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Department of Banking & Financial Services

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• **Axis Bank More Than Doubles Loan Provisions For Troubled Sectors:**
Third largest private sector lender Axis Bank is setting aside more capital, more than twice over the regulatory requirements, for loans in sectors it has identified as “stressed”, a senior official has said. The bank is maintaining a standard asset provisioning of 1 percentage point for bad loans in such sectors, as against the regulatory provision of 0.40 per cent, its executive director Rajiv Anand told. The move, which is being followed at least since April, comes amid continuing concerns on high quantum of non-performing assets in its book. The high level of NPAs and the ensuing provisioning have impacted the profits of a majority of lenders, including Axis Bank, over the past four years. “In sectors identified as high risk, we have increased the standard provisioning to 100 bps as against the mandated 40 bps to take care of any concerns,” Anand said.
In April 2019, the bank had first disclosed that it had started to provide extra capital, but had not given out the exact levels of the additional provisioning or spelled out the sectors. When asked if the troubled sectors like real estate or non-bank finance companies (NBFCs) are included on the list, Anand declined to specify the sectors which the bank has identified as stressed. “We have not closed lending to any sector because of the difficulties that it may be going through. In each sector, there are always strong names which is better rated and has a resilient business model,” Anand made it clear. Concerns on higher capital burn due to policies like these can be placated by ensuring that the lending to a particular sector is not very high, which is decided by an internal team. Anand said the bank has overhauled its risk assessment framework, wherein loan origination is separated from underwriting, and has a chief credit officer reporting directly to the chief executive. Amid reports of its larger rival ICICI Bank shuttering its project finance, Anand hinted that Axis Bank is also following a similar strategy. “We generally avoid project finance and our focus is now much more towards cash flow generating businesses and look at the relationship in a manner where we can deliver the full capabilities of our group to the customer,” he said. Anand avoided a direct reply when asked if there is demand from greenfield projects but said it will not be apt to classify the loans merely as refinance, adding it is witnessing working capital demand as well. The bank is targeting to grow its overall book 5-8 per cent above the system average, and that private sector banks have been garnering a higher percentage of market share in both loans and deposits lately whereas state-owned banks still are starved of growth capital. In the comments that come amid difficulties on asset quality or mergers plaguing public sector banks, Anand said over half of the incremental liabilities are coming to the private sector banks, while in loans, the share is at a much higher 75 per cent. On the macro economic prospects, Anand pins hopes on more monetary easing and growth-enhancing measures put forth by the government, but concedes that the second half will also be difficult. The pick-up will be visible from the first half of FY21, he said, on the back of growth slipping to an over six-year low of 4.5 per cent for the September quarter.
• **USD 14 Bn Loans To Builders Under Severe Stress, May Result In Default:**

Loans worth USD 14 billion (about Rs 1,000 crore) provided to real estate firms by banks, NBFCs and Housing Finance Companies (HFCs) are under “severe stress” and facing issues of debt servicing, according to a report. “Over 62 per cent or about USD 58 billion of the total loan advances (USD 93 billion) to Indian real estate by banks and NBFCs/ HFCs is currently completely stress-free,” Anarock said in a statement. Another 22 per cent (about USD 21 billion) is under some pressure but can potentially be resolved. The stress on this segment is largely on recovery of interest and not on principal amount. “USD 14 billion (or merely 16 per cent) of overall lending to Indian real estate is under ‘severe’ stress, meaning that there has been high leveraging by the concerned developers who have either limited or extremely poor visibility of debt servicing due to a combination of factors,” the consultant said. HFCs accounted for the largest share of total realty loans equalling 38 per cent, followed by banks at nearly 34 per cent share while NBFCs (non-banking financial companies) have 28 per cent share (including loans given under trusteeships). “Of these, banks and HFCs are much better placed with 70 per cent and 65 per cent of their lending book in a comfortable position. However, it also comes as no surprise that nearly 58 per cent of the total NBFC (non-banking financial company) lending is on a watchlist,” it said.

