe stress with mounting bad loans, won’t be able to handle this burden. Pension for PSB employees has not been updated since 1996, union members alleged. “We seek your help in resolving our pension issues. The basic fact is that pension scheme in PSBs is exactly the same as RBI pension scheme, with similar rules & regulations,” bank employees union flag bearers said in a letter addressed to Nripendra Misra, principal secretary to the Prime Minister. The government had initially refused to budge to RBI employees’ demand, stating contingent effect resulting in similar demands from public sector banks. “But RBI pension has been updated with effect from March 1 this year – this is our demand also,” they said. The financial cost of updating pension in RBI is Rs 858 crore.
while the central bank's pension corpus is about Rs 12,000 crore. Now, RBI pensioners are entitled to get a notional rise of 10% plus dearness allowance with each of the three wage revisions in 2002, 2007 and 2012. This would result in an overall rise in basic pension by a factor of 3.63 for pensioners who retired before November 2002. The pension corpus of public sector banks was at about Rs 171418 crore, which is 14.28 times of RBI's pension corpus, union members said.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/bank-employees-seek-pms-attention-to-pension-demand/articleshow/70044417.cms
Dated: Jul 02, 2019

- **CBI Cracks Down On Bank Fraud Scams In Nationwide Searches:**
  The Central Bureau of Investigation (CBI) launched a massive crackdown across India on Tuesday, even as probe agencies continued to grapple with cases of banking fraud. “In a countrywide action relating to bank fraud scams and cases, the CBI is conducting a special drive today and has begun searches at more than 50 places across 18 cities in 12 states and Union territories,” a CBI spokesperson said in New Delhi. The probe agency conducted searches across Delhi, Mumbai, Ludhiana, Thane, Valsad, Pune, Palani, Gaya, Gurugram, Chandigarh, Bhopal, Surat and Kolar, and made a recovery of ₹640 crore. The move comes a year after the Rs.14,356-crore scam involving Punjab National Bank became the focus of both the CBI and the Enforcement Directorate (ED). More than 6,800 cases of bank fraud worth Rs. 71,500 crore have been reported in 2018-19, according to the Reserve Bank of India. Diamantaires Nirav Modi and Mehul Choksi have been in the eye of the PNB-scam. The CBI and the ED are now pushing for their extradition from the UK and Antigua, respectively. The CBI, in the course of Tuesday’s crackdown, had already filed 14 cases against “various companies and firms, their promoters and directors and bank officials”. The probe agency said “further details” would be furnished once it wraps up the drive. The companies facing action following Tuesday’s searches include Mumbai-based Winsome group, which is linked to absconding diamond merchant Jatin Mehta, and Tayal group’s Eskay Knit, the Delhi-based Naftogaz and SL Consumer Products Ltd, besides Punjab-based International Mega Food Park Ltd and Supreme Tex Mart, the CBI spokesperson added. The CBI also carried out searches on Monday across 22 locations in West Bengal, including the premises of directors and promoters of Newland Agro Industries, as part of an ongoing probe into a ponzi scam case. The probe agency searched the residence of the managing directors and other employees of Newland Agro Industries. The company and 11 of its officials were booked in May 2017 on the orders of the Supreme Court, which had directed the agency to probe all companies allegedly involved in the ponzi scam, which were till then being probed by a special investigation team of West Bengal.

Dated: Jul 02, 2019

- **Singals Set Up Companies To Divert Funds, SFIO Chargesheet:**
  The Serious Fraud Investigation Office (SFIO) has recommended action against nine bankers three from State Bank of India and six from UCO Bank in the Bhushan Steel Ltd (BSL) case for failing to raise red flags and causing the loss of public funds. It
had filed a 70,000-page chargesheet against 284 individuals and entities on Monday. The chargesheet cites fund diversion of Rs 45,818 crore, wrongful loss to banks and financial institutions of Rs 20,879 crore and wrongful gains by the ex-promoters of Rs 3,500 crore. Tata Steel acquired the company earlier this year after it went bankrupt.

In the prosecution complaint filed before a special court in Dwarka in New Delhi, the agency also alleged that the statutory auditors “connived” with the ex-promoters. The audit committee members “just stamped” through the financials without stressing qualifications made in the audit reports, it said. The probe also revealed that 157 companies were floated by the accused ex-promoters Brij Bhushan Singal and Neeraj Singal allegedly for purchasing properties used as “conduits” for diversion of funds. According to the SFIO, Bhushan Energy Ltd (BEL), an associate company of BSL that availed of a loan of about Rs 2,500 crore, was allegedly fully dependent on BSL. “Funds were diverted from BSL to this company for onward transfer to other dummy companies,” said the chargesheet, a copy of which ET has seen. The SFIO is the investigative arm of the ministry of corporate affairs (MCA). Of the 157 companies, 62 were allegedly incorporated by the accused ex-promoters and the funds received in these companies were either diverted to purchase property or invested as promoter equity in the form of preference shares in BSL. Of the total, 85 companies were used for supplying manpower or diversion of funds from BSL and eight were allegedly used as “conduits” for diversion of funds when it was undergoing bankruptcy resolution. “Affairs of these companies were managed by entry operators who were also providing services of dummy directors and authorized signatory,” said the prosecution complaint, equivalent to a chargesheet. “The two were actually ‘controlling mind and will’ of the accused 157 companies. The mens rea (guilty mind) of committing the fraudulent offence is attributed to Brij and Neeraj Singal who are ‘directing mind and will’ of these entities... which has caused wrongful loss to banks and financial institutions amounting to Rs 20,879 crore and wrongful gains to the ex-promoters and their family members to the tune of around Rs 3,500 crore.” The chargesheet alleged that the accused ex-promoters along with others charged by the agency failed to disclose vital facts in the financials of BSL and BEL for more than 10 years, ultimately leading to insolvency proceedings. The SFIO elaborated on how the accused misused letters of credits (LCs). BSL used to open LCs with any of the consortium lenders to avail of non-fund based limits against pro forma invoices, purportedly for the supply of goods either by Jindal Steel Works (JSW) or Hindustan Zinc Ltd (HZL). “These pro forma invoices submitted by BSL were false. Thereafter either on the same day or within a day or two, the LC used to be presented at the discounting banks accompanied by specified false documents. On the strength of the documents, LCs were discounted by the banks and funds were purportedly released in the accounts of JSW or HZL,” the chargesheet stated. “Investigation has revealed that the accompanying documents were fabricated by officials of BSL and the account numbers of BSL were mentioned in the request letters against the name and title of JSW and HZL, thereby ensuring that the funds were actually transferred in the accounts of BSL itself.” The SFIO alleged that this was BSL’s modus operandi to divert public funds of Rs 45,818 crore during the period between 2013-14 and 2016-17. “LCs to the tune of Rs 3,204.09 crore finally devolved, thereby causing wrongful loss
to State Bank of India and Punjab National Bank,” it added. These LCs issued by different banks were negotiated by SBI and UCO Bank. "Examination of bank officials of these banks established that they failed to discharge their duties at the time of discounting the LCs by not adhering to the system, procedure and guidelines issued by their banks and RBI thereby causing loss of public funds," it stated. On the bankers, the chargesheet said they failed to warn about the negligible period between issuance of LCs and the presentation of letters seeking funds. “The accompanying transport documents were not verified despite not being issued by IBA (Indian Banks' Association) approved transport companies, credential of the documents related to LCs like the lorry receipts etc. were not verified, the negotiating bank had not sent any confirmation letter to the beneficiary after discounting of the bills under LCs,” it said. “UCO Bank had sanctioned discounting limit to Rs 1,000 crore to JSW and Rs 500 crore to HZL without their knowledge and also discounted bills under LCs to the extent of Rs 20,279 crore, failed to provide the supporting documents pertaining to establishing sanctioning limits of JSW and HZL as purportedly, the file containing the branch recommendation for sanctions to JSW and HZL couldn’t be traced.” On the auditors, RK Mehra, partner, Mehra Goel & Co, who audited the books of BSL between FY14 and FY17 and MP Mehrotra, partner, Mehrotra & Mehrotra, which did so between FY16 and FY17, the chargesheet stated that they “colluded” with the ex-promoters and did not bring to bear their professional acumen to ensure disclosure of “true and fair state of affairs,” the SFIO said. “They proceeded to audit the financial statements without verifying the reasons why funds were being rotated in the (dummy) companies in a short span of time when the companies had no substantial business activities,” the chargesheet said. “In furtherance of criminal conspiracy (they) had falsified the accounts and the company’s record on various occasions to give it a colour of routine business transaction.” The agency has recommended action against the auditors under sections of the Companies Act dealing with fraud.

**Source:** https://economictimes.indiatimes.com/industry/banking/finance/banking/singals-set-up-companies-to-divert-funds-sfio-chargesheet/articleshow/70050179.cms

**Dated: Jul 03, 2019**

- **RBI Draining Cash, Dashes Hopes Of More Debt Purchase:**

  Indian bond traders who were expecting the central bank to keep the cash spigot open may have to rework their calculations. The Reserve Bank of India will hold a reverse repo auction of 250 billion rupees of 63-day duration on Wednesday, the first such move
to use the tool for a longer duration to drain cash. It will hold additional rounds if needed, the central bank said late Tuesday evening. “The market will read it as no open-market operations by the RBI for now,” said Naveen Singh, head of fixed-income trading at ICICI Securities Primary Dealership in Mumbai. While the cash removal isn’t expected to immediately make a dent, thanks to the easy liquidity conditions, investors are concerned that the reduction in debt purchases by the central bank would remove a key support at a time when the government plans to borrow a record 7.1 trillion rupees this fiscal year, Singh said. The RBI bought a record 3 trillion rupees of debt in the year ended March, helping cool bond yields, and has since spent a further 500 billion rupees on such purchases. It also introduced a forex swap tool to inject rupee liquidity as an alternative to debt buys. Slowing economic expansion and a widening shadow banking crisis have led to calls for more liquidity, leading to some traders speculating that the RBI will move to a reverse repo mode, pulling inter-bank rates lower. “This seems to be a way to exert greater control in rates out to the three-month tenor,” said Eugene Leow, a rates strategist at DBS Bank in Singapore. “It is probably needed in order to handle the liquidity surplus that has been built up over the past few weeks.


Dated: Jul 03, 2019

• HC Seeks RBI Response Regarding PayPal’s Credibility:
The Delhi High Court on Wednesday asked the Reserve Bank of India (RBI), Enforcement Directorate (ED) and PayPal to file a reply to a plea alleging that the company PayPal was operating illegally in the country. A division bench of Chief Justice D.N. Patel and Justice C. Harishankar issued notices to RBI, ED and PayPal and slotted the matter for hearing on September 18. The court was hearing a plea filed by Abhi Mishra through his counsel Payal Bahl. The petitioner stated that PayPal Payments Pvt Ltd was not listed as an authorized operator as per the list of the ‘Payment System Operators’ authorised by the Reserve Bank of India to set up and operate in India under the Payment and Settlement Systems Act, 2007. The plea said that PayPal payment Pvt Ltd was unauthorized and was illegally operating in India as a Payment Systems in contravention of the Section 4 sub section 1 of the Payment and Settlement Systems Act, 2007. The section clearly mentioned that no person other than the Reserve Bank shall commence or operate a payment system except under and in accordance with an authorization issued by the Reserve Bank under the Act. Mishra further claimed that Paypal Payments Pvt Ltd was operating as a foreign exchange dealer in contravention of the Foreign Exchange Management Act. Paypal through its unauthorized operation in India as a Payment and Settlement System has unmonitored and unauthorized access to the personal information such as Aadhaar and PAN.


Dated: Jul 03, 2019

• Business Correspondents Seek Subsidy For PoS Terminals In Villages:
Business correspondents key agents in helping achieve New Delhi’s financial inclusion mandate have reached out to regulators for extending device-related subsidies in rural areas to FINTECH companies and non-
bank organizations. At present, only banks get federal money support for deploying point of sale (POS) devices in rural areas, a facility the lenders rarely utilize because of unfavorable cost economics. POS devices are swipe machines that accept debit card and credit card payments. These machines can be used as access points in rural areas for services such as cash withdrawal and biometric transactions on accounts linked with Aadhaar. “We have had meetings with both Department of Financial Services (DFS) and the Reserve Bank of India on this matter. While the current mechanism is elegant where banks are incentivized for POS deployment in the hinterland, most banks are not in the business of payments and these funds end up being underutilised,” said Anand Shrivastav, chairman, Business Correspondent Federation of India. The current mechanism utilises the Centre’s Rs 230-crore Financial Inclusion Fund (FIF), which is managed by National Bank for Agriculture and Rural Development (NABARD). Under the subsidy scheme, rural and co-operative banks can avail 100% subsidies on the capital cost for deployment of these swipe machines in tier 5 and tier 6, while scheduled commercial banks can avail 80% of the device cost. NABARD did not respond to an emailed query. The stringent eligibility criteria and high logistic costs prevent banks from availing these subsidies, said a senior private sector banker. Further, the cost of operating these access points in rural areas, where volume and value of transactions are much lower than in urban centers, is not a viable business option for banks.

Dated: Jul 04, 2019

- **Banking Sector Performance Improved Due To Fall In Bad Loans In 2018-19, Economic Survey:**

The performance of banking sector has improved as bad loans declined in the last fiscal, but financial flows are constrained due to fall in money raised from capital markets and stress in the non-banking financial sector, the Economic Survey 2018-19 said Thursday. The monetary policy witnessed a U-turn over the last year. The benchmark policy rate was first hiked by 50 basis points (bps) and later reduced by 75 bps due to weaker than anticipated inflation, growth slowdown and softer international monetary conditions, the survey, tabled by Finance Minister Nirmala Sitharaman in Parliament, said. “The performance of the banking system has improved as non-performing asset (NPA) ratios declined and credit growth accelerated. However, financial flows to the economy remained constrained because of decline in the amount of equity finance raised from capital markets and stress in Non-Banking Financial Companies (NBFC) sector,” the survey said. As per the survey, the eco-system for insolvency and bankruptcy is getting systematically built out. It has already led to recovery and resolution of significant amount of distressed assets as well as palpably improved business culture. Liquidity conditions, however, have remained systematically tight since September 2018. According to the survey, the economy survey on issue of liquidity states that the situation on average moved in the deficit zone in the last two quarters of 2018-19 as well as in first quarter of 2019-20. On the performance of public sector banks (PSBs), the sector witnessed improvement during 2018-19 and the gross NPA ratio decreased from 11.5 per cent to 10.1 per cent between March 2018 and December 2018.
• **MSC Bank To Begin Infrastructure Lending:**

As own funds of the MSC bank have crossed Rs 4000 crore mark, it has decided to participate in infrastructure lending jointly with the commercial banks. “For the first time in the 108 years history of the bank, our own funds have crossed Rs 4000 crore mark. This makes us eligible to accept deposits from government and semi-government entities,” said Vidyadhar Anaskar, chairman of the Board of Administrators. “The own funds of Bank of Maharashtra as on March 31, 2019 were Rs 5739 crore. Our own funds are second highest, next to Bank of Maharashtra among the state’s banks. Hence, with permission of Nabard, we have decided to start infrastructure lending,” said Anaskar. MSC Bank is the apex co-operative bank of Maharashtra and chief lender to the state’s sugar industry. As Maharashtra’s sugar industry has been going through a tough phase, MSC bank has organised a Sugar Conference 2020 from July 5 to July 7 to address the emerging issues of the sugar industry. “We want to make our customers strong by helping them to grow their business so that we do not face NPAs,” said Anaskar.

• **Banks See Whopping 73% Spike In Frauds At Rs 71,543 Cr In FY19:**

Banks have reported a massive 73 percent increase in incidents of fraud worth Rs 71,543 crore in FY19, a senior Reserve Bank official said Thursday. Till March 2019, the top five, 10 and 100 cases of frauds cumulatively reported constituted 24 percent, 34 percent and 70 percent of all frauds, respectively, a chief general manager with the RBI Jayant Dash said. In FY18, the banks had reported frauds worth Rs 41,167 crore, he added. “Total value involved in these frauds reported by the RBI-regulated entities during FY19 amounted to Rs 71,543 crore as against Rs 41,167 crore during the previous year, which is a 73 percent jump year-on-year,” Dash told a CII event here. He said the distribution of reported frauds by banks follow a high pareto principle also known as 80/20 principle, which means 80 percent of the consequences come from 20 percent of the causes. The large value frauds worth Rs 50 crore and above, constituted about 1 percent of the fraudulent cases but amounted to three-fourths of the fraud losses, Dash said. Banks, on an average, report fraud loss of Rs 35,000 crore every year. “This does not take into account loss to investors and other financial and operational creditors, apart from the intangible losses to the system,” he said. The amount involved in frauds reported since FY15 stood at Rs 1,74,798 crore, constituting a whopping 211 percent of actual occurrence of frauds during the same period at Rs 82,959 crore, he said. Noting that corporate fraud is rarely a one-step operation, he said, “the most expensive frauds are committed by management teams who have the ability to override control systems and collude to cover their tracks.” Addressing the same event, Sebi executive director Anand Baiwar said there is a close link between corporate frauds and corporate governance. “Effects of good corporate governance can be seen in terms of improved operating results and enhanced market capitalisation,” Baiwar said.
State-Run Banks Should Be Freed Of Constraints, Shri Raghuram Rajan:

Public sector banks might perform better if they are freed from some of the constraints they operate under but such freedom typically requires distance from the government, says former Reserve Bank of India governor Raghuram Rajan. He is also of the view that there is no guarantee that privatisation will be a panacea. Much of the discussion on privatisation, he says, seems to make assumptions based on ideological positions. “Certainly, if public sector banks are freed from some of the constraints they operate under (such as paying above the private sector for low-skilled jobs and paying below the private sector for senior management positions, having to respond to government diktats on strategy or mandates, or operating under the threat of CVC/CBI scrutiny) they might perform far better,” he says. However, Rajan feels that such freedom typically requires distance from the government. “So long as they are majority-owned by the government, they may not get that distance.” Some private banks, according to him, have been poorly governed. “Instead, we need to recognise that ownership is just one contributor to governance and look at pragmatic ways to improve governance across the board. There certainly is a case to experiment by privatising one or two mid-sized public sector banks and reducing the government stake below 50 per cent for a couple of others, while working on governance reforms for the rest,” Rajan says. In this case, “rather than continuing a never-ending theoretical debate, we will then actually have some evidence to go on. Some political compromises will be needed to allow the process to go through, but so long as the newly privatised banks are not totally hamstrung in their operational flexibility as a result of these compromises, this will be an experiment worth undertaking”, he argues. Rajan has put forth these views in a book titled “What the Economy Needs Now” which he has edited along with fellow economists Abhijit Banerjee, Gita Gopinath and Mihir S Sharma. Agriculture, according to Rajan, needs serious attention but not through loan waivers as such measures only vitiate the credit culture. He lists lending targets and compulsory loan waivers among the more dangerous mandates. “Uncompensated government mandates have been imposed on public sector banks for a long time. This is lazy government - if an action is worth doing it, it should be paid for out of budgetary resources. Mandates also are against the interests of minority shareholders in public sector banks,” he writes in the book, published by Juggernaut. According to Rajan, government-imposed credit targets are often achieved by abandoning appropriate due diligence, creating the environment for future NPAs. “Loan waivers, as the RBI has repeatedly argued, vitiate the credit culture and stress the budgets of the waiving state of central government. They are poorly targeted, and eventually reduce the flow of credit,” he writes in the book “Banking Reforms”. “Agriculture needs serious attention, but not through loan waivers. An all-party agreement to this effect would be in the nation's interest.” Rajan also feels that the banking system is overburdened with non-performing loans. “This means that they find it difficult to grow their new lending to industry, and growth suffers.” He suggests that the government should keep its banks well capitalised, conditional
on improvements in governance and management efficiency. “This is simply good accounting practice, for it prevents the government from building up contingent liabilities on bank balance sheets that a future government will have to pay for,” he writes.

Dated: Jul 04, 2019

- Corporate Affairs Ministry Wants SFIO To Share Bhushan Steel Report With CBI:

The ministry of corporate affairs (MCA) has directed its Serious Fraud Investigation Office (SFIO) to make a detailed reference to the Central Bureau of Investigation (CBI) indicating the names of all bank officials who were prima facie involved in the Bhushan Steel (BSL) case. This, after the probe into the affairs of BSL has purportedly revealed that banking fraud was committed by ‘suppressing material facts’ to the Reserve Bank of India (RBI). The ministry has also ordered the SFIO to share the report with the Department of Financial Services (DFS) so that the ministry can initiate disciplinary action against the bank officials responsible for management fraud, the order reviewed by ET reads. The order has also recommended that SFIO initiate action for disgorgement of assets of accused ex-promoters Brij Bhushan Singal and Neeraj Singal and their associated companies by initiating proceedings before NCLT and seek interim orders for freeze on movable and immovable properties including bank accounts/lockers and jointly held properties including lockers and final relief for disgorgement of frozen assets against all the accused ex-promoters, directors, statutory auditors and bankers. Earlier this week, the SFIO filed a 70,000-page charge sheet against 284 individuals and entities including nine bankers three officials from the State Bank of India (SBI) and six from the UCO bank for allegedly failing to raise red flags and causing loss of public funds. The probe has revealed that the BSL opened letter of credits (LCs) and submitted fake documents through which it managed to divert public funds of Rs 45,818 crore between 2013-14 and 2016-17. The order states that the RBI had asked BSL to conduct a forensic audit, however, the banks submitted their responses to RBI seeking closure of forensic audit allegedly by suppressing material facts.

Dated: Jul 05, 2019
**Personalized Loans Changing The Way Banks Market Their Loan Products Brand Story By Yes Bank:**

Experience is the new product in the financial industry that is going through hyper-personalization. How many times have you responded to a call offering a Personal Loan or an Auto Loan where the call center agent seems to be selling loans like vegetables, with knowledge only of the product and none about the customer? With years of direct unsolicited e-mails and mobile push campaigns, consumers turn disinterested even if they do need a loan. But why would anyone be disinterested if he's getting what he's looking for? The answer is experience. What starts as a useful conversation turns into a futile argument when the customer realizes the amount of documentation and amount required for availing those loan products. But what if the bank calls you only when they are sure that you're a qualified consumer to avail the loan? That'll mean you wouldn't have to go through a long process of documentation only to later realize that you can only qualify for the fraction of amount you were promised or worse still, not qualified for the loan at all! Consumers therefore are seeking meaningful insight and want to be understood as individuals, and they expect service based on their unique needs. Unfortunately, those needs are not being met by traditional financial marketing campaign methods. A relentless push for “Do you want this product of the month?” messaging does not build a relationship. Banks must strive to match the needs of a household by understanding a consumer's journey at every specific touch point in order to improve trust. Technology has slowly started to resolve these challenges to bridge the gap between the customer expectations and the bank's personalized offering. With the help of quality customer data that can typically be sourced from their employers, banks can create hyper-personalized loan offerings for each and every employee of an organization. For instance, YES BANK offers the Project BlueSky, an analytics driven process for pre-qualifying customers for loan products basis third party/alternate data. This is a dynamic analytical model wherein the pre-qualification model depends on the richness of the data quality. Some key data points which help in building a robust model include Profile-related information of the customer (salaried/self-employed etc.), Income related data (directly available or through imputation basis surrogate detail), Document detail (PAN/Aadhar etc), Address detail (pin code etc.). Basis the data available, the customer can be pre-qualified for single or multiple products along with the commercials. This model also helps in identifying the customer population and their propensity of consumption for a product and thus making any customer campaign more targeted. An Artificial Intelligence based approach gives every customer a personalized experience with exclusive loan offers catering to multiple needs across customer life cycle. For the consumer, these offerings come as a delight as these require minimal documentation and assured outcomes. Successfully interacting with consumers after all isn't only about product push – it's about understanding needs, building trust, and reinforcing relationships. This new customer-centric approach is a big shift from a product-centric one and allows banks to know when to sell and when to serve or even to decide when doing nothing at all is the best decision. The use of analytics thus allows banks to proactively initiate retention or sales conversations at the moment an issue may arise. Quicker the banks understand this approach, quicker
consumers will be able to get rid of those pesky calls that lead to nowhere and leave everyone frustrated.

Dated: Jul 05, 2019

• What Sitharaman’s Budget Had For India’s Banks:

In the Union Budget presented today, Finance Minister Nirmala Sitharaman announced a Rs 70,000 crore capital infusion into public sector banks in an effort to boost credit. She announced that there has been a record recovery of over 4 lakh crore of bad loans through IBC in the last 4 years, and that provision coverage has been the highest in the last 7 years. She also pointed out the smooth consolidation of public sector banks under Modi government, which she said should get credit for bringing a significant number of banks out of the prompt corrective action (PCA) framework. There was an announcement for bank account holders too, with Sitharaman saying that customers may get control over cash deposited by other into their accounts. In his February Budget speech, interim Finance minister Piyush Goyal had said that the government expected banks on RBI’s Prompt Corrective Action (PCA) list to soon turn the corner. Goyal’s budget, however, had not provided any allocation for recapitalisation of banks. As of late June 2019, five banks were still under the framework that imposes certain restrictions on lending. Banking giants such as PNB and Union Bank of India reported major losses in the last quarter. Loans worth Rs 17 lakh crore have been identified as NPAs since 2016. A humongous 80 per cent of these loans are held by public sector banks. Modi government recapitalised state-run lenders with Rs 1.6 lakh crore in 2018-19, the highest ever so far. The move helped five banks come out of the PCA framework. Officials say most Indian banks are currently well-provisioned (at around 75% or above). They also say a number of expected recoveries via IBC in the first quarter of this financial year will add to the profitability of banks. Earlier in June, the government had announced that it may infuse Rs 40,000 crore into public sector banks in 2019-20, which it said is expected to shore up their balance sheets, thereby enabling them to step up lending. Officials had said that the amount would be used to aid credit growth, besides helping weaker banks to maintain regulatory norms.

Dated: Jul 05, 2019

• Govt To Provide Credit Guarantee To PSBs To Buy NBFC Assets:

Non-Banking Financial Companies (NBFCs) play an important role in capital formation and the government will provide a one-time partial credit guarantee to PSBs to buy high-rated pooled assets of financially sound NBFCs, Finance Minister Nirmala Sitharaman said in the Union Budget 2019-20 on Friday. NBFCs are playing an important role in sustaining consumption demand as well as capital formation in small and medium industrial segment, she said in her maiden Budget Speech in Parliament. “For purchase of high-rated pooled assets of financially sound NBFCs, amounting to a total of Rs 1 lakh crore during the current financial year, government will provide one time six months’ partial credit guarantee to public sector banks (PSBs) for first loss of up to 10 per cent,” Sitharaman said. Also, even as NBFCs are regulated by the RBI, it has
limited authority over the sector, therefore appropriate proposals for strengthening the regulatory authority of RBI over NBFCs are being placed in the Finance Bill, the minister said. However, she said NBFCs that are fundamentally sound should continue to get funding from banks and mutual funds without being unduly risk averse. The NBFC sector is currently undergoing a liquidity hurdle with a spate of defaults of companies such as IL&FS along with its group companies and DHFL that started unfolding since September 2018. Among others, Sitharaman said the government will allow NBFCs to raise funds in public issues, and the requirement of creating a debenture redemption reserve (DRR), which is currently applicable for only public issues as private placements are exempt, will be done away with. As of now, NBFCs that do public placement of debt have to maintain a DRR and in addition, a special reserve as required by the RBI, has also to be maintained. “To bring more participants, especially NBFCs, not registered as NBFCs-Factor, on the TReDS platform, amendment in the Factoring Regulation Act, 2011 is necessary and steps will be taken to allow all NBFCs to directly participate on the TReDS platform,” she said. Sitharaman also said efficient and conducive regulation of the housing sector is important in India’s context. Currently, the National Housing Bank (NHB), besides being the refinancer and lender, is also regulator of the housing finance sector. “This gives a somewhat conflicting and difficult mandate to NHB. I am proposing to return the regulation authority over the housing finance sector from NHB to RBI. Necessary proposals have been placed in the Finance Bill,” the minister said. 


Dated: Jul 05, 2019

- **Govt Announces More Incentives For Businesses Embracing Digital Payments:**

In a bid to promote cashless transactions, the government Friday said businesses with annual turnover of over Rs 50 crore can offer low-cost digital modes of payments and no charges or Merchant Discount Rate (MDR) will be imposed on them or their customers. Presenting the Union Budget for 2019-20, Finance Minister Nirmala Sitharaman also said two per cent tax deducted at source (TDS) will be levied on cash withdrawals exceeding Rs 1 crore in a year from a bank account to discourage the practice of making business payments in cash. “...propose that the business establishments with annual turnover more than Rs 50 crore shall offer such low-cost digital modes of payment to their customers and no charges or MDR shall be imposed on customers as well as merchants,” she said. The Finance Minister said the Reserve Bank of India (RBI) and banks will absorb these costs from the savings that will accrue to them on account of handling less cash as people move to these digital modes of payment. MDR is a charge levied for facilitating a digital transaction and is generally distributed among various parties. “Necessary amendments are being made in the Income Tax Act and the Payments and Settlement Systems Act, 2007 to give effect to these provisions,” she noted. Sitharaman said there are several low-cost digital modes of payment available such as BHIM UPI, UPI-QR Code, Aadhaar Pay, certain debit cards, NEFT and RTGS that can be used to promote less-cash economy. She added that the government has taken a number of initiatives in the recent past to encourage digital payments and less-cash economy. “To promote digital payments further, I propose to take a slew of measures. To discourage
the practice of making business payments in
 cash, I propose to levy TDS of 2 per cent on
cash withdrawal exceeding Rs 1 crore in a
year from a bank account,” she said.

Source: https://economictimes.indiatimes.com/
industry/banking/finance/banking/budget-2019-govt-
announces-more-incentives-for-businesses-embracing-
digital-payments/articleshow/70089921.cms

Dated: Jul 05, 2019

• Balance Between Maximizing Profit And
Minimizing Time Needed In Resolution
Process:

As news regarding recapitalization of Public
Sector Banks (PSBs) and the need to improve
credit availability come to the fore, one
 crucial issue that is assuming increasing
importance is the need to maximize the
“time value of money” of loans by ensuring
faster resolution of credit issues. An effective
resolution of non-performing assets (NPA)
requires the balancing of two aspects of loan
recovery value maximization, i.e., a higher
recovery amount and a quicker recovery
process. In an ideal scenario, a lender would
wish to maximize the value of the loan
recovered, and yet achieve this in quick time.
However, in reality, the two factors usually
work in opposite directions. A focus purely
on maximizing the actual loan recovery
amount can lead to situations whereby the
length of time taken to resolve the NPA can
lead to a loss in value through “time value
of money”, a loss since the loan capital stuck
in an NPA is unavailable for productive use.
On the contrary, a rapid resolution without
paying heed to maximizing loan recovery
amounts leads to the lender not maximizing
the actual loan recovered. A balance
between the needs of maximizing loan
recovery values and minimizing loss of time
value of money is required. To elaborate
this trade-off better, one needs to weigh the
pros and cons of recovering 60 per cent of
an NPA in one year as opposed to recovering
80 per cent of the NPA in six years from
now. The capital recovered can be used
through lending it in the economy, thereby
boosting credit, investment, growth and job
creation. Further attention on the time value
of money aspect is essential in an Indian
case. The Financial Stability Report (FSR)
by the Reserve Bank of India (RBI) points out
that the gross NPA ratio was 9.3 per cent for
all banks as of March 2019 and is expected to
9 per cent by the end of the fiscal year 2019-
2020. The crucial question the FSR raises is
as to what steps need to be taken to equip the
banking system to head towards a quicker
resolution of NPAs. Bank recapitalizations
are useful to shore up bank balance sheets,
but both PSUs and the government need to
look into what mechanisms can assist in
creating transparent processes that allow for
expedited resolution of NPAs with a focus
on maximizing the time value of money. A
focus on a transparent process to expedite
resolution of bank loans is important because
in essence as mentioned above maximizing
time value of money will require a trade-
off in terms of reducing the recovery of
the notional loan amount. Merely waiting
to maximize loan recovery values without
paying heed to the time value of money
leads to situations whereby the impaired
capital structure of the business eventually
leads to value destruction of the assets and
the brand of the concerned company. The
Jet Airways bankruptcy saga is an example
of the trade-off between maximization of
loan recovery value and the importance of
maximizing time value of money. Enabling
and empowering PSUs to move swiftly
towards loan resolutions with an eye on
ensuring that an expedited resolution
process can help them recover partial
amounts of capital lent to the business can
significantly help NPA resolutions in India. Loan recovery when the business such as Jet Airways is a running entity with operations in full swing is relatively easier than when the company has stopped operating its assets and therefore has diminished the brand value. The focus on maximizing time value of money will be even more crucial for companies such as Jet Airways in the consumer-facing space without many fixed assets. Loan recovery from a company with a high fixed asset component will tend to yield higher returns when operations stop than for low fixed-asset businesses. That said, maximizing time value of money will be crucial for all. As PSUs eye recapitalization, a renewed focus on maximizing the time value of money through a flexible and transparent approach will do well to help increase credit flow. Banks will need to be empowered to truly push for credit growth through loan resolutions that do maximize the actual loan recovery balancing all aspects as opposed to theoretical loan values that may be recovered in the future.


Dated: Jul 06, 2019

• **DRT Asks Nirav Modi To Pay Rs 7,200 Cr To PNB:**

In fresh trouble for Shri Nirav Modi, the Pune bench of the Debt Recovery Tribunal (DRT) has issued a recovery certificate and has directed the fugitive diamantaire to pay over Rs 7,200 crore to Punjab National Bank (PNB) and others. On Saturday, the Pune bench of DRT, which also holds additional charge of Mumbai, passed an order in two cases filed by PNB. The presiding officer, Deepak Thakkar, has allowed the petitions filed by the PNB. The lender has filed one petition for the recovery of Rs 7,000 crore and another, on behalf of the lenders’ consortium, for recovery of Rs 223 crore. Nitesh Jain, partner of law firm Shardul Amarchand Mangaldas had argued the case on behalf of the lender. “Upon careful scrutiny and the examination of the Original Application, analyzing the evidence and giving due weightage to the documentary evidence adduced by the applicant, I am of the view that there is no reason to disbelieve the claim made by the applicant bank,” said the tribunal in its 114 page order. “In view of the observations hereinabove, the Original Application filed by the applicant deserves to be granted.” On July 2, the High Court of Singapore had ordered the freezing of a bank account belonging Modi’s sister and brother-in-law. On June 27, authorities in Switzerland had frozen four accounts belonging to Modi and his relatives as part of the criminal money laundering probe being conducted by the authorities in India. Modi, who is currently in a London jail along with his uncle Mehul Choksi, are wanted by the Enforcement Directorate and the Central Bureau of Investigation for allegedly defrauding PNB of Rs 13,400 crore. Currently, multiple investigation agencies, including the ED, the Serious Fraud Investigation Office, CBI, Department of Revenue Intelligence and the income tax department, are investigating the fraud. Choksi is contesting the case to restrain the government agencies from declaring him a fugitive economic offender under the newly enacted laws. The Fugitive Economic Offenders Act 2018 came into effect on April 21, 2018. Under the act, the court can order the confiscation of properties in respect of an application made by the ED under Section 4 of the act. The ED is empowered to provisionally attach such properties
PNB Reports Over Rs 3,805 Crore Fraud By Bhushan Power & Steel Ltd.: 

State-run lender Punjab National Bank on Saturday declared loan exposure of Rs 3,805 crore to bankrupt Bhushan Power and Steel as fraudulent. In a notice to exchanges PNB said it had reported the fraud to the Reserve Bank of India on the basis of forensic audit findings. “On the basis of Forensic Audit Investigation findings and CBI filing FIR, on suo moto basis, against the Company and its Directors, alleging diversion of funds from banking system, a fraud of Rs. 3805.15 crore is being reported by Bank to RBI,” Punjab National Bank said. The Rs 3,805 crore includes domestic exposure of Rs 3191.5 crore at the lender's Chandigarh Large Corporate branch, overseas exposure of Rs 345.74 crore at its Dubai branch and Rs.267.90 crore disbursed from its Hong Kong operations. The bank has already made provisions of Rs.1932.47 crore towards this exposure, it said. “It has been observed that the company has misappropriated bank funds, manipulated books of accounts to raise funds from consortium lender banks,” PNB said. “At present, the case is at NCLT which is in advance stage and the Bank expects good recovery in the account.”

NCLT Mumbai Asked To Pass Order On Insolvency Against Videocon Companies In 3 Weeks:

The National Company Law Appellate Tribunal (NCLAT) has directed the Mumbai bench of the NCLT to pass an order over the insolvency plea against 15 Videocon group companies within next three weeks. The NCLAT said that taking into consideration the nature of the matter, the National Company Law Tribunal (NCLT) Mumbai should pass an order within three weeks over the insolvency plea filed by banks. The NCLAT order came over the plea filed by the lenders, led by SBI and the Resolution Professional of the company. The lenders had pleaded that the NCLAT was yet to pronounce its judgement even as it reserved an order after the completion of arguments in January 2019. Observing that arguments in the matter have already been completed, a three-member NCLAT bench headed by Chairman Justice S J Mukhopadhaya asked the lenders to inform it, if the NCLT does not pronounce its order within three weeks time frame. “In the facts and circumstances consideration of process of 15 companies has already been raised and argued. Taking into consideration the nature of the matter, we direct the Adjudicating Authority (NCLT), Mumbai Bench to pronounce its judgment on an early date preferably within three weeks...,” said NCLAT. The appellate tribunal further said that it appears that even on April 16, 2019, when the matter was listed, order has not been pronounced. “If it is not pronounced within three weeks, the parties may bring this fact to the notice of this Appellate Tribunal,” said NCLAT in its order on July 4. The lenders informed the NCLAT that arguments have already been completed at the NCLT on January 25, 2019, and an order has been reserved and no judgement has been delivered till date. According to them, the fate of 15 companies is not decided because no order has been passed in the case. The Videocon group
companies owes over Rs 90,000 crore to a consortium of banks led by SBI.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/nclt-mumbai-asked-to-pass-order-on-insolvency-against-videocon-companies-in-3-weeks/articleshow/70114339.cms
Dated: Jul 07, 2019

• **State Banks In A Fix Over Proposed Hike In Minimum Public Holding:**

The budget proposal to raise the minimum public shareholding limit to 35% from 25% may be a stiff challenge for state-run banks. While this will impact over 1,000 companies with public shareholding less than 25%, state-owned companies could be hit the hardest, experts said. Among public sector units (PSUs), several state-run lenders have been in a precarious situation with repeated capital infusion by the government over the years pushing promoter holding way above 75%. Many banks have been given a time frame of two years from the time of breaching the norm to achieving compliance. In any case, banks with stressed finances are finding it difficult to raise capital from the market and bring the government holding down to below 75%. If the Securities and Exchange Board of India (SEBI) accepts the finance minister's proposal, these lenders may be in for a hard time. Moreover, the budgeted Rs 70,000 crore fresh government capital infusion into the banks will push the level of public holding even higher. “The purpose (of the budget proposal) is to widen the canvas of public shareholding—that is a very good move to broad-base the stocks and deepen the stock market,” said Allahabad Bank chief executive S S Mallikarjuna Rao.

As many as 15 out of 19 state-run banks have more than 75% promoter holding. As things stand, Sebi has allowed them two years to raise the public holding to 25% from the time the limit was breached. Seven of them including Andhra Bank, Corporation Bank and Indian Overseas Bank with over 90% government holding have the toughest task among all. “Government has large holdings in government banks which have further increased in the last 10 years, driven mostly by the need for government participation to drive policy and for social objectives,” former Reserve Bank of India governor Urjit Patel had said last month at an event in Stanford University. State Bank of India, in its post-budget analysis, observed that the minimum public shareholding requirements generally vary between 10% and 25% in certain developed securities markets, such as Singapore, the UK, US and Hong Kong.

Dated: Jul 08, 2019
**Demand For Minimum Wage Threshold For Bank Transfer:**

A demand to fix a minimum threshold for payment of wages of a worker into a bank account was made in the Rajya Sabha on Monday. Raising the issue through a Zero Hour mention, K S Elangovan (DMK) said wages higher than 10,000 or Rs 15,000 per month should only be credited to the bank account and any less than that can be paid in cash. This will help end the inconvenience caused to workers who have to go to far off places and stand in queues for withdrawal of their daily wages, he said. He cited the example of workers in tea gardens of Valparai in Tamil Nadu which has only three ATMs. The workers in Valparai, he said, have to forego a day's wage if they have to go to an ATM to withdraw their Rs 8,000 per month of salary. “Wages beyond a minimum threshold alone should be credited to bank accounts... may be Rs 10,000 or Rs 15,000 (per month),” he said. Surendra Singh Nagar (SP) asked the government to ensure that farmers in Uttar Pradesh get the price of the sugarcane they sell to sugar mills along with interest. He said about Rs 10,000 crore is due from sugar mills to farmers in the 2018-19 crop year. Besides there is another Rs 2,000 crore of interest on the principal due. Of this, 42 mills in western Uttar Pradesh have an outstanding of Rs 5,000 crore. He demanded the state government makes sure that the farmer is paid for his produce within 14 days, as prescribed by the statute, and interest be paid thereof. Vijay Dinu Tendulkar (BJP) sought a new law to restart mining in Goa, saying a ban on iron ore and other mining in the state has directly impacted 75,000 families associated with the business. Jairam Ramesh (Cong) raised the issue of “illegal” acquisition of 400 acres of common forest land by a company in the Aravali belt in contravention of Supreme Court orders of December 1996, December 2011 and March 2019 that had barred such transfer in the ecologically fragile area. He wanted the government to cancel illegal purchase made using power of attorney. Prashanta Nanda (BJD) raised the issue of vacancies in the Odisha central university. K J Alphons (BJP) raised the issue of suicide by a Nigeria-based NRI businessman due to alleged delays on part of local civic body in giving clearance to his Rs 18 crore state-of-the-art convention centre in Kerala's Kannur. Sajan Parayil, 49, hanged himself at his house on June 18. He said the NRI was made to approach the municipal corporation 19 times and the Anthoor Municipality chairperson at one point said he will not get the clearance as long as she held the post. He wanted the Centre to issue an advisory to all state governments to make it easier for doing business. Ram Nath Thakur (JD-U) wanted a direct train between Kota in Rajasthan and Jai Nagar in north Bihar for students, while Ajay Pratap Singh (BJP) wanted Bagheli language to be included in the 8th Schedule of the Constitution. Kota is a coaching hub in the desert state. Motital Vora (Cong) wanted an inquiry into alleged trafficking of children from West Bengal to Mumbai, while Vijay Pal Singh Tomar (BJP) wanted that an air strip at Meerut in Uttar Pradesh be converted into an airport for domestic air services.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rs-demand-for-minimum-wage-threshold-for-bank-transfer/articleshow/70125576.cms

Dated: Jul 08, 2019

**Deutsche Bank Trims Staff From NYC To Bengaluru, Careers End With An Envelope & A Hug:**

Summoned by HR to be handed a Deutsche Bank envelope, many of its staff across the world then left their desks for the last time.
on Monday, shown the door by their German employer within hours of a restructuring announcement. Deutsche Bank confirmed on Sunday that it was closing huge parts of its trading businesses, with staff in its equities division in Sydney and Hong Kong among the first to be told their roles would go. “If you have a job for me, please let me know,” said a banker leaving the Hong Kong office on Monday. Staff leaving in Hong Kong were holding envelopes with the bank’s logo. Three employees took a picture of themselves beside a Deutsche Bank sign outside, hugged and then hailed a taxi. “They give you this packet and you are out of the building,” said one equities trader. “The equities market is not that great so I may not find a similar job, but I have to deal with it,” said another. At the bank’s Wall Street office, staff impacted by the cuts were summoned to the cafeteria to learn of their fate. A notice inside the building’s lobby told staff the cafeteria would be closed until 11.30 a.m. EST. Hundreds of staff were informed during the meetings that their positions were being cut, sources within the bank told Reuters. They also received details of their redundancy packages. One source said staff could be seen saying their goodbyes to colleagues upon leaving the cafeteria. Speaking outside the bank’s office, one employee told Reuters the cuts had been anticipated for weeks. “People have been planning their next moves but it’s a tough market,” the person said, speaking on condition of anonymity. Another employee, who asked not to be named, said the bank held a short meeting in its auditorium at 9.30 a.m. EST to inform staff of the cutbacks. He said he was later handed an envelope informing him of his redundancy. The staffer said he and his colleagues had known the impending cuts were likely for the past couple of weeks. Deutsche Bank plans to close all of its equity trading business and cut some parts of its fixed income operations, in an overhaul expected to lead to 18,000 job cuts. Some of those roles will be cut immediately, while some staff will be kept on for longer while they help wind down operations. A few hours after the Hong Kong staff left, workers were seen leaving Deutsche Bank’s office in the City of London, which along with New York is expected to bear the brunt of the cuts, carrying similar envelopes. “I was terminated this morning, there was a very quick meeting and that was it,” said one IT worker, who left while Deutsche Bank chief executive Christian Sewing was inside the building doing a call with the media. Few staff wanted to speak outside the bank’s London office, but trade was picking up at the nearby Balls Brothers pub around lunchtime. “I got laid off, where else would I go,” said a man who had just lost his job in equity sales. The layoffs were going beyond the major financial centres. A Deutsche Bank employee in Bengaluru told Reuters that he and several colleagues were told first thing that their jobs were going. “We were informed that our jobs have become redundant and handed over our letters and given approximately a month’s salary,” he said. “The mood is pretty hopeless right now, especially (among) people who are single-earners or have big financial burdens such as loans to pay,” he added. Deutsche spokespeople in Hong Kong and London declined to comment on specific details about the number of departures, but said they would try to support people being made redundant. For those losing their jobs in equities, finding a new one could prove difficult, with the industry still grappling with higher costs from new European regulations on share trading. “The job market in equities is going to be very tough,” said George Kuznetsov head of research and analytics at Coalition, which analyses the investment
banking industry. “Our expectations if for equities sales and trading revenues falling 7-8% this year and that of course is going to put a lot of halts into the hiring across most of the brokers”. For Deutsche Bank staff whose jobs are safe for now, there was some relief, but also big doubts about the future. “The biggest question for us is where do we go from here if we don’t offer the whole suite of products? Will clients stick with us or is the game over?” said a Singapore banker who remains in his job.