Source: https://economictimes.indiatimes.com/

• **Ms. Chanda Kochhar Moves High Court Against ICICI Bank Over Termination:**

Former ICICI Bank chief executive, Chanda Kochhar, has moved the Bombay High Court against her ex-employer for terminating her when the bank had accepted her request for an early retirement. Kochhar, one of India’s most prominent woman CEOs, said that Sandeep Bakshi was named her successor only after ICICI Bank had accepted her request for an early retirement. She pointed out that her retirement request was accepted by the bank in October 2018 and in February 2019, the bank issued her a termination letter. Kochhar, in her petition, has challenged the ‘purported termination’ and denial of the agreed remuneration, said two people familiar with the development. ICICI Bank didn’t respond to ET’s mailed queries. Kochhar has termed her termination “illegal, untenable, and unsustainable in law”, and has sought the court’s intervention. The division bench of Justice Ranjit More and Justice MS Karnik has posted the matter for hearing on December 2. “She (Kochhar) has filed a writ petition against the bank for terminating her service without prior approval from the Reserve Bank of India (RBI) in breach of a statutory obligation,” said one of the people cited above. “The bank took this step after having accepted her request for early retirement with effect from October 4, 2018, by the board of the bank.”

According to the plea filed by the former ICICI Bank chief executive, on November 3, 2018, Kochhar had requested early retirement and the request was accepted by the board of directors of ICICI Bank. However, on January 30, ICICI Bank's chief human resources
officer (CHRO) conveyed her a message that he had been directed by the board to inform her that following receipt of the enquiry report from retired justice BN Srikrishna and due consideration of the enquiry report, the board decided to treat her separation from the bank as ‘termination for cause’ under the bank’s internal policies, schemes and the code of conduct. The termination also required clawback of all bonus payments made from April 2009 to March 2018. “The respondent's (ICICI Bank) CHRO claimed that as per the records of the respondent, an aggregate of Rs 7.4 crore is paid to the petitioner (Kochhar) as bonus during the period,” said the petition. “The letter further reiterated that early retirement benefits given to the petitioner stand revoked.”

Senior counsels Vikram Nankani and Sujay Kantawala are representing Kochhar in the case, while ICICI Bank is being represented by senior counsel Darius Khambata and law firm Veritas Legal. In January, ICICI Bank’s internal inquiry found that Chanda Kochhar had violated disclosure norms on conflict of interest, and that her October 2018 exit would not be treated as normal resignation but as dismissal, the board had said. The bank said it would also seek to claw back bonuses handed out during her tenure as CEO, and she were to lose all dues and stock options for which she otherwise would have been eligible.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/chanda-kochhar-moves-high-court-against-icici-bank-over-termination/articleshow/72304812.cms

Dated: Dec 02, 2019

• **78% Depositors Of PMC Bank Can Withdraw Entire Deposits:**

Nearly 78 per cent depositors of the scam-hit PMC Bank have been allowed to withdraw their entire deposits even though the ceiling of Rs 50,000 on withdrawal continues, Union Finance Minister Nirmala Sitharaman said in Lok Sabha on Monday. Sitharaman also said in Lok Sabha that in case of medical emergencies, marriages and other crisis situations, a depositor of the Maharashtra-based PMC Bank can withdraw upto Rs 1 lakh by invoking the ‘hardship provisions’ of the RBI. “Nearly 78 depositors are now allowed to withdraw their entire account balance. They are small depositors. With this, the concerns of all small depositors are take care of,” she said during Question Hour. The minister said steps are being taken to seize properties of promoters of the PMC Bank, auction such properties and repay depositors with the money obtained. Sitharaman said the Rs 50,000 withdrawal ceiling for depositors continues but for scenarios like marriage, education, livelihood and other “hardships”, the withdrawal limit if Rs 1 lakh. According to the Mumbai Police’s Economic Offences Wing (EOW), the PMC Bank management, allegedly in cahoots with a business family concealed from the banking regulators’ scrutiny huge loan defaults by HDIL group firms. Over 70 per cent of the bank’s advances went to HDIL group, which led to a huge crisis when the realty group defaulted on repayment, the EOW had said. The RBI had on 24 September imposed operational curbs on PMC Bank and appointed an administrator following detection of alleged financial irregularities.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/78-depositors-of PMC-bank-can-withdraw-entire-deposits-govt/articleshow/72329700.cms