Dated: Jul 09, 2019

• Government Wants Banks To Lower Interest Rate Spread To Bring Down Cost Of Capital:

The government is in favour of banks lowering their interest rate spreads which would help reduce the cost of capital and boost the economy, India’s principal economic advisor Sanjeev Sanyal said. The interest rate spread – the difference between deposit and lending rates – is significantly higher in India compared with global norms. Sanyal believes that the stage is set for banks to lower spreads, with the cleansing of balance sheets and increasing traction in recovery of bad loans through the bankruptcy process. “The insolvency and bankruptcy process is finally bringing the money back. As the system gets cleaned, banks will be able to lower rates. When the process begins, the vicious cycle will turn into a virtuous one,” Sanyal said Tuesday in Kolkata, on the sidelines of the AGM of the Indian Chamber of Commerce. He said that there has been a 600-basis point reduction in inflation over the last five-six years while lending rates have not come down commensurately. On interest rate transmission, RBI Governor Shaktikanta Das Monday said it used to take up to six months for an interest rate cut to be transmitted to consumers but things have improved lately. Niti Aayog Vice-chairman Rajiv Kumar said the target of achieving a $5 trillion economy by 2024-25 is doable, and the private sector would have to take the lead. “It cannot be done by the government alone,” Kumar said at the ICC event. Sanyal said that with inflation trajectory under control, corporates should get capital at lower real interest rate. “Now, we have anchored inflation and have seen this level for some time, it is now possible to lower the cost of capital,” he said, adding that about 90% of the fiscal deficit is on account of interest payment. So, the high cost of capital has been the primary concern for both the government and industry. At the fiscal level, the government has decided to borrow overseas where capital is cheaper.


Dated: Jul 09, 2019

• SBI Takes First Cue From RBI Governor, Lowers Lending Rates By 5 Bps:

A day after Reserve Bank governor Shaktikanta Das said he expects faster transmission of the three successive repo rate cuts, State Bank lowered its lending rates by 5 basis points across all tenors. The new rates, effective Wednesday, is the third reduction by SBI in this financial year havng cut the rates by 5 bps each in April and May, while its home loan rates has come down by 20 bps during this period. The one-year marginal cost of funds-based lending rate (MCLR) or minimum lending rate, to
which all loans are linked, has been cut to 8.40 percent from 8.45 percent, the nation’s largest lender said in a statement Tuesday. From July 1, the bank had also introduced repo-linked home loan products. Talking to reporters after the customary post-budget meeting with the finance minister on Monday, Das had said after delivering three back-to-back rate cuts to the tune of 75 bps, RBI expects a quicker transmission by banks. “At the June MPC meeting, I had said by that time 50 basis points of repo rate cut had already been announced, only 21 bps had been transmitted. But one positive thing that is happening now is, earlier it used to take six months for transmission, now it is taking a much shorter period of two-three months,” Das had said. “Thereafter, we announced 25 bps cut more. So, it’s now a cumulative 75 bps cut. We are collecting the data and also you have to keep in mind that right from June, the system has more than adequate surplus liquidity,” he had said. After the 25 bps repo rate cut in the June policy, Bank of Maharashtra, Corporation Bank, Oriental Bank and IDBI Bank had reduced their MCLR by 5-10 bps. The next meeting of the monetary policy committee is scheduled for August 5-9, when majority of analysts expect another rate cut.


Dated: Jul 09, 2019

- **SBI Found Flouting Rules, Says Finally-Released RBI Report:**

  The country’s largest bank, the State Bank of India, has been found flouting several rules in its attempt to cover up non-performing assets (NPAs), according to the RBI’s annual inspection report. The Reserve Bank of India’s report said that the SBI, among several banks from 2012 to 2015, was found to be flouting anti-money laundering rules, engaging in ‘evergreening’ of loans, suppression of data and sidestepping know your customer (KYC) norms, as reported by Moneylife. Access to the RBI report was finally granted to Right to Information (RTI) activist Girish Mittal on the direction of the Supreme Court. The central bank had denied access to the reports on multiple occasions, citing its fiduciary relationship with the banks. Under Section 35 of the Banking Regulation Act, 1949, the RBI is empowered to undertake annual inspection of all commercial banks. The RBI report found several flaws in SBI’s operation like improper credit need assessment, lack of credit surveillance, shortfall in loan security as advised, and non-enforcement of security given. Deficiencies in the management quality and overall functioning of the bank were highlighted by the Risk Assessment Reports year after year.


Dated: Jul 09, 2019

- **Decoding The Budget 2019, Strict Rules Soon For PSBs Buying NBFC Assets:**

  The government may allow state-run lenders to buy only AA and higher rated retail pooled assets of non-banking financial companies (NBFCs) under the scheme announced in the budget on July 5. A senior government official told ET that guidelines for the scheme will be issued within the next 10 days. “We will not be comfortable with state-run lenders taking exposure to builder loans of such NBFCs,” said the official, who did not wish to be identified. He said the liquidity window opened by the Reserve Bank of India...
Bank of India is providing additional comfort required by the sector. In her maiden budget speech finance minister Nirmala Sitharaman had announced that for purchase of high-rated pooled assets of financially sound NBFCs, amounting to a total of Rs 1 lakh crore during the current financial year, the government will provide onetime six months’ partial credit guarantee to public sector banks for first loss of up to 10%. On the budget day, RBI had also announced a scheme allowing banks to borrow from it by pledging their excess government bond holdings to fund the purchase of NBFC assets, which can release up to Rs 1.34 lakh crore. “The scheme is to boost confidence in the industry and help it tide over liquidity issues,” the official said, adding that during pre-budget consultations the understanding was that NBFCs may require such support for a maximum of two quarters. “There is no pressing need for public sector banks to take undue risk,” he said. Two departments of the finance ministry, that of economic affairs and financial services, will work out the guidelines, ensuring that banks do not have exposure to riskier unsecured loans.

According to a recent report released by rating agency ICRA, banks have emerged as a large buyer of pooled assets from NBFCs given the liquidity issues faced by the sector during 2018-19. “Proposal to provide one time six months partial credit guarantee to PSBs for first loss of up to 10% will reduce any credit risk in such assets,” it said, even as it noted that with the guarantee being available for only six months, the preference could be for relatively shorter term retail assets.


Dated: Jul 10, 2019

- Facebook Has No Plans For Calibra Or Cryptocurrency In India:

Facebook Inc has no plans to offer its Calibra digital wallet services in its largest market, India, the social giant said, just as a top government official expressed skepticism about its newly-announced cryptocurrency Libra. “There are no plans to offer Calibra in India,” a Facebook spokesman said in an email, effectively ruling out the rollout of its Libra cryptocurrency in the country. “As you may know, there are local restrictions within India that made a launch of Calibra not possible at this time.” India’s central bank, the Reserve Bank of India, has banned banks from dealing in cryptocurrencies but informal networks abound. In an effort to curb them, the government is proposing a law with stringent penalties, including prison sentences of up to 10 years. Subhash Garg, the country’s economic affairs secretary, said in an interview to Bloomberg that India would not be comfortable with a private cryptocurrency. “Calibra will respect the legislation,” Alexandru Voica, a Facebook representative in London said by telephone. “But we are looking to work with regulators to see if the legislation can be updated.”

India is Facebook’s largest market where the networking giant is already preparing for a countrywide rollout of its WhatsApp payments service, which has been in a yearlong pilot restricted to one million
users. The blockchain-based cryptocurrency, developed by Facebook, will be controlled by a consortium of organizations. However, it is at a very early stage, Voica said. Facebook has had discussions with various governments on both the Libra cryptocurrency and the Calibra digital wallet. “The Libra Association is speaking to potential partners from around the world,” said Voica without specifying whether it was speaking to the Indian government or with partners in the country.

“The blockchain project has multiple uses in smart contracts, supply chain management and so on - it's not just for cryptocurrencies.”

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/facebook-has-no-plans-for-calibra-or-cryptocurrency-in-india/articleshow/70154953.cms
Dated: Jul 10, 2019

- **Lenders To Move Supreme Court Against NCLAT Order On Essar, Says SBI Chairman:**

Going public with his anguish and disappointment over secured creditors’ rights not being enforced, State Bank chairman Rajnish Kumar Wednesday said lenders will soon be moving the Supreme Court against NCLAT awarding higher payout to Essar Steel's operational creditors and treating them on par with secured lenders. While approving ArcelorMittal's Rs 42,000-crore bid for the bankrupt flagship company of the Ruias-led Essar Group, the National Company Law Appellate Tribunal (NCLAT) had last Thursday gave operational creditors equal status as the secured lenders. The appellate tribunal said secured creditors will get only 60.7 percent of their Rs 49,473 crore claims and the rest will go to operational creditors, treating them at par with the financial creditors. Drawing from the statutes, including the provisions in the Companies Act, Kumar pointed out that there is a distinction between secured and operational creditors, and that the former have a greater right on an asset at par with the employees of the crippled company. “If secured creditors are given the same treatment as operational creditors, then it is a huge disincentive for secured creditors and an incentive for operational creditors,” he told reporters after launching a book on HDFC Bank. He warned that with this ruling, bankers will be hesitant to use the IBC provisions for resolving bad asset till such a time that the principles of the law are clearly laid out and hoped that the Supreme Court will clarify the same once they challenge the Essar Steel order by the NCLAT. Kumar suggested that the lack of distinction between secured and operational creditors only aggravates the situation around resolution, pointing out that already, there is a lot of extra time taken for resolutions. For instance Essar Steel resolution has crossed even 600 days, while the IBC mandates only 380 days and is set to delay further as both the bankers and the Ruias are set to challenge the NCLAT order.

“The effectiveness of IBC option is quick resolution,” he said and exuded confidence that there will most likely be an amendment to the IBC law and asked everybody to be “patient” on the issue. On inter-creditor agreements, which were to be signed by July 7–on completion of one-month period since the new NPA recognition rules came into effect—he said if all banks have signed the agreement, then it means that at least prima facie they are convinced that these assets can be resolved. “Banks have not signed inter-creditor pacts in all cases, and wherever it is felt that it cannot be resolved and despite Essar Steel order, if banks still have felt NCLT is a better option, they have taken such accounts to NCLTs,” the chairman added. On the reports of a forensic audit finding
Anil Ambani group companies indulging in frauds worth thousands of crores, Kumar limited himself to saying that the audits were ordered as part of a standard operating procedure for exposure of over Rs 50 crore. He said once fraud has been detected, which becomes criminal act, the law of the land will take its own course. “Fraud is a crime against the state. Lenders have no choice. Crime is not committed against lenders, it is committed against the state. Anything that falls under the criminal law, the law will take its own course,” he said. He maintained the same stance when asked about forensic audit on DHFL as well but declined to speak on specific accounts. Kumar said State Bank has a 100 percent provision on Bhushan Steel, where a fraud has been found, which is as per RBI provisions. The bank is yet to formulate a target for NBFC portfolio buys for this fiscal, he said, let the assets come to market first before deciding on any targets.

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Dated: Jul 10, 2019

• **Axis Bank Appoints Citi, JPMorgan, Axis Capital For $1.3-Billion Share Sale:**

Private sector lender Axis Bank Ltd has appointed investment banks Citigroup, JPMorgan and its investment banking arm Axis Capital to help it raise up to $1.3 billion through a share sale, said a person aware of the development. “The bank plans to raise the funds through a qualified institutional placement (QIP) offering by selling shares to institutional investors. It will help the bank shore up its capital adequacy ratio and push for lending growth,” said the person cited above, requesting anonymity as he is not authorized to speak with the media. On Wednesday, the bank informed stock exchanges that its board will meet on 20 July to explore fundraising options. “Notice is hereby given that a meeting of the Board of Directors of Axis Bank Ltd will be held on Saturday, 20th July 2019 to inter alia, explore the option of raising funds by issue of equity shares/depository receipts and/or any other instruments or securities representing either equity shares and/or convertible securities linked to equity shares including through Qualified Institutions Placement (QIP)/American Depository Receipts (ADRs)/Global Depository Receipts (GDRs) program, preferential allotment or such other permissible mode or combinations thereof as may be decided, subject to approval of the Shareholders of the Bank and receipt of other Regulatory/Statutory approvals at an appropriate time,” the bank said in a stock exchange filing. The bank did not specify the quantum of the fundraise that it is planning. Axis Bank last raised ₹11,625.8 crore ($1.78 billion) through a private placement of shares from a clutch of investors led by private equity fund Bain Capital in November 2017. Spokespersons for Axis Bank, Citi and Axis Capital could not be immediately reached for a comment. JPMorgan declined to comment.

Dated: Jul 10, 2019
• **1,701 NBFC Licenses Cancelled In FY19 As RBI Cracks The Whip:**

The Reserve Bank of India (RBI) cancelled licenses of 1,701 non-banking financial companies (NBFCs) in the year-ended March 31 for failing to meet minimum capital requirements, according to data compiled by Mint. As many as 779 licenses were cancelled in October and November, just after the crisis in the shadow banking sector unfolded with Infrastructure Leasing & Financial Services (IL&FS) defaulting on debt repayments. The defaults led to drying up of liquidity for other non-banks, triggering a crisis in the sector. In comparison, RBI had cancelled the licenses of 26 NBFCs in FY18. While NBFCs historically were loosely regulated, the situation is now changing, with the central bank proposing new rules to monitor the asset-liability and risk management framework of these entities. While NBFCs can still exist even after they lose their licenses, they gradually die being unable to raise money either from banks or the markets. Once these NBFCs lose their licenses, neither do banks buy portfolios from them nor do they lend to these NBFCs, according to Ashvin Parekh, Managing Partner at Ashvin Parekh Advisory Services. He expects more licenses to be cancelled by the central bank in the days ahead. “These entities are not rated enough to borrow from the markets and therefore they cannot raise funds. They are allowed to lend, but will have to do it from their own pockets,” said Parekh. In an amendment to the RBI Act in 1997, non-banks were mandated to have net owned funds (NOF) of at least Rs 25 lakh. In 1999, the central bank raised the requirement to Rs 2 crore for new registrations, while existing NBFCs were allowed to operate and were given time to increase their NOF in a gradual manner. Net owned funds consist of paid-up equity capital, free reserves, balance in share premium account and capital reserves representing surplus arising out of sale proceeds of assets but not reserves created by revaluation of assets. “The last date for complying was March 31, 2017 and the recent spate of license cancellations is because of their inability to meet this criterion,” said Raman Aggarwal, Chairman of NBFC industry body Finance Industry Development Council (FIDC). According to Aggarwal, RBI has the powers to raise the NOF of NBFCs to up to Rs 100 crore and this will certainly happen in a phased manner if the central bank chooses to implement it. “These cancellations should not be linked to the narrative about the alleged misgovernance in small non-banks,” he said. The Union Budget on July 5 proposed to amend the RBI Act, 1934, empowering the regulator to supersede the board of NBFCs (other than those owned by the government). This also enables RBI to consider resolution of financially-troubled NBFCs through a merger or by splitting them into viable and non-viable units called bridge institutions. RBI can also remove auditors, call for an audit of any group company of an NBFC, and have a say in the compensation of senior management. NBFCs were till now governed by the Companies Act even as they were regulated by RBI. The central bank said in its financial stability report issued last month that NBFCs depend largely on public funds, which account for 70 percent of the total liabilities of the sector. Bank borrowings, debentures and commercial papers are the major sources of funding for NBFCs. Bank loans to total borrowings increased from 21.2 percent in March 2017 to 23.6 percent in March 2018 and further to 29.2 percent in March 2019. There were 9,659 NBFCs registered with RBI as on March 31, of which 88 were deposit accepting and
263 systemically important non-deposit accepting NBFCs. The consolidated balance sheet size of the NBFC sector grew 20.6 percent to Rs 28.8 trillion in FY19 as against an increase of 17.9 percent to Rs 24.5 trillion in FY18. Data from RBI showed that gross bad loans of the NBFC sector as a percentage of total advances increased from 5.8 percent in FY18 to 6.6 percent in FY19. However, the net non-performing asset ratio declined marginally from 3.8 percent in 2017-18 to 3.7 percent in 2018-19. On the other hand, the capital adequacy of the sector declined 350 basis points year-on-year to 19.3 percent in FY19. The central bank mandated non-banks to maintain a minimum capital adequacy ratio of 15 percent. Mint reported in August last year that RBI cancelled licenses of 368 NBFCs in the six months ended June 2018 for failing to meet regulatory norms.


**Dated: Jul 11, 2019**

- **Bank Of Baroda To Foray Into E-Commerce Business:**

  Bank of Baroda plans to launch an online marketplace to its customers offering banking services and farm-related products. The state-owned lender has invited bids seeking a partner to supply ‘digital commerce platform’ to provide assistance to merchants on catalog management, purchase management fulfilment, pricing, promotion and other similar services. Bank of Baroda said it is keen to strategies and enhance online digital capabilities with a focus on creating a marketplace to fulfil services relating to different segments of customers’ daily needs and lifestyle needs. “The bank is seeking a partner to supply digital commerce platform and provide support for its implementation for multiple use cases as decided by the bank,” the bank said in a request for proposal. The bank said it will offer various kinds of banking services and farm-related products on its e-commerce platform. The online platform partner will be required to provide assistance to merchants on catalog management, purchase management fulfilment, pricing, promotion and other similar services. It will also be tasked to use analytics as a tool to find out the customer demands, behavior, cross-selling and sub-selling of products, digital security management, advisory management, publicity management and location-based offers. In the farming category, the bank proposes to offer products such as agri crop loan, farm machinery, equipment seeds and fertilizers. It will also provide loan against gold, all kinds of insurance products, investment products such as government gold bonds, among others services. The last date for submission of expression of interest is July 26, 2019.


**Dated: Jul 11, 2019**

- **Rupee Hits 11-Month High Against Us Dollar:**

  The Indian rupee, along with other Asian currencies, strengthened against US dollar on Thursday after US Federal Reserve Chair Jerome Powell reinforced prospects of an interest rate cut later this month. The rupee opened at 68.31 a dollar and touched a high of 68.30 -- a level last seen on 2 August 2018. At 9.15 am, the currency was traded at 68.33 a dollar, up 0.36% from its previous close of 68.57. Yield on the 10-year government bond was at 6.555% compared with Wednesday’s close of 6.544%. In his testimony before the House Financial Services Committee
on Wednesday Powell said the US economy faced risks from flagging business sentiment, a global slowdown in manufacturing, and an inflation rate that has remained persistently low. A report on US CPI, due later today, may further cement bets for an interest rate cut. Back home, the benchmark Sensex Index was up 0.42% at 38720.44 points. So far this year, the index has risen 7.38%. The rupee has risen 1.9% against the greenback in the year so far, while foreign investors bought $10.80 billion in Indian equities and $2.38 billion in the debt market during the period. Other Asian currencies also traded higher. The South Korean won was up 0.85%, Japanese yen rose 0.5%, Indonesian rupiah 0.5%, Philippines peso 0.46%, Taiwan dollar 0.37%, Thai Baht 0.31%, Malaysian ringgit 0.27%, Singapore dollar 0.24%, China Offshore 0.11%, China Renminbi 0.11%. The dollar index, which measures the US currency's strength against a basket of major currencies, was at 96.906, down 0.2% from its previous close of 97.104.