Dated: Dec 03, 2019
**No Job Losses Post Merger Of 10 PSBs:**

The government on Tuesday assured the Rajya Sabha that merger of 10 public sector banks will not lead to any job losses and employees’ interest will be protected. In August, the government announced a mega plan to merge 10 public sector banks into four with a view to creating fewer and stronger global-sized lenders with robust balance sheets that can be used to boost credit and spur growth. During the Question Hour, minister of state for finance Anurag Singh Thakur said lending and other banking services to eastern states will be improved after two Kolkata-based banks are merged. While United Bank of India (UBI) will be merged with Punjab National Bank, Allahabad Bank will be amalgamated with Indian Bank. These two banks are headquartered in Kolkata. “Merger of banks will strengthen the lending capacity. It has been ensured that no person loses job. The employees of merging banks will benefit the maximum. Merger is being done keeping their interest in mind,” he said. “We have taken enough precaution,” he said, adding that Narasimham Committee in 1998 and Leeladhar Committee in 2008 recommended amalgamation of the banks.” Amalgamating banks was advised to duly factor in and draw road maps for converging IT systems and HR and to put in place institutional arrangements to ensure expeditious integration,” Thakur said. After due consideration by their respective boards, the banks have informed that multi-level coordination and integration committees have been set up to ensure faster integration across functionalities, he added. The minister was responding to a query from Trinamool Congress member Manish Gupta who said that about 50,000 employees will be jobless by next year due to the merger. To another query on banking services likely to be affected in eastern states due to the merger, the minister said the reach and lending capacity will be “much larger and better” with the amalgamation. “In today’s time of competition, I think expansion of these banks is very important...It was our government which went for asset quality review of bank loans given between 2004 and 2014. We adopted an approach for better functioning of the banks and recapitalised them with over Rs 2.35 lakh crore for better strengthening and functioning,” he said. As far as lending to eastern states is concerned, the minister said, “Let me assure the member there would not be any shortage or shortfall of services.” Responding to another query from Trinamool Congress member Manas Ranjan Bhunia on reasons for merger of UBI with PNB, the minister said, “I think the overall intention was to create a strong and competitive bank that may serve as catalyst of growth with improved risk profile of the bank. As far as the interest of the employees are concerned, pay allowances were less favourable overall.” He said UBI’s total business size is Rs 2,08,000 crore, whereas that of PNB is Rs 11,82,224 crore. With the merger, total business size will be Rs 17,94,526 crore, making it the second largest bank in the country. “What we have kept in mind is the software ‘Core Banking System’ being used by them. All these banks which are using similar kind of software have been merged accordingly so that there would not be any difficulty for the employees,” he said. As far as the sentiment of eastern states or Kolkata is concerned, that will be taken care of, Thakur added.


Dated: December 03, 2019
• **RBI’s Customer Protection Rules Will Benefit Depositors:**

The customer protection rules laid down by Reserve Bank of India two years back will ensure that no depositor will lose money in the series of ATM skimming fraud that has been reported in Kolkata over the last three days. The banking regulator has made zero customer liability in case of contributory frauds or negligence or deficiency on the part of banks. Senior bank officials said depositors will get their money back within seven working days as per the rules. As many as 61 ATM frauds have been reported, mostly from Jadavpur area of Kolkata, where fraudsters used two ATM machines of Punjab National Bank to dupe customers. Fraudsters have withdrawn nearly Rs 14 lakh in several transactions made between November 28 and December 4, sources familiar with the development said. The complainants used two ATMs in this locality and were duped include customers of HDFC Bank and United Bank of India. “This is a clear case of skimming. Depositors will get back their money within seven days,” an HDFC Bank official said. Neither of the two compromised ATMs have guards as several banks have stopped deploying security guards to save cost. A senior official with State Bank of India said the bank is in the process of putting cash dispensation machines on electronic surveillance. SBI has about 3900 ATMs in the Bengal circle, while only 670 machines are so far put on e-surveillance. “We plan to put another 800 ATMs on e-surveillance in the next three month,” the official said. Bankers said EMV chip cards are more secure than traditional debit and credit cards with magnetic strips but magnetic strips cannot be removed entirely as several ATM machines still cannot read EMV chips. Account information stored on EMV chip cards is encrypted uniquely each time it is accessed, making it more difficult for fraudsters to pick up information. Magnetic stripes store data statically.