Dated: Jul 11, 2019

• **Deposits In Jan Dhan Accounts Cross Rs 1 Lakh Crore:**

Deposits in bank accounts opened under Jan Dhan scheme, launched about five years ago by the Modi-government, have crossed the Rs 1 lakh crore mark. As per the latest finance ministry data, the total balance in over 36.06 crore Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts was at Rs 1,00,495.94 crore as on July 3. The deposits in the account of the beneficiaries, which has been steadily rising, was Rs 99,649.84 crore on June 6 and Rs 99,232.71 crore in the week before. The PMJDY was launched on August 28, 2014, with an aim to provide universal access to banking facilities to the people in the country. Accounts opened under PMJDY are Basic Savings Bank Deposit (BSBD) accounts with additional feature of RuPay debit card and overdraft. The finance ministry had recently said in the Rajya Sabha that the number of zero balance accounts under PMJDY declined from 5.10 crore (16.22 per cent of the total accounts) in March 2018 to 5.07 crore (14.37 per cent of the total accounts) in March 2019. More than 28.44 crore account holders have been issued the RuPay debit cards. There is no requirement of maintaining minimum balance in BSBD accounts. Enthused by the success of the scheme, the government 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 also shifted the focus on accounts from ‘every household’ to ‘every unbanked adult’. Over 50 per cent of the Jan Dhan account holders are women. The objective of PMJDY is to ensure access to various financial services like availability of basic savings bank account, access to need based credit, remittances facility, insurance and pension to weaker sections and low income groups. The PMJDY also envisages channelling all government benefits to the beneficiary accounts and pushing the Direct Benefit Transfer (DBT) scheme of the central government.

Dated: Jul 11, 2019

• **Axis Bank Eyes Bigger Credit Card Pie, Eyes 1 Million New Sales:**

Axis Bank, the fourth largest credit card issuer in the country, Thursday tied up with e-commerce major Flipkart to launch...
a co-branded credit card and is aiming to sell 1 million of the new card in a year. The new co-branded card comes weeks after American lender Citi launched a similar offering by tying up with payments major Paytm. “We want to be the fastest co-branded credit card to reach the 1-million mark. We should do 1 million in a year,” executive vice-president for payments and cards Sanjeev Moghe told reporters. The bank has 6.17 million cards in use, making it the fourth largest issuer in the country. The new card comes with a slew of benefits, including a 1.5 percent cash-back on every purchase, and up to 5 percent cash-back for merchant shopping, including on Flipkart and on its sister concerns like Myntra. A Flipkart official present at the launch said this is not a via media to “circumvent” the regulations capping cash-backs for e-commerce companies. A user will have to pay a joining fee of Rs 500 and another Rs 500 as annual fee for the card, which has a credit limit of Rs 2 lakh. Analytics from Flipkart and Axis Bank will be used to identify credit worthiness of a person before giving him/her the card, officials said, adding the new card will be powered by Mastercard. Mastercard’s Porush Singh said a lot of “questions are unanswered” on the government move to do away with the merchant discount rate (MDR) and reserved his comments on the matter pending clarity in the matter. Axis Bank managing director and chief executive Amitabh Chaudhry said with this offering, they want to take leadership in the payments arena but without compromising on risk.


Dated: Jul 11, 2019

• **Homes Most Unaffordable In Four Years, Reserve Bank of India:**

Housing affordability in India has worsened over the past four years with Mumbai retaining the top slot as the least affordable city for home buyers, according to Reserve Bank of India (RBI) data released on Thursday. The RBI’s quarterly Residential Asset Price Monitoring Survey showed the house price-to-income ratio in India increased in the last four years from 56.1 in the 2015 March quarter to 61.5 in the corresponding period of 2019. However, despite being the costliest city in India for home buyers, Mumbai’s affordability improved to 74.4 in the March quarter from 76.9 in the December quarter. Bhubaneswar was the most affordable city for home buying with a price-to-income ratio of 54.3 in the March quarter compared to 47.2 in March 2015. The concept of price-to-income ratio is used by lenders to measure affordability of residential property, essentially as a measure of purchasing power for home buyers. “The key takeaway is that there is a wide gap between home prices in the country and real income. It has only worsened in the last four years. Therefore the number of years of income required to buy a property has only increased,” said Anuj Puri, chairman, ANAROCK Property Consultant. Significantly, due to slower growth in residential demand in the last four years, home prices have dropped or remained stagnant in major cities such as Mumbai and Delhi-NCR. According to a Knight Frank report, there has been a sustained drop in home prices in Mumbai, Pune, Chennai and Kolkata at 3%, 4%, 3% and 2%, respectively, from a year-ago period. However, sales volume remained steady at 4% in the first half of 2019. The report also pointed out that the growth in residential prices in the last four years in the top eight cities has
been below retail inflation and “the gap has progressively increased since the first half of 2016.” According to the report, sales have been driven mainly by the affordable and middle income housing segment.

Dated: Jul 12, 2019

• **Spotting Emerging Risks, Axis Bank Turns Cautious On Lending:**

Third largest private sector lender Axis Bank is seeing newer risks emerging in the economy and has therefore decided to be “cautious” with lending, a top official said Thursday. The comments come even as the banking system is coming out of the bad loan mess which has afflicted it for over the past five years, resulting in a slowdown in credit offtake as capital went more into writing off or providing for stressed assets than fresh asset creation. “We are cautious given whatever is happening in the economy as some new signs of stress are emerging in the system,” managing director and chief executive Amitabh Chaudhry told reporters. Elaborating on the newer areas of stress, Chaudhry said some borrowers are defaulting or there are reports of stress being felt by lenders and specifically cited real estate and non-banking lenders as the two segments which are of bother for the bank, but was quick to add that many of them are in good shape. “We want to be conservative, we want to get our risk management practices right. Anyway, we want to be more conservative than before and there are signs of emerging stress,” he added. He, however, was quick to clarify that this should not be construed as Axis Bank is cutting down on its core business of taking risks and lending. It can be noted that with NPAs waning off, overall bank credit growth grew over 13 percent in FY19 but has been trending lower in the first quarter of FY20. On the stress within NBFCs, Chaudhry said while it is true that a solution has not been found for nearly a year, it is necessary to have a nuanced view on the subject as some companies are doing fine. Stating that he does not expect a “systemic issue” because of troubles, he said it will take time for the system to come out of the difficulties. It is evident that a few companies need equity infusions at the earliest, he said, exhorting them to go in for fund raising immediately and pointed out that it is unfair to expect an RBI or government bailout. On the portfolio buys from NBFCs given the policy boost on the same, Chaudhry said his priority is to build own portfolio but it will also continue to look for such opportunities. Meanwhile, on the plans to raise capital, he said the bank management is seeking an enabling resolution for such an issue but did not specify the timelines and the route with which it mop up the funds. Axis Bank scrip closed 0.24 percent down at Rs 766.65 on the BSE as against a 0.69 percent gains on the benchmark.

Dated: Jul 11, 2019
**Non-Bank Finance Companies Freeze Hiring:**

Recruitment across India’s non-banking finance companies (NBFCs) has slowed to a crawl, with hiring coming practically at a standstill except for critical roles. Despite the government throwing the sector a lifeline in the recent budget, it is unlikely that hiring will pick up at least for the next three to six months, say head hunters and industry insiders. Senior executives were making a beeline to sign up for NBFCs with the sector growing at a scorching pace until a little over a year ago. Many are now looking for an exit into “safer” sectors, or into big, well-capitalised NBFCs. In the process, many have given up on hefty stock options, effectively taking a big hit on compensation.

“(Developments at) Infrastructure Leasing & Financial Services and Dewan Housing Finance affected market sentiment. There was a party going on and they were the party poopers,” said Reet Bhambhani, a partner at EMA Partners Executive Search. The country’s shadow banking sector has been reeling from a liquidity crunch and crisis of confidence, leading to numerous licence cancellations by the central bank. Layoffs could be the next step, particularly at some of the smaller firms that were hit harder than others by the developments, fear industry insiders. According to head hunters, the liquidity crunch has hit even the most prudently run organisations. Hiring by even the big players has dropped, with senior-level mandates down by over 50%. Senior talent that has moved out has gone to banks, fintech companies or stable NBFCs with deep pockets. Many from small organisations have compromised on stock options. “Many of those options have not vested yet, and there’s no one willing to buy them out at this stage,” said Bhambhani. Kamal Karanth, cofounder of staffing firm Xpheno, said at the top 30 NBFCs, the average headcount remained flat in the past six months, compared with an increase of 15-20% in the first half of 2018. “Several companies put hiring plans on hold as they had to conserve capital amid tightening liquidity,” he added.

*Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/non-bank-finance-companies-freeze-hiring/articleshow/70185244.cms*

*Dated: Jul 12, 2019*

**High-Street Banks Join Hands With Unicorns To Ride Cashback Wave:**

High-street banks are increasingly tying up with unicorns such as Flipkart, Ola and Paytm to ride on the popularity of cashback offers to increase their credit card base, and leverage data footprints left by customers on these digital platforms to smoothen their underwriting processes. For digital businesses, these cobranded credit cards offering cashbacks help improve customer ‘stickiness’ or loyalty to their brand, industry insiders said. Axis Bank and ecommerce major Flipkart on Thursday became the latest entrants to the cobranded credit card club. State Bank of India and Citibank have brought out cobranded credit cards with cab aggregators Ola and payments major Paytm, respectively, over the last two months. ICICI Bank and ecommerce giant Amazon had launched a similar product last year. All these cards come with exclusive cashback benefits. The Axis-Flipkart card, for example, provides 5% cashback on all purchases from the ecommerce platform, whereas the SBI-Ola card offers 6% cashback to customers on Ola spends. “Such offers help brands maintain customer loyalty while helping banks reach out to millions of potential customers at once,” said Hardyal.
Prasad, managing director at SBI Cards. “The underwriting and risk assessment mandate is with the banks and with this we can ensure the issuance of the card to the credit worthy customers,” he told ET. For the ecommerce players such as Flipkart and Amazon, which had been bogged down by government guidelines deterring foreign investment-backed ecommerce players from giving deep discounts to customers to promote local Indian merchants, cashback offers through cobranded cards may help retain customer transaction volumes. However, stakeholders say the cashback model is different from discounts as it is a value-added service rather than a direct price incentive. “It’s more like redeeming miles on an airlines card,” said Sanjeev Moghe, head of cards and payments at Axis Bank. “None of the rules are being flouted as these cashbacks are under the account of the bank and not the cobrand (Flipkart).” While the concept of cobranded credit cards is not new, earlier such partnerships were dominated by airlines and hotel chains. But now banks actively looking to expand their credit card base to grow their retail books have found a perfect foil in digital platforms that call for digital money. “Through this partnership we are aiming to target new-to-credit customers as we see a huge opportunity there,” Amitabh Chaudary, MD at Axis Bank, said after the launch of its cobranded credit card with Flipkart. As per latest RBI data, only 48.9 million credit cards were in circulation in May 2019 against nearly 824.9 million debit cards. “Of our deposit base we have carded nearly 19% of our customers and about 55% of these were to first-time card users,” Chaudary said. The working dynamic of these tieups is such that the non-bank digital aggregators use their platforms such as mobile applications and websites, which receive millions of customer-visits every day, as a live marketing and application interface while also taking care of distribution. The banks, on their part, take care of the processing costs and value-added service expenses such as cashbacks. The underwriting of the cards is done by banks’ analytics engine, which, apart from using bureau scores, also uses other data metrics.

Dated: Jul 12, 2019

- **Law Ministry May Help Government On Classifying IDBI Bank:**

The government may seek the opinion of the law ministry on whether the now privatized IDBI Bank should be considered a state-run financial institution, or be treated on a par with private banks as classified by the Reserve Bank of India, a senior official said. The development comes after the Central Vigilance Commission, in response to a finance ministry query, said IDBI Bank will
continue to come under the government’s vigilance oversight. Private Banks do not fall under the ambit of the Vigilance Commission. IDBI, set up in 1964 under an Act of Parliament, is regarded as a public financial institution under the Companies Act, but the government has ceded its management control in the firm. Hence, the confusion. “We continue to consider it a state-run financial entity but may seek further clarity if needed,” a senior government official told ET.

In reply to questions on public sector banks in both Houses, the government has clarified that data includes figures for IDBI Bank. The Union cabinet had, in August last year, approved acquisition of controlling stake in the bank by state-run insurer Life Insurance Corporation of India (LIC) as promoter, and bringing down the government’s stake in the firm to below 50%. It also gave its nod for relinquishing management control. The Reserve Bank reclassified IDBI Bank as a private sector lender for regulatory purposes in January, after LIC acquired a 51% stake in the bank by infusing around Rs 20,800 crore. The government now holds a 46.46% stake in the bank. “There is no doubt over management control but clarity on the issue may also help the government if there comes a situation to infuse capital in the bank either directly or through a rights issue,” an IDBI official said on condition of anonymity. The lender has indicated that it requires around Rs 7,000 crore in the current fiscal itself to meet regulatory requirements and enhance its lending book. It had reported a loss of Rs 4,918 crore for the last quarter of FY19 and a loss of Rs 15,116 crore for the full year. The Insurance Regulatory and Development Authority of India (IRDAI) had earlier asked LIC to submit a roadmap to bring down its stake in the lender. As per existing laws, an insurer can hold only 15% equity stake in a listed entity.


Dated: Jul 12, 2019

- **AIIB To Launch Local Currency Financing In India, Russia:**

The Asian Infrastructure and Investment Bank will launch local currency financing products in India and some other countries this year to provide more options to borrowers, its president Jin Liqun has said. The multilateral development bank could start rolling out the product in pilot countries including India, Indonesia, Thailand and Russia from this month itself. It would focus on private sector clients, Jin said. AIIB, set up three years ago, will also introduce ‘variable spread loan’ product, he said. This will give borrowers the flexibility to select interest terms that are consistent with their sovereign debt management strategy and suited for their debt servicing capability. While it is important for developing economies to raise their infrastructure investment, Jin
cautioned that it must be done sustainably. Investing in high-quality infrastructure is important, but new investments must increase a country’s capacity to service debts, he said. “Public and external debts of many countries in Asia have risen,” he said in his opening address at the AIIB annual meeting in Luxembourg. “Especially so for smaller economies where sometimes large infrastructure investments can increase debt-to-GDP ratios quickly.” Jin said the view is that developing countries should invest around 8% of their GDP in infrastructure. This is a level of investment that not only meets basic needs, but also helps countries catch up economically, he said. While some Asian economies had increased their investments to 6-7% of GDP, other economies were struggling, particularly countries at low income levels, he said, adding that AIIB role has become important in this situation. “Commercial sources of capital may run shy from these countries, but AIIB must be an even more supportive partner capable of meeting their special needs. These countries should not be left behind,” Jin said. “We have noticed that while existing barriers to infrastructure development are being rolled back, new ones are raised. This is a cause for concern,” the AIIB president said, and called for removing them. ‘Cooperation and Connectivity’ is the theme of AIIB’s annual meeting for the simple reason that infrastructure is complex, particularly when it comes to connectivity projects, Jin said. “It will take all of us who are here today to work together to move the needle. We need concrete action today.” He said multilateral development banks are here to help smooth over these challenges. “We believe infrastructure bottlenecks can only be effectively resolved through partnership through risk-sharing through international cooperation,” Jin said, calling for collective wisdom, knowledge and influence to remove these impediments. “By working together, we have the power to remove these roadblocks.” He urged countries to work together on domestic reforms, policy coordination, and holistic thinking about country and regional infrastructure and supporting facilities. Jin also said AIIB is going to expand its programmes beyond Asia because Asia cannot sustain itself without working with other regions.

Dated: Jul 12, 2019

- Three IL&FS Group Companies To Service Rs 3,300 Crore Debt:

Three group entities of debt-laden Infrastructure Leasing and Financial Services with outstanding loans of about `3,300 crore are set to begin servicing them after lenders and IL&FS reached agreements to restructure debt, according to submissions before an appellate tribunal. L&T Finance and its other arms, as well as Aditya Birla Sun Life Mutual Fund, are major lenders to these three companies, with L&T Finance alone having an exposure of about Rs 1,500 crore. IL&FS on Friday also submitted before the National Company Law Appellate Tribunal (NCLAT) that it will follow a similar procedure to begin servicing debts of 10 more group entities with total outstanding debt of around Rs 13,000 crore. Ramji Srinivas, counsel for IL&FS and Union of India, told NCLAT that all lenders of West Gujarat Expressway and Jharkhand Road Project Implementation Company had signed term sheets restructuring loan agreements with IL&FS and that once final documentation was signed, the companies would begin servicing their debts. Srinivas also said all
lenders, barring Bank of India, had agreed to similar restructuring for loans of Moradabad Bareilly Expressway, and that Bank of India was expected to agree to terms within two days. A two-member NCLAT bench led by Justice SJ Mukhopadhaya, however, asked the IL&FS counsel how the group planned to resolve the debt of 82 other domestic group entities a total of Rs 61,375 crore. All group companies of IL&FS have been classified according to their ability to meet payment obligations. Group companies able to meet all payment obligations are categorized as ‘green’. Those companies able to meet only operational payments and senior secured debt obligations are categorised as ‘amber’. Those that are not able to meet any payment obligations are categorised as ‘red’. The NCLAT bench gave IL&FS 15 days to reach similar agreements with 10 other ‘amber’ companies and questioned IL&FS on its plan for resolution of ‘red’ companies. “Why should we not release red companies (from the moratorium)? Let somebody who want to trigger (insolvency) because you will not be in a position (to pay lenders),” it said. The bench also directed IL&FS to file an affidavit on the measure it would take to release payments to provident funds, pension funds and said NCLAT may direct IL&FS and Union of India to release any funds generated to these and other employee related funds who have invested in IL&FS group entities.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/three-ilfs-group-companies-to-service-rs-3300-crore-debt/articleshow/70200826.cms
Dated: Jul 13, 2019

- **RBI’s Creditor Pact Rule Chokes Lenders To Sticky Assets:**

The Reserve Bank of India’s Inter-Creditor Agreement (ICA) is turning into a nightmare for lenders who have different types of security as collateral and different terms of lending. While state-run banks are putting up with the system because of the nature of their shareholding, private lenders and Non-Banking Financial Companies (NBFCs) are being pressed in many cases where bankruptcy could be accelerated, instead of resolution. Lending is dominated by inter-creditor issues pertaining to charge and security particulars. Resolution skillsets and approach to resolution, too, vary across public and private sectors and foreign banks. The central bank’s June 7 circular requires banks to put in place an ICA within a month of the review period. To implement a resolution plan in 180 days, financial institutions enter into an ICA, authorizing the lead bank to implement it. The lead bank then prepares the plan that includes empanelling turnaround specialists and industry experts for operational turnaround of the asset. In case the chief lender is unable to complete the process on time, the asset moves to the national company law tribunal (NCLT). “Timely resolution is the key to value maximization in NPAs,” Hari Hara Mishra, director at UV Asset Reconstruction Company, said. “The creditors need to have an integrated and coordinated approach to finalize a resolution strategy that optimizes economic value from the underlying business and assets. It can-not be one size fits all.” RBI, in its revised framework, has
given operational flexibility to the banks. If an agreement is not in place, they may continue to negotiate with the borrower and make provisions after six months. But the lenders are bound to sign an ICA if a resolution plan is to be implemented. ICA will be binding on all creditors if approved by 75% of lenders in terms of outstanding value and 60% in the number of creditors. If a resolution plan is not in place within 180 days, then the lenders will have to make an additional provision of 20% that would step up to 35% if left unresolved beyond 365 days.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rbis-creditor-pact-rule-chokes-lenders-to-sticky-assets/articleshow/70221807.cms
Dated: Jul 15, 2019

• Data Sharing To Curb Consumer Banking Frauds:
Experts from the banking and payments industry want a common registry to battle the menace of consumer banking frauds. They say that transparency in reporting and reducing the turn-around time (TAT) of the resolution of debit card and OTP related frauds can go a long way in increasing the adoption of digital payments. While National Payments Corporation of India (NPCI), the umbrella body responsible for governance of payments systems, is considering the creation of such a registry, the key challenge lies in getting a regulatory diktat and cooperation of all stakeholders to share fraud information that is deemed sensitive by banks, said a person aware of industry discussions on the subject of fraud registry. “There are broadly two major types of debit card related frauds the banks are facing. One is related to cloning of cards and the other is related to OTP frauds,” said the person cited above. “In both the cases, the money is transferred immediately to a bank account which is linked to a KYC. A common registry can help blacklist these accounts and track the perpetrators of these frauds more effectively.” However, bankers say that while KYC authentication may be an important step toward establishing credentials of account holders, in most cases it need not amount to due diligence. “We’ve found that the addresses provided by these fraudsters during their KYC authentication are fake which makes it near impossible for a bank to track the whereabouts of the perpetrator,” said Puneet Kapoor – senior executive vice-president of Kotak Mahindra Bank. The Nandan Nilekani-headed committee for deepening digital payments favoured a ‘central fraud registry’ to ‘ensure a systematic response to fraud.’ “This registry should be accessible to all payment system participants on a near real-time basis, who may use it to evaluate the fraud risk for all users, and transactions (dynamically). This risk rating may be used to provide additional protections to the user,” as per the report. While the report doesn’t dwell on
the specifics of how such a repository would work, experts say that a real-time information window can help payment players also help improve the quality of fraud reporting standards. “A common repository can help banks work in unison rather than in silos in dealing with such frauds where the money is siphoned off across various bank accounts in different geographies. Furthermore, the trends and patterns from the repository can also be used to improve banks’ analytic engines and police in predetecting these frauds,” said Prashant Choudhary, partner - cyber security, financial services, EY. The modus operandi of debit card cloning frauds involves a scanning machine that copies the details of the magnetic chip when a customer swipes a card at an ATM or a point of sale machine and a pinhole camera in the vicinity that records the password to authenticate the transaction, said a fraud risk expert. The fraudster then replicates the transactions and siphons off the funds to multiple accounts and correspondingly withdraws the cash before the customers can notify their bank and freeze these accounts. “In real-time payments, the window for fraud prevention is much shorter and the ability to recover a fraudulent payment is much lower. Traditional rules-only systems are great at detecting known threats, but can’t uncover new criminal fraud strategies or zero-day attacks, putting customers at risk,” said Kaushik Roy, vice- president, South Asia of ACI worldwide, a payments solution company.