Dated: Dec 04, 2019

• **Indian Government’s Loan Bonanza Seen A Temporary Salve And A Long-Term Pain:**

In the 1980s, when loan melas were established to boost rural consumer spending, the rules were so lax that a phone number was viewed as proof of residency and income, and was sufficient to get a loan, said an executive director at a public sector bank, requesting anonymity. Deen Dyal, who runs a tea stall on the outskirts of New Delhi, was beaming when he walked out of a community hall where Punjab National Bank was disbursing loans as part of government efforts to get credit flowing back into the economy. A 50,000 rupees ($700) loan he applied for a year ago to expand his range of snacks had finally been approved. Reviving a practice not used in three decades, India’s government in September ordered state-run banks to hold more than 400 loan “melas” or fairs across the country over the following month - a measure aimed at boosting economic growth at six-year lows and lending growth at its weakest in three years. Dyal, 32, said PNB previously refused him a loan despite repeated requests. But once the government announced the melas, he’d been inundated with calls from bank officials to grab an approval letter there. “I had to lose half a day of wages to come to the mela, though the loan could have been given at the bank
branch itself,” he said. The Finance Ministry said the melas “disbursed” loans worth about 2,500 billion rupees ($33 billion) in October, with some private and shadow banks joining 18 state-run lenders. Several bankers told Reuters, however, the figure also included loans that been approved before the fairs. It represents a record for monthly lending and a huge jump over the $12 billion in overall Indian Bank loans given in September. But bankers and analysts worry the October result is but an artificial and temporary spike in lending, and that normal due diligence standards were abandoned which will come back to bite a sector already saddled with $140 billion in stressed debt. “Not much paper work was done in sanctioning the loans,” said one banker involved in organising a mela in India’s most populous state, Uttar Pradesh. The banker, who was not authorised to speak to media and declined to be identified, said the usual checks on income tax returns or to verify property ownership were dropped and instead limited to bank account statements and repayment history.

At the launch of the fairs, Finance Minister Nirmala Sitharaman declared: “For every new customer given a loan, there will be five more coming in their wake.” “Somebody who has never taken loan from the bank should be brought in and given a loan,” she added. Banking and policy experts said government lending schemes had a track record of skimping on due diligence, leading to higher-than-normal levels of bad loans. “Banks usually lower their guards on the risk profiling of borrowers and we have seen this earlier as well in government related schemes,” said N.R. Bhanumurthy, an economist at India’s National Institute of Public Finance and Policy. In the 1980s, when loan melas were established to boost rural consumer spending, the rules were so lax that a phone number was viewed as proof of residency and income, and was sufficient to get a loan, said an executive director at a public sector bank, requesting anonymity. During that era, bad loans increased and bank profitability took a hit. Return on assets - a key performance gauge - slid to 0.15% in 1990 from 0.56% in 1980, according to a central bank report which cited the melas as a contributing factor. More recently, Prime Minister Narendra Modi’s flagship lending scheme for small businesses has seen bad debt surge in the past year, according to online media publication The Wire. Non-performing loans for Pradhan Mantri MUDRA Yojana, which was set up in 2015, jumped 126% in the past financial year to 164.81 billion rupees ($2.3 billion), the report said, citing data gained from a “right to information” filing. The Finance Ministry did not respond to request for comment about MUDRA loans. India’s huge bad debt problems have long choked the banking system’s ability to generate fresh lending - a problem that has worsened this year with the shadow banking industry reining in loans after the collapse of lender IL&FS. While that may have helped prompt the government’s call for loan melas, for many experts it is only a step backwards. “With lot of difficulty the central bank has been trying to resolve this whole bad loan problem and why do we want to bring it back even if it comes at the cost of some additional economic activity,” said Amol Agarwal, an assistant professor at Ahmedabad University’s Amrut Mody School of Management.