Dated: Jul 16, 2019

• RBI Slaps Rs 7 Crore Penalty On SBI For Violating Various Norms:

The Reserve Bank of India Monday said it has slapped a penalty of Rs 7 crore on the country’s largest bank SBI for non-compliance with norms related to NPA identification and fraud risk management, among others. The penalty has been imposed on the bank for non-compliance of income recognition and asset classification (IRAC) norms, code of conduct for opening and operating current accounts and reporting of data on Central Repository of Information on Large Credits (CRILC), and fraud risk management and classification and reporting of frauds. Giving details of the case, it said the statutory inspection of SBI with reference to its financial position as on March 31, 2017, revealed, non-compliance with IRAC norms, sharing of information about customers with other banks, reporting of data on CRILC, fraud risk management, and classification and reporting of frauds. Based on the inspection report and other relevant documents, a notice was issued to the bank advising it to show cause as to why penalty should not be imposed on it for non-compliance with directions issued by the RBI. “After considering the bank’s reply and oral submissions made in the personal hearing, RBI came to the conclusion that the aforesaid charges of non-compliance with RBI directions were substantiated and warranted imposition of monetary penalty,” the RBI said. The penalty, RBI said, 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.

Dated: Jul 15, 2019
• **ICICI’s CTO Quits To Join IDFC First Bank As COO:**

Madhivanan Balakrishnan, the chief technology and digital officer at private sector lender ICICI Bank, has resigned and will join IDFC First Bank as chief operating officer, two people in the know of the matter said. IDFC First Bank, formed after a merger of the recently licensed IDFC Bank and non-banking finance company Capital First, is expected to use Balakrishnan’s tech know-how to build a strong tech team. The appointment of Balakrishnan, popularly known as ‘Madhi’ in banking circles, comes at a time when IDFC First is trying to revitalise itself under a new leadership. “Balakrishnan was the main force driving fintech initiatives at ICICI Bank, and was the go-to person for all partnerships the bank would strike with technology startups,” said a senior banker.

IDFC First and ICICI Bank did not respond to ET’s emailed queries till the time of going to press. IDFC First's new CEO, V Vaidyanathan, was earlier with ICICI Bank.

Dated: Jul 16, 2019*

• **Digital Payment Companies Seek Compensation From Govt For Losses Due To Zero Merchant Fee:**

The Payments Council of India, an industry body that represents nonbanking payments service providers(PSPs), is seeking compensation from the government for losses incurred while processing online payments, in its attempt to escalate the debate on “zero” charges on digital payments. The PCI, in letters addressed to the union finance ministry, the ministry of electronics and information technology (MeitY) and the country’s banking regulator, has mooted the establishment of a designated fund that will reimburse the losses that could arise out of the government’s mandate to waive the merchant discount rate (MDR), a charge borne by merchants on digital payments, according to three people in the know of the matter. The issue has split the payments industry into two groups. Paytm’s Vijay Shekhar Sharma, has hailed the government’s decision, terming it as beneficial to deepen the reach of digital payments and to encourage banks to onboard more merchants. Others like Vishwas Patel, chief executive officer of CCAvenue Payment Gateway, are leading the drive to seek redressal. “At zero MDR, the non-banking payments companies will find it very difficult to survive, hence they have sought at least a minimum charge to maintain business viability,” said one of the people who briefed ET on the development.

In the letter, reviewed by ET, the industry body also said that unless a 25 basis points margin is given to PSPs, their survival will be at stake. In the budget for 2019-20, the government announced that there would be no charges levied on merchants processing digital payments as well as on consumers opting to pay digitally. PCI represents more than 100 digital payments companies in the country including those that deploy and manage point of sales (PoS) terminals at merchant outlets such as Pine Labs, Mswipe and Atom Technologies as well as payment gateway service providers like CCAvenue, BillDesk, Techprocess and PayU. Typically, MDR is the price merchants pay to banks and service providers for the digital payments and settlements system. PCI reckons that while banks and the Reserve Bank of India have been asked to absorb the cost of the transactions, they will save on cash handling charges. PSPs will not receive any reimbursement if the banks themselves do not earn revenue from the business. “Banks
are profit-making entities; if they are not making money out of debit card and UPI payments, they will get out of the business just like they have from the ATM industry,” said the person quoted above. Deployment of new ATMs in the country has drastically fallen over the last few years especially after ‘demonetisation’. As per RBI data, the number of ATMs in the country has remained stagnant at 2.2 lakh for more than two years. The council said PSPs have deployed terminals across railways, toll plazas, educational institutions and government departments aiming for a revenue boost from increased adoption of digital payments. Waiving the MDR would deprive these companies of a revenue stream required to maintain the technology platforms and provide high-level security to prevent frauds. This could also disincentivise PSPs from acquiring new merchants beyond the main cities, the letter stated. “The government’s suggestion to make MDR zero for transaction value of less than Rs 2,000 was understandable since it helped move small value transactions to digital, but this move will not benefit anyone except organised retailers,” said another top payment executive. “How can we survive on zero MDR,” said Patel, who also serves as the chairman of PCI. “Many payment companies that have welcomed this zero MDR have been showing huge losses in their business because they have venture capital and private equity money to burn and want to show off huge gross merchandise value acquired from merchants by offering low interchange rates, while others have hard business models built on revenue,” he said.


Dated: Jul 17, 2019

• 50 Years Of Bank Nationalization, How Indira Gandhi Changed Banking:

One day before Neil Armstrong took the famous “giant leap for mankind” on the surface of the moon, Indira Gandhi took her own giant step towards consolidating her image as a pro-poor leader by nationalizing 14 major private banks. Several other industries were to be nationalized in the years to come, but none was quite as significant politically or economically. What came to be seen as the Indira brand of ‘socialism’ can arguably be traced back to that moment on July 19, 1969 when the Prime Minister announced the decision to the nation at 8.30 in the evening. The idea of nationalizing banks had been tossed around for much of the 1960s as private banks collapsed at an alarming rate, but whether you think it was a great idea or a horrible one (and there are few who would hold an opinion somewhere in between these extremes), few would dispute that politics played at least as large a role as economics in Indira biting the bullet. She told the Congress session in Bangalore on July 12, 1969 that private banks would have to be nationalized, prompting her finance minister, Morarji Desai, a known advocate of promoting private enterprise, to quit. What she did not reveal was that she intended to push the plan through within the next week. The short time frame was forced on her by the impending resignation of acting...
President V V Giri on July 20 to contest the presidential polls. With the Syndicate – a rival faction within the Congress pushing its own candidate for the post, it was far from certain whether Giri would win (as he eventually did) and almost certain that a Syndicate-supported president would not give the go-ahead for the planned legislation. D N Ghosh, then deputy secretary, banking, in the finance ministry, recalled in his autobiography how a trio including him, P N Haksar, principal secretary to Indira, and A Bakshi, deputy governor of the RBI, were put on the job of drafting the ordinance that was to be issued. Neither L K Jha, then the RBI governor, nor I G Patel, secretary, economic affairs, in the ministry were involved in the exercise till the last minute, though Patel had earlier advised in favour of a move along these lines. The stated objective of the move was to ensure that credit was available to the rural sector, something the private banks had failed to provide. Between 1951 and 1968, industry’s share in bank loans had nearly doubled to 68%. During the period, agriculture received just around 2% of bank credit. Given that this was also the time when the Green Revolution was being pushed, it was indeed a key factor. Ready with the ordinance, which was drafted within 24 hours, Indira called a cabinet meeting at 5pm on July 19, which cleared the legislation. Within hours, President Giri promulgated it and Indira addressed the nation at 8.30pm. Those linked to the banks taken over included some of the biggest names in Indian business the Tatas, Birlas, Pais and members of the social elite like the Maharajah of Baroda. But in a style that has come to be associated with her, once she had decided to go ahead, that was no deterrent for Indira. “The bank nationalization of 1969 was not a purely economic decision, politics was also involved. The question today is different whether we should have so many public sector banks or only a certain number of public sector banks. The question is whether the public holding can be diluted below 51%. The 1969 nationalization was a major step which helped expand banking. The banking reforms of early 1990s helped to create an efficient banking system. Bank nationalization helped take banking to newer areas, rural areas and the 1991 banking reforms helped provide stability and soundness to the banking system,” said C Rangarajan, former RBI governor. The nationalization was confined to the 14 largest Indian-owned banks, categorised as “major” by the RBI. These were banks with a deposit base of over Rs 50 crore, which between them accounted for 85% of bank deposits. There was some discussion within the government on whether or not National and Grindlays, a foreign-owned bank, should be included in the list of those to be nationalized, but it was felt safer not to antagonize foreign interests. Not surprisingly, the nationalization was challenged in the Supreme Court, which struck it down on February 10, 1970 on the grounds that it was discriminatory and the compensation being paid a little under Rs 9,000 crore all told was too little. But Indira decided to override the SC order by bringing in a new ordinance four days later that was subsequently replaced by the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970. Today, most bankers agree that nationalization may have done more good than harm, though it may no longer be a relevant model. Former SBI chairman Arundhati Bhattacharya said: “If the aim of nationalization was to take banking to the farthest reaches of the country, then it has succeeded to a large extent...However, probably we have got to a point where there is a need to experiment with newer models for efficiency of delivery.”
**JULY 19, 1969: THE DAY INDIAN BANKING CHANGED**

Indira Gandhi | The then PM said it was necessary to take banking to rural areas, but has been accused of pushing it for political gains

LK Jha | Oversaw the nationalisation process as RBI governor; entered the scene at the last minute

IG Patel | Like Jha, was not in the picture initially, the then economic affairs secretary was asked to draft legislation 24 hours before the announcement

PN Haksar | The then principal secretary to PM was overseeing the implementation

A Baksi | The then RBI deputy governor was one of the few men privy to the development

DN Ghosh | Described in his autobiography how he was in the thick of action as deputy secretary in the finance ministry

VV Giri | The stand-in president signed the Ordinance a day before he was to step down to contest election

Morarji Desai | Resigned as FM a week before the announcement to register his dissent with the plan

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**Source:** https://economictimes.indiatimes.com/industry/banking/finance/banking/50-years-of-bank-nationalisation-how-indira-gandhi-changed-banking/articleshow/70288593.cms

**Dated:** Jul 19, 2019

- **Indian Banks’ Loans Rise 12% Y/Y In Fortnight To July 5:**

  Indian banks’ loans rose 12% in the two weeks ended July 5 from a year earlier, while deposits rose 10.3%, the Reserve Bank
of India’s weekly statistical supplement showed on Friday. Outstanding loans rose 487.8 billion rupees ($7.09 billion) to 96.98 trillion rupees in the two weeks ended July 5. Non-food credit rose 494.3 billion rupees to 96.27 trillion rupees, while food credit fell 6.5 billion rupees to 707.7 billion rupees. Bank deposits rose 1.82 trillion rupees to 126.75 trillion rupees in the two weeks ended July 5.

Dated: Jul 19, 2019

• Shaktikanta Das Meets PSB Heads, Reiterates Call For Faster Transmission:

Reserve Bank governor Shaktikanta Das Friday met the heads of public sector banks and reiterated his concerns over the “less-than-desired-level” of policy rate transmission by lenders. Acknowledging the “discernible improvements in the banking sector,” Das pointed out that there still are several challenges to be addressed, particularly in regard to stressed asset resolution and credit flows to the needy sectors. “During the meeting, issues such as the less-than-desired-level of transmission of policy rates, credit and deposit growth amidst a slowing economy and the need for credit flow to the needy sectors as well as the urgency for a robust risk assessment and monitoring standards were discussed,” the central bank said in a statement. So far in 2019, the central bank has cut the repo rate by 75 basis points to 5.75 percent in three successive rate actions. However, banks have not yet fully passed on the same to the borrowers. At the June policy announcement, Das had said banks had passed on only 21 bps of the 50 bps rate cuts. Since then, banks like SBI, Corporation Bank, Oriental Bank of Commerce, Bank of Maharashtra and IDBI Bank, among other have lowered their lending rates by 5-10 bps. The meeting also discussed ways to improve recovery efforts, giving impetus to resolution of stressed assets facilitated by the June 7 circular, and strengthening internal control mechanisms for improved fraud risk management. Das also spoke about the impact of the post-budget initiatives to address the credit crisis being faced by NBFCs and the role that banks can play in mitigating the same. The governor also underlined the importance of expanding and deepening digital payments ecosystem in line with the recommendations of the Nandan Nilekani panel report on deepening the digital payments system, and also the RBI’s payment system vision document 2021. “On the suggestion of the governor, it was agreed that banks will identify one district in each state to make it 100 percent digitally enabled within a one-year timeframe, in close collaboration with everyone stakeholder,” the statement said.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/shaktikanta-das-meets-psb-heads-reiterates-call-for-faster-transmission/articleshow/70298625.cms
Dated: Jul 19, 2019

• Banking Sector Facing Many Challenges:

Union Minister Nitin Gadkari on Saturday said that the banking sector was facing a lot of challenges on various fronts. Gadkari also said, “Banking sector is facing a lot of challenges and problems. Similarly, in this time financing with transparency and return on that finance has certainly become a big examination for banks”. Speaking after inaugurating zonal office of Indian Bank here, the Highways and Road Transport Minister said that people should also pay their dues to banks on time. “Prime Minister Narendra Modi has said that bank loans
in the MSME (micro, small and medium enterprises) sector will be sanctioned in 59 minutes and it will be connected with GST and Income tax. Those having a good track record get their loans sanctioned quickly,” he said. Gadkari further said that it was incumbent upon banks to ensure that loans sanctioned under various public welfare schemes get disbursed quickly. He also emphasised the need to encourage the handloom and handicraft industry for creating employment opportunities and boosting growth in the MSME sector. The minister said “Solar Charkha” cluster will be launched in the cotton belt of Vidarbha from where export quality ready-made garments will be manufactured. “Solar Charkha” is the initiative of the MSME ministry to ensure inclusive growth by generation of employment, especially for women and youth, and sustainable development through solar charkha clusters in rural areas. Gadkari also talked about giving additional land to HCL Technologies operating in Mihan (Multimodal International Cargo Hub and Airport at Nagpur).

Dated: Jul 20, 2019

• Kotak MF Exposure In DHFL At Rs 140 Crore:

Kotak Mahindra Asset Management Company has a total exposure of around Rs 140 crore in crisis-hit home loan and property finance firm Dewan Housing Finance Corporation Ltd (DHFL), a source said. The total exposure of the mutual fund industry in the company is estimated at Rs 5,000 crore from 10 asset management companies (AMCs), he said. “In absolute terms, the total exposure is Rs 140 crore in two funds. In the first case, it is Rs 40 crore out of a fund size of Rs 5,500 crore, while in another fund of Rs 4,000 crore, it is Rs 100 crore,” the Kotak AMC source said. Its current assets under management (AUM) stood at Rs 1,70,000 lakh crore. Majority of MFs having exposure in DHFL have marked down the value by about 75 per cent, while a few slashed the value to even zero, the source said. DHFL had reported a loss of Rs 2,223 crore for the March quarter of the 2018-19 fiscal. The company has reportedly not been able to fulfil its obligations towards debt repayment in the recent past, and there have been cases of a few defaults on commercial papers and bonds.

Dated: Jul 21, 2019

• ‘Difficult To Say When It Finishes’, RBI Governor On NBFC Crisis:

Reserve Bank of India Governor Shaktikanta Das gave his first interview with media since taking office in December. Here’s an edited transcript of the topics he covered in the more than 50 minute interview. On the economic slowdown and the RBI’s response: “The accommodative stance will depend on incoming data. How inflation numbers look how the growth numbers look. Primarily how inflation looks. With regard to the slowdown, I would not give a particular timeline and it’s not possible. But overall if you see the trend, I think the fourth quarter of last year was partly a base effect and partly due to investment slowdown and demand contraction, which I had articulated in the monetary policy committee minutes. For that, so far as monetary authority is concerned, the law gives us a certain role and mandate and we have tried our best to
play that role. We have reduced the policy rates by 75 basis points and we have shifted to accommodative. And shifting of the stance to accommodative itself means a rate cut of 25 basis points at least. So therefore effectively, the rate cuts has been 100 basis points if you take into account the change in stance.” “Parallel to that we have also ensured surplus liquidity in the system. Liquidity was in deficit but at the moment for the past 1 1/2 months, the system is in liquidity surplus by more than 1 trillion rupees. “We will ensure the banks are provided adequate funds. While the system is in surplus mode, it is possible that one or two banks may have liquidity issues. Given the role the RBI is assigned, inflation is primary target, and given due weightage to the fact that growth momentum has slowed down. For the revival, various stakeholders have to play the role.” “There have been sectoral problems, like in the auto sector. Our survey shows that additional insurance requirements have had an impact. So every sector has had its problem. But when the world is changing you also have to change. Then there was the credit squeeze; now availability is there. The banks were unable to lend significantly, burdened with NPAs and the focus of the banks was on recovery and consolidation and not on credit. The banks are now in a better position to lend. While banks were not lending, NBFC entered their space. But for a year or so, credit flow has been affected. Another thing I would like to address the crowding out effect. It's a good thing that the fiscal deficit has been brought down and recapitalization has been announced. Every stakeholder, the government, the private sector and the RBI are playing their role and I think things are moving in the right direction. And things should improve now.” “We have to constantly monitor and remain alert as the regulator and as a monetary authority. We have to analyze and review the situation. Here at the RBI, we have broad medium and long-term goals. If some issue becomes critical, not a day passes without some internal high-level review. On NBFC, not a day passed in the last several months where we don't have a discussion or a review internally. Either on the sector or individual NBFCs. And we are monitoring the top 50 NBFCs which we have identified in terms of balance sheet size, volume of operation and in terms of governance practices and credit behavior. Our supervision teams are closely monitoring them. We are in constant interaction with the banks and it's our endeavor to ensure a collapse of another NBFC, especially a large one, doesn’t happen. Having said that, if NBFCs have undertaken certain governance practice and certain ways of function and they have to a price for it, they will have to pay a price for it.” “We are in constant engagement with banks. After the June 7 circular, the banks are more enabled to resolve the crisis and stress in the individual NBFCs. Now inter-credit agreement is mandatory. Earlier it wasn’t. We have also given 30 days for review and another six months for restructuring and we are having constant engagement with the banks. So the banks, under the June 7 circular, have to play a proactive role. We are constantly in touch with large lenders to such NBFCs, including some housing finance, where we see some signs of fragility.””If somebody has diverted or there has been sort of ever-greening, there has been gold plating, if there has not been so diligent lending, so obviously they have to pay the price. Our effort is to segregate the way there have been lapses. Our focus is the overall system maintains stability. When I say system, it obviously includes all the major players. Therefore, our effort is to see that there is no
repeat instances of systemically important large NBFC collapsing. And in the process some promoters have to make certain sacrifices, promoters have to accept haircut, the banks will have to deal with it appropriately within the parameters. One or two cases, the banks have signed inter-creditor agreements and they are resolving this crisis. The way I look at it, the responsibility is on the NBFCs themselves, to find market instruments to resolve their problems. Market instruments and the promoter has to bring in additional capital, he has to do a stake sale, he has to securitize his assets and mobilize liquidity, he has to meet debt obligations. And then the role of the lenders. We are in discussion with the lenders who have to protect their money also. They also have a parallel role to try and resolve this issue. That will also mean sacrifice on the part of the promoter also. The RBI will ensure adequate liquidity to banks.” “This Refinance window or a liquidity window is a misnomer. We cannot lend money directly to one NBFC. Under the law, RBI is the lender of last resort, but we haven’t reached that situation where we invoke that particular legal provision. So RBI in today’s time cannot and would not be lending directly to NBFCs. We cannot give them clean money. It is up to the bank and depending on the collateral. We are backing up the banks. There is nothing called a liquidity window. Money is fungible, and when money is fungible having these windows, I think, is not relevant.” “Difficult to say when it finishes. It’s our effort to ensure there is no contagion. It is our endeavor to ensure there is no collapse of another systematically important NBFC.” “There have been instances where it has happened. Some of the NBFCs have diverted. It hasn’t happened on a large scale. That is not the case. In some cases, we have noticed this has happened. A large number have encountered business failures, encountered external factors, which has impacted business models. We are coming up with a new regulatory framework. We are a work in progress. Risk management guidelines are also there for NBFCs. Now HFCs are coming under RBI, we are constantly reviewing it internally. The RBI’s endeavor is a well-functioning NBFC sector and a robust regulatory framework which prevent the kind of situation we have encountered in the past year.” “India is not part of the global value chain. So, U.S.-China trade tension does not impact India as much as several other economies which are part of the global value chain. Second thing is about trade tensions, it has a lowering of global growth and contraction of demand and that would in a way have a role on oil prices. Oil prices should remain low. These are the positives. In the long run, we cannot ignore lingering and prolonged tensions. It will definitely affect countries all over the world and definitely India, which is the sixth-largest economy. In the medium term also it will affect India. If it lingers, a contraction of global demand will have impact on our exports sector. We have large exports to Europe.” “We have to only see our domestic demand continues to be robust and ensure that there is a domestic demand revival and that remains strong. We have to ensure that these opportunities arising out of the trade war, relocation of investment, India should utilize it. Irrespective of the trade war, India should become competitive both in the services and the manufacturing sector.” “If they depreciate their currencies, it means greater inflows. When the reversal happens we have to manage spillover effect. If excess inflow comes in, it becomes a problem to absorb excess liquidity. It’s an evolving challenge. We will continue to deal with it.
We have to keep in mind, in several advanced economies, bonds yields are negative, inflation is zero. In fact in my interaction with other central bankers, they are concerned about zero or low inflation. They would like to have a slightly higher inflation. Zero interest rates prevailing for far too long, it becomes unsustainable and undermines investor sentiment. In the overall context, India is much better than most other economies.” “I don’t think the fiscal space is really the answer. If you have fiscal space any government can use. Long-term growth can be sustained by structural reforms, enhancing competitiveness, and focusing on an enabling business environment. So therefore, GST, IBC and the Niti Aayog’s committee on agriculture reforms, which will allow private investment in the farm sector and which will ensure better price to farmers for their produce, are crucial. The supply chain in the agricultural sector has to be addressed. The focus will have to be on structural reforms and improving competitiveness. Focus will have to be on continued ease of business and availability of credit at a reasonable price.” The RBI’s “essential role is to maintain price stability, which is defined in terms of inflation. Along with the objective of growth. Price stability is prime. It will depend on inflation, on incoming GDP. This year we have projected 7%. There was a lot of uncertainty, but now the monsoon is catching up in Tamil Nadu and Kerala. The western part had good rains and the monsoon outlook has improved compared to what it looked about three weeks ago and oil prices are remaining in the $65 range, but then you have extraneous factors like the trade tensions, sanctions on Iran, and then you have Brexit which creates uncertain sentiments and India has a lot presence in Britain in terms of investment and exports. I would not like to specify how long it (economic slowdown) will last. India is today in a far better place than most of the major economies and India has certain inherent resilience and the signs are looking good.” “Core inflation coming down, at one level, can be seen as a positive development but at another level it is reflective of a slowdown in the demand, so therefore I don’t want to make a qualitative judgement on good or bad. Based on hard numbers, we will have to take a call.” “RBI is the debt manager. There is a process of consulting between RBI and the government.” “The 700 billion rupees is adequate for capital requirement but also for growth. The true test of efficiency of a public sector bank is whether they are able to access capital markets to raise additional capital. Otherwise just continuous and prolonged dependence on government capital infusion – it can breed inefficiency. Banks need to access capital markets. There has to be competition in the banking sector. How many competitors are there in the field that the market will decide.” “There is a case for banks to show better monetary policy transmission. We have to keep in mind that banks have gone through a period of crisis and they are just recovering, they are just about recovering, so that aspect has also to be kept in mind. So if you drive and ask them to fix interest rates administratively, we cannot lose sight of the fact that banks will also have to recover and comeback to a level where they are out of the woods. If we see the PCA banks have fulfilled the conditions to come, they will come.” “Some are doing well. It’s a new model. It's about two years. We are studying. We should wait a little longer how they play out.” “I would like to say our primary focus -- apart from price stability and keeping the objective of growth -- it is also to ensure the stability of the financial sector, which includes banks and NBFC. And in the long
run, if India has to grow and show improved growth rates, it will need a well-functioning financial sector.” This story has been published from a wire agency feed without modifications to the text. Only the headline has been changed.