Dated: Dec 05, 2019
• **CIC Issues Show-Cause Notice To RBI For Casual Approach To Its Notice:**

The Central Information Commission has issued a show-cause notice to the Reserve Bank of India for not appearing before it in a matter pertaining to disclosure of inspection reports of HDFC Bank, calling it “casual” approach. The transparency watchdog has directed the Central Public Information Officer of the Department of Banking Supervision of the RBI to explain why penal provisions under the transparency law should be not invoked against him for his absence. In a stern order, Information Commissioner Suresh Chandra said that after adventing to the facts and circumstances of the case, hearing the appellant and perusal of records, he felt that in view of the absence of the respondent the relevant facts of the case could not be ascertained. Priti Ranjan Das had approached the commission on behalf of HDFC Bank with an appeal against the disclosure of information to RTI applicant Girish Mittal who had sought inspection reports of the private bank from the RBI since 2011. Mittal had sought disclosure of inspection reports of HDFC Bank which was objected to by it. However, the CPIO had ordered the disclosure of risk assessment report of the bank. Das had first approached a senior officer of the CPIO challenging the order in first appeal which was rejected. He had then approached the CIC seeking to set aside or quash the order passed by the RBI CPIO on Mittal’s RTI. During the hearing before the commission, he submitted that information sought by Mittal was relating to business strategies, product pricing strategies, risk management practices, gaps, details of liquidity positions, IT systems, etc., and the disclosure of which would adversely affect the competitive position of the bank. The information sought and intended to be disclosed by the RBI was therefore exempted under the provisions of section 8(1) (d) of the Right to Information (RTI) Act which allows withholding of information related to commercial confidence. In spite of the commission’s notice to be present during the hearing, the RBI CPIO did not appear. “It is pertinent to mention that the respondent was not present before the commission despite notice which is viewed by the commission seriously. Further, it appears that the respondent is taking the RTI application as well as the commission very casually which is detrimental to the very purpose of the RTI Act,” Chandra said. In the show-cause notice, Chandra directed the CPIO why penal action under Section 20(1) of the RTI Act should not be initiated against him. This is not the first time that the RBI had to face the ire of CIC as former Information Commissioner Sridhar Acharyulu had summoned then RBI Governor Urjit Patel for not following Supreme Court orders on RTI implementation.


Dated: Dec 05, 2019

• **RBI Satisfied With Pace Of Monetary Transmission:**

The central bank wants to ensure faster transmission of policy rate cuts for new borrowers seeking funds to buy homes, cars or businesses, nudging high-street lenders to reduce financing costs further instead of continuing its run of driving down benchmark rates. The Reserve Bank of India (RBI) Thursday justified its decision to pause its policy rate action by maintaining the repo rate at 5.15%. This was not in line with the market consensus, with
analysts penciling in a 25 bps reduction. “Several measures already initiated by the government and the monetary easing initiated by the Reserve Bank since February 2019 are gradually expected to further feed in the real economy,” said RBI governor Shaktikanta Das at a media briefing after the latest policy review. “The impact of external benchmarking by bank will further play out in the coming days and months. The central bank expects that the forthcoming union budget will also provide better insight into further measures to be undertaken by the government and its impact on growth.” Against this backdrop, the monetary policy committee (MPC) “judged that there is monetary policy space for further action, but it felt appropriate to take a pause at this juncture,” Das said. “The timing is more important than going on mechanically cutting rates on every occasion.” Analysts said Mint Road was keen to assess the impact of previous reductions on the cost of borrowing in the real economy. “The RBI wishes to see the lagged impact of its front-loaded 135 basis point cut in the policy rate, besides the slew of fiscal measures taken to drive future growth,” said Abheek Barua, chief economist at HDFC Bank. Monetary transmission has been full and reasonably swift across various money market segments and the private corporate bond market. As against the cumulative reduction in policy repo rate by 135 bps during February to October this year, transmission to various money market and corporate debt market segments ranged from 135 bps with respect to overnight call money market to about 218 bps with respect to month CPs of NBFCs, according to RBI. But the full impact on lending rates is still playing out. Until now, it is 44 bps with regard to new loans. RBI said the one-year median MCLR has declined by 49 basis points since February while RBI cut the repo rate by 135 basis points cumulative in the same period. The weighted average lending rate (WALR) on fresh rupee loans sanctioned by banks declined by 44 basis points, while the WALR on outstanding rupee loans increased by 2 basis points during this period. “Transmission is set to improve with the introduction of external benchmark system as most banks have linked their lending rates to the repo rate,” Das said.

Dated: Dec 06, 2019

• **RBI Investigating ‘Net Banking’ Breakdown At HDFC Bank:**

A team of experts constituted by the RBI is in the process of investigating the reasons for the breakdown of HDFC Bank’s digital banking channels which caused for millions of customers to be locked out of their net banking and mobile banking accounts for over 48 hours earlier this week. “We are cognizant of the problem. It happened on 2nd of December due to technical glitches and restored on Tuesday” said the deputy governor MK Jain at Monetary Policy press conference responding to a query on whether the regulators will penalize banks such incidences. “Our team has gone to identify the reasons (for the breakdown) and find out what we can give as directions (to the bank).” Following the payday outage at the most valued lender in the country, several customers were unable to access their salary accounts to make bill payments on time expressed their displeasure on twitter even as #hdfcbankdown trended on Monday and Tuesday across the microblogging platform. “We apologise that the resolution of the technical glitch
is taking more time than anticipated. Our experts are working round the clock,” HDFC Bank had tweeted responding to these customer complaints on Tuesday. While some users claimed even on Wednesday of the non-functioning of the platforms, but the RBI clarified that these channels were up and running. This is the second such major outage faced by the bank’s digital channels in recent times. Last year around the same period a new version of the bank’s application broke down forcing the private lender due to heavy payday traffic forcing the bank to restore an older version of their application. HDFC Bank is the largest private lender with a customer base of around 50 million, of which, as per the bank’s annual report, over 90 percent transact through the internet.


Dated: Dec 06, 2019

- Nepal SBI Post 13 Per Cent Growth In Net Profit For FY19:

Nepal SBI Bank, a subsidiary of State Bank of India, has posted a Rs 229.25 crore net profit for 2018-19, registering a growth of 13.29 per cent. The bank mobilised total deposit of Rs 9,792.45 crore and extended loans and advances of Rs 8,864.47 crore at the closing of the year, according to a statement issued by the bank ahead of its Annual General Meeting. Speaking at a press briefing, Nepal SBI Managing Director Anukul Bhatnagar said that the banking sector of Nepal should jointly fight against possible cyber-attack as leakage of information of one bank could jeopardize the performance of the entire banking system. The bank has decided to distribute 16.84 per cent bonus including 6 per cent bonus share and 10.84 per cent cash dividends from the last year’s profit and accumulated profits of the past, he informed. The bank will organize its 26th AGM on December 15 in Kathmandu. The bank succeeded in opening 76,568 new saving accounts during the last fiscal year. The bank will leverage its position to expand the customer base by exploring new market segments and expanding delivery channels for its products, the statement said.


Dated: Dec 07, 2019

- Yes Bank Moves In To Name Wilful Defaulters:

Private sector lender Yes Bank plans to declare former promoters of the bankrupt Cox & Kings, Peter Kerkar and his sister Urrshila Kerkar, wilful defaulters after the travel services firm failed to repay loans. The wilful defaulters’ tag will make it tough for the Kerkars to borrow from banks and financial
institutions. A Yes Bank spokesperson said the lender can’t comment on specific client matters. Yes Bank has the highest exposure to Cox & Kings, having sanctioned a credit of Rs 2,127 crore, according to the lender’s financial claim submission to the tour operator’s resolution professional overseeing the insolvency process. In July this year, Yes Bank acquired 19% in Cox & Kings by invoking pledged shares. It also picked up 30% in Ezeego One Travel & Tours, a company promoted by Cox & Kings. Three months later, it acquired 21% in Tulip Star Hotel (earlier known as Centaur) in Mumbai. The sea-facing five-star property was acquired by Peter and Urrshila’s father Ajit Kerkar, former chairman of Taj Hotels, from the government in 2001. However, Nirmal Lifestyle, in a public notice, has claimed stake over certain areas of Tulip as it has invested a “substantial” amount in developing it. If a person is declared a wilful defaulter, then according to rules, banks cannot sanction any additional facilities to him/her. Banks can also initiate criminal proceedings against the person/s if it is found that funds have been diverted with mala fide intentions. The serious fraud investigation office (SFIO) is reportedly probing the alleged siphoning of money by Cox & Kings’ erstwhile promoters. The debt default by Cox & Kings in June 2019 was perplexing as the company had cash of Rs 1,830 crore and trade receivables of Rs 2,400 crore in 2018, according to a news report. RattanIndia Finance, one of the 22 financial creditors to Cox & Kings, had moved the company law tribunal to initiate insolvency proceedings against the travel services firm. Recently, the tribunal directed Cox & Kings’ suspended board members to cooperate with the resolution professional. It also stated that the police will assist the resolution professional in taking possession of the tour operator’s assets. Cox & Kings’ UK arm has been bought out of administration by luxury travel company Abercrombie & Kent. Law firm Irwin Mitchell, which assisted the deal, said the transaction safeguards all holiday bookings and 68 jobs of the UK unit.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/yes-bank-moves-into-name-wilful-defaulters/articleshow/72434101.cms
Dated: Dec 09, 2019