Source: https://www.livemint.com/industry/banking/-difficult-to-say-when-it-finishes-rbi-governor-on-nbfc-crisis-1563765145020.html

Dated: Jul 22, 2019

• **Banks Take Government To Court Over GST Charge Of Rs 18,000 Cr:**

After refusing to respond to tax notices for over a year, banks have now dragged the government to court over its move to levy service tax and GST on services offered to customers who maintain large deposits in return for getting facilities such as wealth management or lockers without paying an annual fee. The government has alleged that through the deposit based services, cumulatively, over a dozen banks did not pay GST worth Rs 18,000 crore. While notices were issued in April 2018, instead of responding to them, banks chose to give representations at multiple forums before moving the Delhi high court, demanding a stay on proceedings. The court, while posting the matter for hearing a few months later, has asked the banks to respond to the notices by the end of next month. Some of the foreign banks declined comment, while private lenders and state-run players did not respond to questionnaires emailed on Saturday afternoon. Bank executives said that it’s an industry issue and the Indian Banks’ Association has taken up the matter. The government has accused the banks of bypassing the taxation process and avoiding service tax in return for maintaining Monthly Average Balance (MAB). The foreign and private banks are accused of having left behind a bigger dent for the exchequer as they offered multiple services under the wealth management umbrella. Government sources cited the instance of a locker, where instead of an annual rent of Rs 2,000, the product is offered in return for a deposit of Rs 50,000. The rent would have helped the government get Rs 360 as GST but a deposit does not earn any tax for the government, they added. In the same way, banks offer many other services such as free lounge facilities, cheque deposit, free ATM usage and debit cards, apart from investment services to premium account holders. Bankers said that this was “normal practice” and the idea was not to evade tax. Tax authorities had launched a probe as early as 2015 after it received “source-based” information. Government officials said that the move is targeted at high-value customers and the tax demand does not involve basic or Jan Dhan accounts, as some banks were seeking to suggest.


Dated: Jul 22, 2019

• **Loss Of Cheque To Be Compensated By Bank, NCDRC Directs BoB To Pay Rs 3L To Customer:**
The apex consumer forum NCDRC has observed that it is a bank's responsibility to compensate a customer for losing a cheque, including the dishonoured ones, deposited with it. The observation by the National Consumer Disputes Redressal Commission (NCDRC) came while directing Bank of Baroda (BoB) to pay over Rs 3 lakh to a Gujarat resident for losing a cheque of Rs 3.6 lakh, issued in his favour, which had bounced. The commission noted that the bank not only lost the dishonoured cheque, but also did not give the complainant -- Chitrodiya Babuji Divanji -- a cheque return memo, even though he constantly pursued the case with it. It said as a result Divanji suffered a loss of Rs 3.6 lakh. “Divanji constantly pursued his case with the petitioner (bank) for return of the dishonoured cheque and cheque return memo. Unfortunately, the cheque was lost by the bank. He did not receive the bounced cheque nor did he get the cheque amount of Rs 3,60,000. “When the cheque in question had been lost by the petitioner bank, it is the responsibility of the bank to compensate the loss,” the NCDRC said. “In view of the above discussion, we found no illegality or infirmity in the impugned order. No miscarriage of justice is also shown to have been done in the case. Order is also not perverse. The findings are based on sound principles of justice. “We see no illegality, infirmity or jurisdictional error in the impugned order and the same is upheld. The revision petition has no merit and the same is dismissed,” NCDRC presiding member Justice Deepa Sharma and member C Vishwanath said while upholding a Gujarat state consumer commission’s decision against the bank. The state commission on January 20, 2016 allowed Divanji’s appeal directing the bank to pay him Rs 3,60,000 and had set aside the district forum’s order. The district forum had in 2013 partly allowed the complaint and directed Bank of Baroda to pay Rs 15,000 with interest. According to the original complaint, Divanji had on September 11, 2010 deposited a cheque of Rs 3,60,000 in his savings account at the Market Yard branch of Visnagar, Gujarat. The cheque, given to Divanji by someone else for clearing his dues, was returned by the bank as dishonoured. However, it never reached him. The bank denied all allegations levelled against it by Divanji in the multiple legal notices sent by him.

Dated: Jul 22, 2019

• DHFL Expects Approval Of Resolution Plan By Lenders By Month-End:

Debt-ridden DHFL on Monday said it expects an in-principle approval from its lenders to its the resolution plan by month-end. The ability of the company to continue as a going concern is predicated upon its ability to monetize its assets, secure funding from the bankers or investors, restructure its liabilities and recommence its operations, DHFL said in a late evening regulatory filing while releasing its audited results. The company said that it was in the process of submitting a resolution plan to the lenders who are expected to give in-principle approval by month-end. It further said that DHFL has received non-binding indicative term sheets as part of the proposed corporate restructuring of the company and any proposals approved will constitute a part of the resolution plan. Promoters of mortgage lender are in talks with private equity firms and are expecting to garner USD 1 billion (about Rs 6,900 crore) by selling nearly 50 per cent of their holdings, sources said. The Wadhawan family, the promoters of the
company, currently holds close to 40 per cent stake in the company. Private equity firms Lone Star, AION Capital and KKR are in talks with promoters for a strategic stake, sources said. It further said that the company is undergoing substantial financial stress since the second half of the last financial year. Dewan Housing Finance Ltd (DHFL) has suffered consistent downgrades in its credit ratings since February 2019. On June 5, 2019, its credit rating was reduced to ‘default grade’ despite no default till that date. “The Company's ability to raise funds has been substantially impaired and the business has been brought to a standstill with there being minimal/virtually no disbursements. These developments may raise a significant doubt on the ability of the Company to continue as a going concern,” it said. It further said that the company is taking active steps to monetize its assets and is in discussions with multiple Indian banks and international financial institutions to sell off its retail as well as wholesale portfolio.


Dated: Jul 22, 2019

- **Consolidation Of Regional Rural Banks On Government Agenda:**

India is eyeing a mega revamp of its Regional Rural Banks (RRBs) and the plan includes consolidation of these lenders for better operational efficiencies in line with the government's big rural focus. The plan that the finance ministry is drawing up also envisages RRBs adopting differentiated banking strategies, such as targeting specific sectors, for a strong regional connect. Some RRBs will be merged with their sponsoring banks, said a senior finance ministry official aware of the deliberations. “We are exploring all possibilities to further strengthen the RRBs. In some cases, it is being looked at if they can be merged with their sponsoring banks for better operational efficiencies and to achieve economies of scale,” said the official. There are 56 operational RRBs & the roadmap is to bring them down to 38 or below. Banks have also been directed to explore the possibilities of buying out the stake of other sponsoring banks in RRBs, if such deals will strengthen their presence and hold financial viability. At present, the central government holds half the stake in RRBs. Sponsor banks own 35% and the rest 15% is with state governments. “If the sponsoring banks are willing to buy out the central government's stake, then it will be for a token amount,” said another official aware of the move. The government had so far amalgamated 21RRBs. This has been carried out within states where the RRBs operate with a view to enable them to minimize their overhead expenses, optimize the use of technology, enhance the capital base and area of operation and increase exposure, the government had said. “RRBs have stiff competition from small finance banks and non-banking finance companies. They need to offer differentiated products to play a greater role in financial inclusion and meeting credit requirements of rural areas,” the second official said. The National Bank for Agriculture and Rural Development (NABARD) periodically reviews their financial performance through empowered committee (EC) meetings at the state level. The government in the budget 2019-20 has allocated ₹236 crore towards capitalization of RRBs. “Recapitalization support is provided to RRBs to augment their capital so as to comply with regulatory capital requirements,” minister of state for finance Anurag Thakur had said in reply to a question in the Lok Sabha. In 2015, the
The government had passed the Regional Rural Banks (Amendment) Bill to enhance the authorized and issued capital of RRBs.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/consolidation-of-regional-rural-banks-on-government-agenda/articleshow/70352683.cms
Dated: Jul 24, 2019

**RBI Redistributes Acharya’s Portfolio Among Deputies:**

The Reserve Bank of India (RBI) on Tuesday redistributed the portfolio of outgoing deputy governor Viral Acharya among the other three deputies- NS Vishwanathan, MK Jain, and BP Kanungo. Acharya, who was essentially in charge of the monetary policy department, had put in his papers in June this year, three months before the end of his term at Mint Road. A professor at the New York University’s Stern School of Business, Acharya cited personal reasons while making public his decision to leave the central bank job. Deputy Governor Kanungo will now be responsible for overseeing the Monetary Policy Department, including the Forecasting and Modelling Unit, the Department of Economic and Policy Research and the Department of Statistics & Information Management (including Data and Information Management Unit) essentially key responsibility areas in Acharya’s portfolio. The Financial Markets Operations Department and Financial Markets Regulation Department, including Market Intelligence, will now be handled by NS Vishwanathan. The Centre is expected to soon begin the process of finding a replacement for Acharya. The successful candidate would be the only RBI deputy governor out of four to sit on the six-member Monetary Policy Committee. Acharya’s successor would also head the RBI’s monetary policy and research departments.

Dated: Jul 24, 2019

**ICRA Cuts Rating On Yes Bank’s Bonds Worth Rs. 32,911.7 Crore:**

Credit rating agency ICRA Ltd on Wednesday downgraded ratings on Yes Bank’s Rs. 32,911.7 crore bond programme, citing an increase in stressed assets and lack of debt resolutions. The rating on bonds aggregating Rs. 22,111.7 crore were downgraded by one notch, while that on Rs.10,800 crore of additional tier I (AT-I) bonds were downgraded by two notches. The outlook on the ratings remained negative as Yes Bank saw a sizeable increase in gross bad loans and BB and below rated exposures along with weakened capital cushions, ICRA said. The rating for these AT-I bonds (BBB+) is three notches lower than the rating for the Basel III compliant tier II bonds (A+) of Yes Bank as these instruments have loss-absorption features that make them riskier, said the credit rating agency. The coupon payments are non-cumulative and discretionary and the bank has full discretion at all times to the cancel the coupon payments. “The cancellation of discretionary payments shall not be an event of default. Coupons can be paid out of the current
year’s profits. However, if the current year’s profit is not sufficient or if the payment of the coupon is likely to result in a loss, the coupon payment can be made through reserves and surpluses created through the appropriation of profits, (including statutory reserves),” it said. The coupon payment is subject to the bank meeting the minimum regulatory requirements for common equity tier I (CET-I), tier I and total capital ratios (including capital conservation buffer, at all times as prescribed by the Reserve Bank of India (RBI), ICRA said. “These AT-I bonds are expected to absorb losses through a write-down mechanism at the objective pre-specified trigger point fixed at the bank’s CET-I ratio as prescribed by the RBI, 5.5% till March 2020, and thereafter 6.125% of the total risk-weighted assets of the bank or when the point of non-viability trigger is breached in the RBI’s opinion,” it said. The rating downgrades, Icra said, also factor in the further weakening in Yes Bank’s core equity (CET-I) capital cushions with the growth in RWAs and elevated provisioning leading to subdued profitability. The CET-I declined to 8% as on 30 June 2019 against the minimum regulatory requirement of 7.375% for 31 March 2019 and 8% for 31 March 2020. “Hence, the bank would need to raise capital on an immediate basis. While the board has approved a capital raise of $1 billion, Yes Bank’s ability to raise capital considering its recent performance and earnings guidance remains to be seen. The bank will also need to accelerate the resolution and recovery from stressed exposures and will also need to calibrate growth to restore the capital cushion,” it said. Icra said it has taken note of the stability in the bank’s overall deposits base, though the current account and savings account deposits declined in Q1FY20, while term deposits witnessed a growth, perhaps a negative for the cost of funds and earnings. “The management guided towards an increase in the share of granular retail and small and medium enterprise assets to around 50% over the medium to long term from the existing level of 36.1%, though the same will remain dependent on the bank’s ability to raise growth capital,” Icra said. The ratings continue to factor in the private lender’s position as the fourth largest private sector bank, in terms of total assets, its satisfactory operating profitability and wide branch network, Icra said.

Dated: Jul 24, 2019

- **NBFCs May Soon Have PCA Like Framework:**

Non-Banking Financial Companies (NBFCs) may soon have a framework for asset quality similar to the prompt corrective action (PCA) that the Reserve Bank of India put in place for banks in 2018, a report in The Times of India has said. The central bank also asked NBFCs to make provision for acquired loans that have a moratorium period, which is the time during which the borrower is not required to repay the loan, the report said. The framework would most likely cover the Top 50 large NBFCs in the country. Former deputy RBI governor Viral Acharya was an advocate of PCA and had said its objective was to limit further losses and prevent erosion of bank capital, create a platform of stability for the bank, and in turn, set the stage for structural interventions to be implemented and pushed through. Thus, as per the framework, banks cannot increase exposure to non-performing assets (NPAs) unless the asset shows improved finances. This same concept will be used to prevent unchecked ever-greening of loans for NBFCs, especially in the face of the current crisis.
The framework would also look at providing regulatory arbitrage on the risks for banks that would take on stressed NBFC assets. The aim was to make NBFCs divert cash streams towards liquid risk-free assets, the report said. In fact, RBI Governor Shaktikanta Das has said that the central bank was “ready to take regulatory action, without delay, to safeguard the financial stability of the economy, if required”. The central bank had in May said it would merge its banking and non-banking supervision departments and undertake lateral recruitment of consultants as part of a functional revamp aimed at improving efficiency in the area. “With a view to strengthening the supervision and regulation of commercial banks, urban co-operative banks and NBFCs, the Board has decided to create a specialized supervisory and regulatory cadre within the RBI,” a statement read.

Dated: Jul 25, 2019

• **Gross NPAs Of Public Sector Banks Have Declined By Over Rs 89,000 Cr Till March:**
  Over the last four financial years, PSBs were recapitalised to the extent of Rs 3.12 lakh crore, with an infusion of Rs 2.46 lakh crore by the government and mobilisation of over Rs 0.66 lakh crore by PSBs themselves, the statement said. The gross non-performing assets (NPAs) of public sector banks (PSBs) have declined by Rs 89,189 crore from a peak of more than Rs 8.95 lakh crore in March 2018 to over Rs 8.06 lakh crore in March this year, the government told the Rajya Sabha. In a written reply to Congress member B K Hariprasad, Finance Minister Nirmala Sitharaman said, “As per Reserve Bank of India (RBI) data on global operations (provisional data for the financial year ending March 2019), gross NPAs of PSBs have declined by Rs 89,189 crore from the peak of Rs 8,95,601 crore in March 2018 to Rs 8,06,412 crore in March 2019 (provisional data).” According to the data, aggregate gross advances of PSBs increased from over Rs 18.19 lakh crore as on March 31, 2008 to more than Rs 52.15 lakh crore as on March 31, 2014. “As per RBI inputs, the primary reasons for the spurt in stressed assets have been observed to be, inter-alia, aggressive lending practices, wilful default/loan frauds/corruption in some cases, and economic slowdown,” the minister said in a statement. The asset quality review (AQR) initiated in 2015 for clean and fully provisioned bank balance-sheets revealed high incidence of NPAs. As a result of AQR and subsequent transparent recognition by banks, stressed accounts were reclassified as NPAs and expected losses on stressed loans, not provided for earlier under flexibility given to restructured loans, were provided for. Further, all such schemes for restructuring stressed loans were withdrawn. The government adopted a comprehensive 4R’s strategy consisting of recognition of NPAs transparently, resolution and recovering value from stressed accounts, recapitalizing PSBs, and reforms in PSBs and financial ecosystem to ensure a responsible and clean system, the statement noted. Steps were taken to expedite and enable resolution of NPAs of PSBs, and to improve the condition of banks. Change in credit culture was effected, with the Insolvency and Bankruptcy Code (IBC) fundamentally changing the creditor-borrower relationship, taking away control of the defaulting company from promoters/owners and debarring wilful defaulters from the resolution process and debarring them from raising funds from the market. Over the last four financial years, PSBs were recapitalised to the extent of Rs 3.12 lakh
crore, with an infusion of Rs 2.46 lakh crore by the government and mobilisation of over Rs 0.66 lakh crore by PSBs themselves, the statement said.

Dated: Jul 25, 2019

• **Sluggish Demand Drags Down Earnings In Q1:**

Earnings growth of Indian companies may remain muted because of sluggish demand and subdued private sector investments, according to the early trends of the June quarter financial results. Aggregate net profit growth of 281 BSE-listed companies that have reported June quarter results showed that profit growth has slowed to 8.49% from 23.8% a year earlier after adjusting for one-time gains or losses, according to data provider Capitaline. The figure is, however, an improvement from the preceding quarter's 5.67%. During the period, net sales growth slowed to an at least 13-quarter low of 5.07% from 20% in the same period last year and 10.27% in the preceding March quarter. Operating profit margin, however, widened marginally to 22.49% in the June quarter from 20.74% in the preceding quarter. The earnings review excludes banks, financial services, and oil and gas firms as these companies follow a different revenue model. Lower commodity prices in April-June helped keep profit growth intact to some extent as crude prices fell 2.7% and LME aluminium was 6% lower in the period. Raw material costs for the companies under review fell to at least a 13-quarter low. It declined 0.04% in the fiscal-first quarter compared to a 2.83% rise in the preceding March quarter. This is a sharp drop from 14.7% increase in last fiscal's June quarter. Commodity costs fell 60 basis points sequentially in the March quarter and a further 20bps in the June quarter, said Nomura. “Current prices are even lower and this was led by a correction in steel and aluminium prices... Moreover, lead prices also remained flattish in Q1 FY20 and are down sharply currently which should result in improved margins for battery companies going ahead,” it said in a report on 9 July. Pankaj Pandey, head of research at ICICI Securities Ltd, said declining commodity prices are hurting the metals sector while boosting margins for companies that use them as raw material. “We were expecting a softer quarter for commodity-oriented sectors like metals due to lower commodity prices and inventory loss. This is exceptional for cement as earnings were largely driven by pricing. Overall sectors like pharma saw a broad base earnings recovery due to low base,” Pandey said. As the consumption slowdown was already factored in the quarterly earnings, it is not very disappointing so far, he said. While the decline in the stock markets can partly be attributed to proposals in the Union budget, analysts believe sustaining earnings momentum will be key. The progress of the monsoon, critical for the economy, has been rather slow. After the rainfall deficit for the four-month monsoon season touched 16%, the India Meteorological Department on Saturday forecast that the situation is likely to improve over the next week following active monsoon conditions across most parts of the country. “With almost six weeks going by since the monsoon began in June, the progress is a bit worrisome. While the deficit is being made up gradually, overall rainfall is still less than satisfactory. There is however scope for improvement during this month as well as August—as these are the two crucial months for agriculture,” said CARE Ratings.
Analysts say factors such as lower interest rates and some budget announcements may boost growth in the coming quarters. The cost of capital has fallen led by repo rate cuts by Reserve Bank of India and general dovish commentaries by global central banks in this year. Also in the budget, the government has announced an initiative to tap overseas markets to meet part of its borrowing needs. “This should augur well for the interest rate and liquidity environment in India and also strengthen the currency,” an analyst said.

• **ICICI Bank Gives Enough To Cheer Investors, Even On Outlook:**

The strength of a stock is determined by how clear investors are on the outlook of the company. ICICI Bank gets top marks on this as the lender not only reported improved asset quality but its management also gave a clear outlook. The private lender swung to profit in the June quarter because it didn’t need to make big provisions as bad loans fell and core income improved. The management in a call with media on Saturday categorically said there was no loan growth target but an intention to price risk appropriately. In other words, the lender won’t bind itself to a number on loan growth but will shop for the best borrower to serve. This sounds logical as ICICI Bank was the hardest hit among private lenders from the sharp rise in toxic loans over the last three years. It has learnt its lesson as around 88% of its loans to companies in June quarter was made to firms rated A- and above. For the June quarter, the bank saw its gross bad loan ratios decline and even incremental stress reduce through a fall in slippages. Its watchlist of stressed loans or those rated BB and below have also declined to ₹15,355 crore from Rs. 17,525 crore in the previous quarter. The bank has guided that credit costs may not worsen from hereon and the pace of slippage will be contained. Moreover, it has chosen to beef up its provisions to guard against risk with coverage ratio at over 70% now. Given the upbeat guidance from the management, analysts believe, the stock could return to favour. “ICICI remains our top Buy with a major OW (overweight) position in our sector EAP given its clear focus on portfolio quality and profitability versus growth, which should lead to better return ratios and a re-rating of stock,” said brokerage firm Emkay Global in a note. The lender’s stock rose 3% in early deals today in response to its quarterly results.

• **RBI Slaps Rs 26 Lakh Fine On Mobikwik, Hip Bar For Violating Norms:**

The Reserve Bank has imposed a total penalty of around Rs 26 lakh on two online payment solutions providers One Mobikwik Systems and Hip Bar. One Mobikwik Systems Private Limited has been slapped a fine of Rs 15 lakh while Hip Bar Pvt Ltd faced a fine
of Rs 10.85 lakh, according to an RBI release. These two prepaid payment instrument (PPI) issuers have been levied monetary penalty for non-compliance of regulatory guidelines, the release said.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-slaps-rs-25-lakh-fine-on-mobikwik-hip-bar-for-violating-norms/articleshow/70437056.cms
Dated: Jul 29, 2019

• **Vodafone Idea To Close M-Pesa Business, Writes Off Rs 210 Crore For Payments Bank Closure:**

Vodafone Idea Ltd has decided to close m-pesa vertical following the closure of Aditya Birla Idea Payments Bank Ltd (ABIPBL), in which it was being merged with, a top official said on Monday. Nearly 17 months after it began operations, ABIPBL on July 20 announced winding up of its business on account of “unanticipated developments” that made its economic model “unviable”. “The merger of Vodafone m-pesa with ABIPBL has thus been called off and business prepaid instruments and business correspondence are in the process of closure,” Vodafone Idea Chief Executive Officer Balesh Sharma said company’s earning call. He attributed regulatory changes for the payments bank business and deterioration in health of telecom sector to the decision. “Now, that we are proposing not to have the payments bank as well as the m-pesa business. Instead of having m-pesa of our own, we will explore the market and partner with fintech companies,” Sharma said. Vodafone Idea wrote off Rs 210 crore in the June quarter on account of decision to close its payments bank business. “The impairment charges include impairment in payments bank and m-pesa entities of Rs 2.1 billion (Rs 210 crore) following the decision to discontinue payments bank, wallet and business correspondent businesses in the respective entities,” Vodafone Idea Chief Financial Officer Akshaya Moondra said. The company had written off a total amount of Rs 580 crore during the first quarter of 2019-20. Vodafone m-pesa was one of the 11 firms that was given payments bank licence by the Reserve Bank of India in 2015. Tech Mahindra, Cholamandalam Investment and Finance Company and a consortium of Dilip Shanghvi, IDFC Bank Ltd and Telenor Financial Services surrendered their payments banks licence even before commencing their business. Sharma said that decision to close down payments bank business is also part of the company’s strategy to focus on core business which is the telecom business. Vodafone Idea is phasing out 3G services and re-farming all spectrum for 4G services. The company is looking to check the churn of customers onto other network which led it to lose market leadership position to Reliance Jio in June. Reliance Jio had a user base of 331.3 million by June 2019 while that of Vodafone Idea subscriber base declined to 320 million in the same month. Sharma said after a minimum charge of Rs 35 per month introduced by the company, many customer consolidated to single SIM which showed 4G subscribers moving out of the Vodafone Idea network. He said the churn has come down to 3.7 per cent and the company is making effort to curb it further with high revenue generating customers.

Dated: Jul 29, 2019

• **NBFC Liquidity Crunch Is Putting The Squeeze On Fintech:**

A liquidity crunch in the non-banking finance space has started to spill over into the new-age fintech sector, which relies
on banks and NBFCs for capital to use for onward lending. Multiple industry insiders told ET that many fintech players have seen credit turn expensive, with rates going up by 75-150 basis points across categories. “We need to raise debt from banks and larger NBFCs for onward lending; now if we cannot borrow funds at lower rates, then our lending rates also tend to go up and eventually the consumer ends up paying more,” said the founder of a fintech lending startup on condition of anonymity. Banks are traditionally cheaper sources of capital, but their credit checks tend to be more rigorous. So, most newage lenders source funds from larger traditional NBFCs. ET understands that rates have gone up from less than 10% to as high as 14% in some cases, depending on overall asset quality and size of the fintech lender. This means fintech companies can lend only at around 16%-17%, indicating how expensive these loans have become for consumers with tardy credit scores. “Refinancing is also a major problem now; if we were getting a credit line of ₹10 crore in the past, now it is being halved to ₹5 crore, with more credit checks,” said another Bengaluru-based founder of a lending startup. “Also, early stage players with whom banks were ready to experiment with a small credit line to start with even six months back, are facing difficulties accessing these lines.” There has been an overall liquidity problem and rating agencies too have come under severe scrutiny because of the failure of highliterated companies in repaying loans. This has also made it difficult for banks to extend debt, said another top executive at one of the largest fintech NBFCs. “Government banks were anyway not lending to us, even private banks with some exposure to this sector already are tightening their purse strings to ensure their asset quality does not worsen,” he said. ET reported in its May 28 edition that fintech startups were facing challenges in raising equity funding from prospective investors, since questions were being raised on the asset quality of these players. “While they innovated on technology to lend, they did not learn from our experience in collections, which I think is being put into question now,” said a top executive at a traditional NBFC. It is a double whammy for these players as their go-to market strategy revolved around quick access to loans for customers who were just below prime or sub-prime. If they have to strengthen their credit evaluations, then they will only get prime customers who are served by banks.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/nbfc-liquidity-crunch-is-putting-the-squeeze-on-fintech/articleshow/70442365.cms
Dated: Jul 30, 2019

• **Banks Raising Funds To Grab NBFC Share:**

Top public and private sector banks are going on a fundraising spree as they seek to wrest market share from nonbanking finance companies (NBFCs) facing a credit crisis and smaller statere-run banks weighed down by bad loans. At least three top public sector banks State Bank of India, Bank of Baroda and Canara Bank and two private lenders
Axis and RBL Bank are planning to raise an aggregate of up to Rs 62,000 crore this year in a bid to accumulate growth capital. State Bank of India is looking to raise as much as Rs 17,000 crore through bonds, with Rs 7,000 crore of this shortly as additional tier one (AT1) capital. “We see consumption picking up around the festive season second half is always the busy season and first half is the easy season,” said SBI chairman Rajnish Kumar. “We have recorded a 13% credit growth and hopefully if this trend continues then we have to be prepared.” Credit disbursements by NBFCs dropped 31% to Rs 1.96 lakh crore at the end of March from Rs 2.83 lakh crore in the year earlier. Bank lending to NBFCs also slowed to Rs 6.2 lakh crore at the end of May against Rs 6.4 lakh crore in March. NBFCs were gripped by the liquidity squeeze that followed the unexpected default by Infrastructure Leasing & Financial Services (IL&FS) in September last year. “This is clearly growth capital as banks have frontloaded provisions with industry PCR (provision coverage ratio) average at 60% currently and the requirement will be much lower than FY19,” said Siddharth Purohit, banking analyst with SMC Institutional Equities. “With additional capital coming in from the government to state-owned banks, we can expect to see credit recovery and higher profits in FY20.” In her July 5 budget, finance minister Nirmala Sitharaman pledged additional capital of Rs 70,000 crore for state-run banks this financial year. This will help some to provide for bad loans, exit the Prompt Corrective Action framework and facilitate higher lending to small and medium enterprises. Bank of Baroda will raise as much as Rs 1,500 crore through the employee share purchase scheme (ESPS) and Rs 4,500 crore through AT1 bonds. It plans to raise Rs 12,000 crore in the full financial year. Canara Bank plans to raise up to Rs 12,000 crore through a mix of equity and bonds during the current fiscal to fund its business growth. The state-run lender plans to raise Rs 6,000 crore through qualified institutional placements (QIPs) while the remaining is expected to come from bond placements. Axis Bank is also looking to raise Rs 18,000 crore through a combination of QIPs as well as American and global depository receipts (ADRs, GDRs) as it looks to boost capital to drive loan growth mostly among retail customers and select corporates. RBL Bank is planning a share sale to raise up to Rs 3,500 crore, shoring up its capital base to expand into newer lending areas and maintain its fast-paced growth in retail banking. “We will raise capital in the next few months— it will happen this fiscal,” said RBL Bank CEO Vishwavir Ahuja. “We have taken an enabling resolution for raising between Rs 3,000 crore and Rs 3,500 crore, which was confirmed in the AGM last week. That’s what we will start thinking and working on. It’s on our radar this year, depending on market conditions.”
India Shouldn’t Bail Out Stressed Shadow Banks:

The slowdown that began among India’s shadow banks is spreading. Sectors that had come to depend on credit from what in India are called non-banking financial companies (NBFCs) are posting awful numbers. Insurance is slowing and real estate is troubled. The automobile sector which contributes half of India’s manufacturing output is shrinking as stressed shadow banks prioritize survival above lending growth. Naturally, Prime Minister Narendra Modi’s government is worried. But it, and the Reserve Bank of India, should avoid any attempt to succor the shadow-banking sector with liquidity. Giving NBFCs the false appearance of health would only increase, not decrease the chances of a systemic crisis. Speaking to Bloomberg News recently, RBI Governor Shaktikanta Das warned that the central bank sees “some signs of fragility,” particularly in shadow banks that are exposed to the housing sector. The question is what to do about it. On the one hand, Das sought to reassure investors that the RBI would prevent another large NBFC from collapsing. (The current crisis was set off when highly connected Infrastructure Leasing & Financial Services Ltd. defaulted last year.) On the other hand, he said, “If NBFCs have undertaken certain governance practice and certain ways of function and they have to a price for it, they will have to pay a price for it.” If those two statements don’t quite seem to go together, that’s because Indian policymakers and businesses are split over the right course of action. Many executives, and some ruling-party politicians concerned about growth, would like to see the sector bailed out. Anil Ambani, a tycoon with a large stake in financial services, has said that NBFCs are in intensive care and, “in the ICU, if you want to save the patient, what is needed is not Paracetamol but full life support.” But many regulators correctly doubt that’s the best strategy. Shadow banks have come to occupy a space in the Indian economy for which they weren’t built. Some of them gorged on money raised from the public — from state-owned banks or debt mutual funds — to lend to long-tenure projects, some of them in politically exposed sectors such as real estate or infrastructure. NBFCs filled this niche by default: The government is short of money, there is no real corporate debt market in India, and the traditional banking system was burdened with bad loans. Policymakers have responded cautiously thus far. The government has set aside a large amount of money to recapitalize India’s state-run banks, which many hope will mean they start lending again to liquidity-starved NBFCs. (In some sense, that’s making a virtue out of a necessity: Basel requirements and their own bad-loans crisis meant banks needed the capital anyway.) To encourage state-owned banks to help clean up the NBFCs’ balance sheets, the government has also announced that it will partially guarantee their purchase of securitized pools of NBFC assets. On the other hand, the restrictions on that guarantee are stringent enough for some analysts to declare it’s too weak. Fitch points out that that struggling shadow banks “may still have to fend for themselves.” That’s how it should be. Let’s be clear: If the shadow-banking sector is to survive and be useful, more NBFCs will have to die. Indian regulators and politicians are generally terrified of anything shutting down, whether it’s a bank or an airline or a real estate
company. But, in this case, they will have to stand by as it happens -- and, in some cases, administer the lethal injection themselves. What's important is to ensure those failures don't bring down the entire financial sector. There's reason to believe that's possible. In China, for example, smaller banks and NBFCs fueled growth for years. As in India, the markets generally believed that regulators would never let them collapse. But the Chinese authorities' takeover of Baoshang Bank Co. in May this year shows that such systemic inconsistencies have a sell-by date. As Bloomberg News reported last week, that has led to a “wholesale repricing of risk for all but the largest Chinese lenders.” This new granularity in how lenders are treated is exactly what India needs as well. Indian investors should not be led to believe that the government or the RBI stands as a backstop behind sectors indulging in risky lending; that would mean that finance isn't doing its job of correctly measuring and pricing risk. A few quarters of pain in sectors that depend upon shadow financing is a small price to pay to produce a sector that winds up doing its job efficiently and sustainably.

Dated: Jul 30, 2019

- **United Bank Of India Reports Fraud Against Visa Steel:**

State-owned United Bank of India has reported fraud against Visa Steel for misappropriation of bank funds, while the lender has booked Rs 105 crore net profit for the quarter ending June. UBI Managing Director Ashok Kumar Pradhan has said that the bank had Rs 90 crore exposure to Visa Steel, which defaulted a total of Rs 3600 crore of bank loans. The Kolkata-based lender has also reported fraud of Rs 850 crore against Bhushan Power & Steel Ltd (BPSL), following others including Punjab National Bank. Senior UBI executives said that it has provided fully against the exposure to BPSL while the Visa Steel exposure is covered 60% by provision. UBI’s net profit was backed by improvement in asset quality. This is the bank’s second quarterly net profit in a row after making seven consecutive losses earlier. It had made Rs 389 crore loss in the year ago period. The bank’s net non-performing assets ratio improved to 8.19% as on June, compared with 15.17% a year back. UBI management has expressed confidence that its net NPA would be lower than 6% by September, a necessary parameter for lifting the lending restrictions and others under PCA framework. “Irrespective of government infusion of capital, we should be out of PCA after the second quarter,” Pradhan told ET. Reserve Bank of India had curbed business expansion possibilities of 11 banks including UBI for high ratio of sticky loans and negative return on assets. UBI’s gross NPA stood at 15.89% compared with 22.72% a year back while fresh accumulation of bad loans fell to Rs 407 crore compared with Rs 547 crore in the year ago period. RBI, meanwhile, has allowed UBI to sell government securities bought before the business curb was imposed which boosted the bank’s earnings. Its operating profit grew 141% at Rs 683 crore in the June quarter over Rs 283 crore in the year ago period. Net interest margin improved to 2.83% from 2.36%.

Dated: Jul 30, 2019

- **No Exposure To Coffee Day Rs 152 Cr Loan To Global Unit, Karnataka Bank:**
Karnataka Bank on Tuesday said it has no exposure to Coffee Day Enterprises, though the company’s global unit has an outstanding loan of Rs 152 crore. “This is to clarify that our bank does not have any exposure to Coffee Day Enterprises Ltd, an entity listed on BSE and National Stock Exchange of India Ltd,” Karnataka Bank said in a regulatory filing. “However, Coffee Day Global, one of the unlisted group companies (erstwhile Amalgamated Bean Coffee, a customer of the bank since 1996) is enjoying credit facilities with the present outstanding of Rs 152.48 crore,” it added. The loan to the global unit constitutes 0.29 per cent of total advances of the bank. The above facilities are fully secured by collaterals of properties besides primary securities and all the loan accounts are regular as on date, the bank said. Indian cafe chain Coffee Day Enterprises has come under the spotlight due to sudden disappearance of its founder V G Siddhartha since Monday evening. “V G Siddhartha, Chairman and Managing Director of Coffee Day Enterprises is not reachable since yesterday evening. We are taking the help of concerned authorities,” Coffee Day Enterprises said in a regulatory filing Tuesday. The company is professionally managed and led by competent leadership team, which will ensure continuity of business, the filing said. Reports of the company’s chairman going missing took a beating on the stock, pulling it down 20 per cent to settle at Rs 154.05 on BSE.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/no-exposure-to-coffee-day-rs-152-cr-loan-to-global-unit-karnatakabank/articleshow/70453258.cms
Dated: Jul 30, 2019

• CCD Account Standard, V G Siddhartha Recently Repaid A Part, Axis Bank:

Axis Bank Tuesday said the Cafe Coffee Day group, whose founder chairman VG Siddhartha has been missing since Monday night, has repaid some of the loans after he sold his over 20 percent in software firm Mindtree to Larsen & Toubro recently. Top bank officials, however, declined to specify what is the exposure that third largest private sector lender has to the account. “We had an exposure which has gone down after Siddhartha sold his stake (in Mindtree to L&T for over Rs 3,000 crore recently)” executive director Rajiv Anand told reporters during the earnings announcement. He said the residual exposure is “standard” and has sufficient securities against it. According to CCD’s annual report, it had taken Rs 310 crore from Axis Bank as of March 2018 which had increased from Rs 92 crore a year ago. The country’s biggest coffee chain founder VG Siddhartha was reported missing mysteriously since Monday night en route to Mangaluru, with an alleged letter by him showing he was under “tremendous pressure” from lenders and a private equity fund. He was last seen at the Ullal bridge on the Netravati that’s is spate and a massive search operation is underway. But so far he could not be traced.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/ccd-account-standard-v-g-siddhartha-recently-repaid-a-part-axis-bank/articleshow/70456183.cms
Dated: Jul 30, 2019

• SBI Eyes Rs 6,000 Cr From Sale Of Part Stake In Card Unit:

State Bank of India (SBI) plans to raise Rs 5,000-6,000 crore by selling a part stake in its credit card joint venture, said two people familiar with the development. SBI Cards Payment and Services Pvt Ltd (SBI Cards), a 74:26 joint venture between SBI and global private equity firm Carlyle,
has started talks with merchant bankers for the proposed initial public offer (IPO) that’s pegged at about Rs 8,000 crore, said one of the persons cited above. SBI Cards says it’s the second-largest credit card issuer with a customer base of over 8.7 million people in India. HDFC Bank is top ranked with 12.7 million customers. “This is going to be primarily a secondary sale of shares from the existing investors SBI and Carlyle Group,” said the second person. SBI Cards is expected to raise about Rs 500-1,000 crore, he added. The size of the issue will depend on the extent of Carlyle’s participation in the proposed IPO. SBI’s stake is expected to drop to about 60%, said the people cited above. The company is seen making its debut on Indian bourses in the last quarter of the current fiscal. “It has started discussions with merchant bankers and is expected to shortlist them soon,” said one of the persons. If the plan goes ahead, it will be the first pureplay credit card company to be listed in India. The company is looking at a valuation of about Rs 35,000-40,000 crore, said a top merchant banker familiar with the development. SBI and SBI Cards didn’t respond to queries. Carlyle Group couldn’t be reached.

Dated: Jul 31, 2019

- **Investor Concern Over RBL Bank Persists Despite Clarity From Lender:**

If one wants to study the latest troubles that banks face, RBL Bank would be a good place to start. The private lender’s stock has been hammered over the past ten days, with a value erosion of 31%. Investor angst became evident right after the bank’s management, two weeks ago, indicated that its asset quality could be under pressure in the coming quarters. That and the fact that growth may be subdued made investors not so optimistic about the otherwise strong first quarter metrics the lender released on 19 July. RBL Bank reported a 41% jump in its net profit for April-June, driven by a healthy 48% growth in core income. The lender also reported steady gross bad loan ratio for the June quarter but an increase in slippages. But there were many pain points in the bank’s balance sheet that investors had to take note of. The latest being the lender’s exposure to Coffee Day Enterprise whose founder V.G. Siddhartha disappeared on Monday only to be found dead early on Wednesday. The company’s stock took a beating, pulling down, along with it, those of lenders having exposure to it. RBL Bank has clarified that loans to the beleaguered firm are standard and it continues to monitor the situation. But investors are not willing to give up on caution. Adding to the pain is the fact that non-bank finance companies (NBFCs) are among the top three exposures of RBL Bank which bother investors given the liquidity and growth problems in the sector. What is more, RBL Bank has guided for a potential corporate slippage of ₹1,000 crore in the
coming quarters. In short, even if the lender continues to report high double-digit growth, the increase in potential stress is a dampener. What buttressed its valuations was the fact that the lender managed to grow at a fast pace while keeping asset quality intact. With this in question now, the stock is likely to remain under pressure. Even after a sharp 12% fall over the last three trading sessions, the stock trades at a multiple of twice its estimated book value for FY21. This is on par with that of a large lender with stronger franchise like Axis Bank. No wonder, analysts believe, in light of the outlook given by management, valuations appear expensive.

Dated: Jul 31, 2019

- SBI To Sell Stake In Credit Card JV, To Raise Rs 6,000 Crore:

The State Bank of India (SBI) is planning a secondary stake sale of SBI Cards Payment and Services (SBI Cards), its credit card joint venture with private equity firm Carlyle. The bank presently holds 74 percent stake of SBI Cards and hopes to raise Rs 5,000-6,000 crore from a partial stake sale. Once through, the bank’s stake is expected to drop by 14 percent, reports the Economic Times. The proposed initial public offering (IPO) has been pegged at Rs 8,000 crore, and SBI is in talks with multiple merchant bankers for the same by Q4FY20, the report added. Moneycontrol could not independently verify the report. The paper quoted a source as saying, “This is going to be primarily a secondary sale of shares from the existing investors SBI and Carlyle Group. SBI Cards is expected to raise about Rs 500-1,000 crore.” The issue size, however, would depend on Carlyle’s participation in the sale. If it goes through, SBI Cards would be the first pure-play credit card company in India and would be valued between Rs 35,000-40,000 crore, the report added. SBI and SBI Cards did not respond to ET’s queries while Carlyle was unreachable. HDFC Bank has the maximum number of credit card customers with 12.7 million (1.27 crore), while SBI Cards comes in second with 8.7 million (87 lakh), the report added.

Dated: Jul 31, 2019

- Banks To Formulate Uniform Policies To Support Gems And Jewellery Sector:

Banks are in the process of implementing uniform policies to streamline the loan processes to gems and jewellery (G&J) industry, a senior banker said. He said one of the main challenges for the unit in the sector is obtaining credit from banks as there is a lack of uniform approach in terms of norms for security and margins, among lenders. In addition to this, banks also have individual loan policies for various sectors. The banks and gems and jewellery sector have formed a coordination committee, headed by State Bank of India’s deputy managing director P N Prasad, which is working on formulating the uniform policies for the sector. “What we are trying to achieve in the committee is basically you have a uniform policy for all the banks. This policy is for entry, like if a new customer wants to be given credit, there are certain criteria they have to fulfill such as rating, exposure, business experience,” Prasad told reporters on the sidelines of an event on Wednesday. The committee has put certain uniform practices in terms of collateral, margins and direct exposure, he said. “We brought out this policy sometime
in August-September 2018 and that has been circulated to all the other banks also through the IBA. Most of the banks have also more or less adopted the policy,” Prasad said. He said there have been some sectoral issues due to which the credit to the gems and jewellery sector has remained more or less stagnant. “But, we are trying to achieve is a policy-level uniform approach so that the policy is strengthened. The due diligence of the various stakeholders have taken place through the KYC platform,” he added. The banks now also have an approved list of auditors and valuers who can value the inventory and help them in the monitoring of the exposure. Prasad said SBI’s exposure to the gems and jewellery sector is around Rs 25,000 crore and it remained stagnant. Speaking on the same event, ministry of commerce and industries economic advisor, Rupa Dutta, said the government, at regular intervals, have announced various economy and trade friendly policies for the sector. “The government has provided the much needed growth-oriented support and designated gems and jewellery as priority sector to ensure that it gets adequate finance and also steps are taken to promote exports,” Dutta said. She urged the industry players to take steps of building trust. “They have to create platforms with better eKYC norms, compliances and regulations so that the trust can be rebuilt and positive steps can be taken,” Dutta added.


Dated: Jul 31, 2019
India’s overall exports (Merchandise and Services combined) in April-June 2019-20* are estimated to be USD 137.26 billion, exhibiting a positive growth of 3.14 per cent over the same period last year. Overall imports in April-June 2019-20* are estimated to be USD 164.50 billion, exhibiting a positive growth of 3.57 per cent over the same period last year.

*Note: The latest data for services sector released by RBI is for May 2019. The data for June 2019 is an estimation, which will be revised based on RBI’s subsequent release.

- **Merchandise Trade:**
  - **Exports (Including Re-Exports):**
    Exports in June 2019 were USD 25.01 billion, as compared to USD 27.70 billion in June 2018, exhibiting a negative growth of 9.71 per cent. In Rupee terms, exports were Rs. 1,73,682.55 crore in June 2019, as compared to Rs. 1,87,800.20 crore in June 2018, registering a negative growth of 7.52 per cent. In June 2019, major commodity groups of exports showing positive growth over the corresponding month of last year are Cumulative value of exports for the period April-June 2019-20 was USD 81.08 billion (Rs. 5,63,984.51 crore) as against USD 82.47 billion (Rs. 5,52,781.61 crore) during the period April-June 2018-19, registering a negative growth of 1.69 per cent in Dollar terms (positive growth of 2.03 per cent in Rupee terms). Non-petroleum and Non Gems and Jewellery exports in June 2019 were USD 19.15 billion, as compared to USD 20.13 billion in June 2018, exhibiting a negative growth of 4.86 per cent. Non-petroleum and Non Gems and Jewellery exports in April-June 2019-20 were USD 60.10 billion, as compared to USD 59.86 billion for the corresponding period in 2018-19, an increase of 0.40 per cent.
  - **Imports:** Imports in June 2019 were USD 40.29 billion (Rs. 2,79,771.07 crore), which was 9.06 per cent lower in Dollar terms and 6.85 per cent lower in Rupee terms over imports of USD 44.30 billion (Rs. 3,00,351.83 crore) in June 2018. Cumulative value of imports for the period April-June 2019-20 was USD 127.04 billion (Rs. 9,83,652.93 crore), as against USD 127.41 billion (Rs. 9,54,096.98 crore) during the period April-June 2018-19,
registering a negative growth of 0.29 per cent in Dollar terms (positive growth of 3.46 per cent in Rupee terms). Major commodity groups of import showing negative growth in June 2019 over the corresponding month of last year are:

- **Crude Oil And Non-Oil Imports:**
  Oil imports in June 2019 were USD11.03 billion (Rs. 76,586.73 crore), which was 13.33 per cent lower in Dollar terms (11.23 per cent lower in Rupee terms), compared to USD12.73 billion (Rs. 86,270.79 crore) in June 2018. Oil imports in April-June 2019-20 were USD34.85 billion (Rs. 2,42,398.55 crore) which was 0.62 per cent higher in Dollar terms (4.36 per cent higher in Rupee terms) compared to USD34.64 billion (Rs. 2,32,269.14 crore), over the same period last year. In this connection it is mentioned that the global Brent price ($/bbl) has decreased by 15.81 per cent in June 2019 vis-à-vis June 2018 as per data available from World Bank (Pink Sheet). Non-oil imports in June 2019 were estimated at USD29.26 billion (Rs. 2,03,184.34 crore) which was 7.34 per cent lower in Dollar terms (5.09 per cent lower in Rupee terms), compared to USD31.58 billion (Rs. 2,14,081.04 crore) in June 2018. Non-oil imports in April-June 2019-20 were USD 92.19 billion (Rs. 6,41,254.38 crore) which was 0.62 per cent lower in Dollar terms (3.12 per cent higher in Rupee terms), compared to USD92.77 billion (Rs. 6,21,827.84 crore) in April-June 2018-19. Non-Oil and Non-Gold imports were USD26.57 billion in June 2019, recording a negative growth of 9.00 per cent, as compared to Non-Oil and Non-Gold imports of USD 29.19 billion in June 2018. Non-Oil and Non-Gold imports were USD 80.75 billion in April-June 2019-20, recording a negative growth of 4.25 per cent, as compared to Non-Oil and Non-Gold imports USD 84.33 billion in April-June 2018-19.

- **Trade In Services:**
  - **Exports (Receipts):** As per the latest press release by RBI dated 15th July 2019, exports in May 2019 were USD 18.68 billion (Rs. 1,30,329.17 crore) registering a positive growth of 15.49 per cent in dollar terms, vis-à-vis May 2018. The estimated value of services export for June 2019* is USD 19.44 billion.
  - **Imports (Payments):** As per the latest press release by RBI dated 15th July 2019, imports in May 2019 were USD 12.49 billion (Rs. 87,160.56 crore) registering a positive growth of 22.37 per cent in dollar terms, vis-à-vis May 2018. The estimated value of service import for June 2019* is USD 13.56 billion.

- **Trade Balance:**
  - **Merchandise:** The trade deficit for June 2019 was estimated at USD 15.28 billion as against the deficit of USD 16.60 billion in June 2018.
  - **Services:** As per RBI’s Press Release dated 15th July 2019, the trade balance in Services (i.e. Net Services export) for May, 2019 is estimated at USD 6.19 billion.
  - **Overall Trade Balance:** Taking merchandise and services together, overall trade deficit for April-June 2019-20* is estimated at USD 27.24 billion as compared to USD 25.75 billion in April-June 2018-19.

*Note: The latest data for services sector released by RBI is for May 2019. The data for June 2019 is an estimation, which will be revised based on RBI’s subsequent release.
### MERCHANDISE TRADE

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

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<td>%Growth 2019-20/2018-19</td>
<td>-9.06</td>
<td>-0.29</td>
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<tr>
<td><strong>Trade Balance</strong></td>
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<tr>
<td>2018-19</td>
<td>-16.60</td>
<td>-44.94</td>
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<tr>
<td>2019-20</td>
<td>-15.28</td>
<td>-45.96</td>
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#### Exports & Imports (Rs. Crore)

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<tr>
<th></th>
<th>June</th>
<th>April-June</th>
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<tbody>
<tr>
<td><strong>Exports (Including Re-Exports)</strong></td>
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<tr>
<td>2018-19</td>
<td>187,800.20</td>
<td>552,781.61</td>
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<tr>
<td>2019-20</td>
<td>173,682.55</td>
<td>563,984.51</td>
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<tr>
<td>%Growth 2019-20/2018-19</td>
<td>-7.52</td>
<td>2.03</td>
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<tr>
<td><strong>Imports</strong></td>
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<tr>
<td>2018-19</td>
<td>300,351.83</td>
<td>854,096.98</td>
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<tr>
<td>2019-20</td>
<td>279,771.07</td>
<td>883,652.93</td>
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<td>%Growth 2019-20/2018-19</td>
<td>-6.85</td>
<td>3.46</td>
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<tr>
<td>2018-19</td>
<td>-112,551.63</td>
<td>-301,315.37</td>
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<tr>
<td>2019-20</td>
<td>-106,088.52</td>
<td>-319,668.42</td>
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## SERVICES TRADE

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<th>Exports &amp; Imports (Services) : (US $ Billion)</th>
<th>May 2019</th>
<th>April-May 2019-20</th>
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<tbody>
<tr>
<td>Exports (Receipts)</td>
<td>18.68</td>
<td>36.74</td>
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<tr>
<td>Imports (Payments)</td>
<td>12.49</td>
<td>23.89</td>
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<tr>
<td>Trade Balance</td>
<td>6.19</td>
<td>12.85</td>
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<table>
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<tr>
<th>Exports &amp; Imports (Services) (Rs. Crore)</th>
<th>May 2019</th>
<th>April-May 2019-20</th>
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<tr>
<td>Exports (Receipts)</td>
<td>1,30,329.17</td>
<td>2,55,728.94</td>
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<tr>
<td>Imports (Payments)</td>
<td>87,160.56</td>
<td>1,66,321.68</td>
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<td>Trade Balance</td>
<td>43,168.62</td>
<td>89,407.27</td>
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TOP BANKING APPOINTMENTS

• **Shri N. S. Vishwanathan Reappointed RBI Deputy Governor For One Year:**

Shri N.S. Vishwanathan on Monday was reappointed as deputy governor of the Reserve Bank of India. The Appointments Committee of Cabinet has approved the extension of Vishwanathan's term as RBI deputy governor by one year with effect from 4 July this year, the order issued by the Personnel Ministry said. His tenure was to end Wednesday, 3 July. Vishwanathan is in charge of regulation of banks, non-banking finance companies and cooperative banks. Vishwanathan's reappointment has caught many RBI watchers by surprise as they were expecting him to superannuate next month. Last week, the RBI announced the resignation of Viral Acharya as deputy governor six months ahead of schedule. Rumours over Acharya's resignation have been swirling since Urijit Patel resigned as RBI governor last year following a prolonged confrontation with the government over a number of issues. In many of these confrontations, Acharya was viewed as Patel's supporter. It was considered only a matter of time before Acharya also put in his papers. Besides Vishwanathan, the other deputy governors of the RBI include B.P. Kanungo and M.K. Jain.

Source: https://www.livemint.com/industry/banking/n-s-vishwanathan-reappointed-rbi-deputy-governor-for-one-year-1561983008761.html
Dated: Jul 01, 2019

• **RBI Appoints Shri A K Misra As Additional Director On J&K Bank Board:**

The Reserve Bank of India has appointed its former executive director A K Misra as additional director on the board of Jammu and Kashmir Bank (J&K Bank), the lender said. Misra shall hold the office for a period of two years up to July 2, 2021 or till further orders, whichever is earlier, a spokesman of the bank said on Thursday. The RBI appointed Misra as additional director on Wednesday to strengthen the bank's board further, he said. The central bank, in its order, said it is of the opinion that it is necessary in public interest and in interest of the bank to appoint additional director on the board of the bank, he said. Welcoming RBI's decision, J&K Bank Chairman and Managing Director Rajesh Kumar Chhibber said the appointment will further bolster the process of transparency and accountability in the governance framework. It will also enhance the efficiency of the bank's board as the appointee brings in a wealth of experience and expertise from his earlier assignments at the regulator bank, he said.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-appoints-a-k-misra-as-additional-director-on-jk-bank-board/articleshow/70074951.cms
Dated: Jul 04, 2019

• **Bandhan Bank Strengthens Senior Management:**

Naryani’s former assignment was with the State Bank of India where he served for 32 years. Private lender Bandhan Bank, which reported a net profit of Rs 701 crore in the first quarter of the current financial, on Monday announced the appointment of Sanjeev Naryani as head of business. The bank said in a statement that Naryani would spearhead branch banking, wholesale banking, agri-business, retail lending,
third party products and digital banking. Naryani’s former assignment was with the State Bank of India where he served for 32 years. MD and CEO of Chandra Sekhar Ghosh said that Naryani brings with him a wealth of experience.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/brandhan-bank-strengthens-senior-management/articleshow/70329905.cms

Dated: Jul 22, 2019

• RBI Assigns &Appoints Shri Kanungo In Acharya’s Responsibility:

The vacuum in the team of Monetary Policy Committee (MPC), after the resignation of Viral Acharya from Deputy Governor post of the Reserve Bank of India (RBI), has been filled by another Deputy Governor B.P. Kanungo. Without appointing a new DG, the RBI on Tuesday reshuffled the portfolios of the other three deputy governors giving the important monetary policy and forecasting department to Kanungo. The monetary policy department, including forecasting and modelling unit, was earlier looked after by Acharya, who resigned his stint as the deputy governor after last month. The Reserve Bank of India (RBI) said on Tuesday it had assigned Deputy Governor B.P. Kanungo to run the monetary policy portfolio after the resignation of fellow Deputy Governor Viral Acharya. Kanungo, who will retain his currency management portfolio, would become the sixth member of the RBI’s Monetary Policy Committee, which will next convene on August 5-7. Acharya, who is also a professor at New York University’s Stern School of Business, left the RBI six months before the scheduled end of his term, citing personal reasons for his departure. “A few weeks ago, Acharya submitted a letter to the RBI informing that due to unavoidable personal circumstances, he is unable to continue his term as a Deputy Governor of the RBI beyond July 23, 2019,” RBI had said in a statement. All the other three deputy governors- N.S. Vishwanathan, B.P. Kanungo and M.K. Jain - have been made responsible for 12 departments each. In addition to his earlier portfolios, Kanungo will also look after economic and policy research and statistics and information management. Kanungo would become the sixth member of the RBI’s Monetary Policy Committee, which will next convene on 5-7 August. The RBI, headed by Governor Shaktikanta Das, has four deputy governors.


Dated: Jul 24, 2019

• SMBC Hires Shri Rakesh Garg As Chief Business Officer:

Sumitomo Mitsui Banking Corporation (SMBC) has hired former Barclays Bank executive Rakesh Garg as its chief business officer, according to a company release. Garg’s appointment is said to be part of a plan to accelerate the bank’s activities in India. Garg will be spearheading the implementation of the bank’s India business strategy across corporate and institutional banking, structured and trade finance, treasury and transaction banking, SMBC said in the release. “As we position SMBC India for long term growth, Rakesh’s appointment is an outstanding addition to the team”, Keishi Iwamoto, SMBC’s country head for India said. “His extensive experience, managerial skills, and deep knowledge of the Indian financial markets and banking industry will help continue this growth and lead SMBC’s business to the next level”, Iwamoto said. Garg was previously chief operating officer of Barclays Bank’s corporate and investment
banking business in India and had spent 15 years with the London-headquartered bank. Prior to Barclays, he worked in the treasury and debt capital markets business with HSBC and went on to lead the bank’s debt capital markets and risk advisory functions. Garg graduated from Indian Institute of Technology, Delhi and has an MBA from Indian Institute of Management, Ahmedabad.


Dated: Jul 29, 2019

- **Economic Affairs Secretary Shri Atanu Chakraborty Nominated On Central Board Of RBI:**

  The Reserve Bank of India (RBI) on Tuesday said Economic Affairs Secretary Atanu Chakraborty has been nominated on its central board. "The central government has nominated Atanu Chakraborty, secretary, Department of Economic Affairs, Ministry of Finance, Government of India, New Delhi as a director on the Central Board of Directors of Reserve Bank of India vice Shri Subhash Chandra Garg," RBI said in a release. The nomination of Atanu Chakraborty is effective from July 29 and until further orders, RBI said. Last week, former economic affairs secretary Garg was shunted to the power ministry in a bureaucratic reshuffle announced by the government.


Dated: Jul 30, 2019
• **APAC Banks Must Reinvent Themselves Or Risk Disappearing (McKinsey):**

Banks in the Asia-Pacific region must reinvent themselves and brace for possible consolidation amid weakening macroeconomic expansion, says a McKinsey report which also noted that less efficient lenders will disappear. According to McKinsey's Asia-Pacific banking review, most banks in the region are set to face an existential choice—unlock the potential of scale to boost productivity, optimize capital and pursue strategic growth or prepare to be acquired. "As storm clouds continue to darken over the region's banking industry, with weakening macroeconomic expansion, continued compression of banking margins and rising capital and risk costs, banks must reinvent themselves as digital-first, data-driven organizations and brace themselves for change or possible consolidation," it said. The report added that less efficient banks will disappear. The findings from the survey for India said that return on average equity dropped from 11.3 per cent in 2014 to -2.0 per cent in 2018. "The impact of lower margins, higher risk cost and weaker cost efficiency has been tempered by lower taxes," it added. The report further added that capturing these opportunities requires banks to develop a customer-centric, data-driven culture combining top talent, agile technology, and excellence in partnerships, mergers, and acquisitions.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/apac-banks-must-reinvent-themselves-or-risk-disappearingmckinsey/articleshow/70143417.cms
Dated: Jul 09, 2019

• **3 Of The 7 IBC Amendments Credit Positive For Banks (Moody's):**

The seven amendments to the bankruptcy law are credit-positive in general and particularly for banks as they restore the primacy of secured creditors, says a report. The proposed seven amendments, cleared by the Cabinet earlier this week, aim at improving the effectiveness of the bankruptcy law, and three of the proposals have credit-positive implications for banks, global ratings agency Moody's said in a note Thursday. The amendments seek to restore the supremacy of creditors by giving them the explicit authority over distribution of
proceeds in a resolution process, it said, pointing out to the recent appellate tribunal judgement in the Essar Steel case which put secured creditors on par with unsecured and operational creditors. The order forced the lenders to move the Supreme Court. The report said the NCLAT ruling could have had material implications for recoveries by banks, pointing out that Essar is the largest NPA being tackled in the resolution process to date. "The amendments will be applied with retrospective effect and will strengthen the case of secured creditors in the Essar Steel resolution," Moody's noted. The second positive is the insistence on resolving cases within 330 days (up from the original 270 days), which is also credit positive as it will reduce resolution timelines, it said. "Cases in NCLTs have taken much longer to resolve than within the originally envisaged 270 days, largely because of the parties concerned have repeatedly appealed to the higher courts," it pointed out. The yet to be finally resolved Essar Steel case came in more than 650 days after the bankruptcy filing. The third amendment that’s positive for banks is including homebuyers in the list of creditors, as following this, the committee of creditors can approve a resolution plan if more than 50 percent of the affected homebuyers back it. This is positive for banks as it will facilitate the resolution of real estate projects, the agency said, adding the large number of homebuyers in big projects has made resolutions difficult.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/3-of-the-7-ibc-amendments-credit-positive-for-banks-report/articleshow/70379699.cms

Dated: Jul 25, 2019
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<td>RBI/2019-2020/18</td>
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<td>Exim Bank’s Government of India supported Line of Credit of USD 10 million (as first tranche out of USD 50 million) to the Government of Republic of Seychelles</td>
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<td>Department of Banking Regulation</td>
<td>Basel III Framework on Liquidity Standards - Liquidity Coverage Ratio (LCR), FALLCR against credit disbursed to NBFCs and HFCs</td>
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LIST OF ASSOCHAM BANKING & FINANCIAL SERVICES PUBLICATIONS

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<td>Role of Trade Finance for Inclusive Growth</td>
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<td>23rd August 2019</td>
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