- **Public Sector Banks Turn Profitable In April-September FY20:**

Public sector banks (PSBs) returned to profitability in 2019-20, posting an aggregate profit of Rs 3,221 crore in the first half ending September, Minister of State for Finance Anurag Singh Thakur said in Parliament on Monday. PSBs had posted huge losses in 2017-18 and 2018-19 financial years due to heavy provisioning for non-performing assets and other contingencies, according to the minister. State-run lenders had posted aggregate operating profits during 2017-18 and 2018-19 of Rs 1,55,603 crore and Rs 1,53,871 crore respectively. However, they made aggregate provisions for NPAs and other contingencies of Rs 2,40,973 crore and Rs 2,35,623 crore in FY2018 and FY2019, respectively, he said in a written reply in Lok Sabha. This resulted in aggregate net losses of Rs 85,370 crore and Rs 81,752 crore in 2017-18 and 2018-19 respectively. “Further, PSBs have returned to profitability in the current fiscal, reporting an aggregate profit of Rs 3,221 crore in the first half of the current fiscal,” Thakur said. Citing data of the Reserve Bank on global operations of PSBs, he said their aggregate gross advances increased to Rs 68.76 lakh crore as on 31 March 2014 from Rs 25.03 lakh crore as on March end 2008. As per RBI inputs, the primary reasons for the spurt in stressed assets have been observed to be, aggressive
lending practices, wilful default/loan frauds/ corruption in some cases, and economic slowdown, the minister said. He was responding to a question whether the losses in public and private sector banks have been caused by increasing frauds. The Asset Quality Review (AQR) initiated in 2015 by the RBI for clean and fully provisioned bank balance-sheets revealed high incidence of non-performing assets (NPAs), the minister said. The RBI has issued various guidelines on safeguards on frauds, misappropriation, embezzlements and defalcation of funds for Urban Cooperative Banks (UCBs), he added. “Further, a reporting mechanism has also been put in place by RBI, exclusively to monitor frauds reported by UCBs. “UCBs have also been advised to constitute a special committee on frauds headed by the chairman for monitoring and following up cases of frauds involving amounts of Rs 1 crore and above exclusively, while audit committee of the board is required to monitor all the cases of frauds in general.”

He said the government has initiated host of measures to prevent frauds and as per inputs received from PSBs, they impose penalty against erring officials after due process including dismissal/removal from service/ compulsory retirement from service among others. Further, where an element of fraud is observed, complaint is lodged with the police or the Central Bureau of Investigation, he added, citing banks’ input.

Dated: Dec 09, 2019

- **Frauds Rise As India’s Economy Slows:**
As the fraud at Karvy continues to unravel, the spotlight has now expanded onto broking firms across India. Karvy's mess is no solitary incident, nor is it merely a stockbroking issue. Instead, Karvy symbolizes a worrying trend in the Indian economy: growing instances of fraud and economic crimes. These economic offences are dangerous because their damage can extend far beyond the immediate losses or the immediate victims. Economic offences disrupt financial stability, curb economic growth and, even, threaten national security. No sector has demonstrated the damage from economic offences more than India’s banks. The bank fraud at the Punjab & Maharashtra Co-operative Bank (PMC), for instance, may have triggered the deaths of nine depositors. Taken together, bank frauds such as the one at PMC have grown steadily over the past decade, according to data from the Reserve Bank of India (RBI). In its latest annual report, the RBI estimated the amount involved in frauds (of above Rs. 1 lakh) in Indian banks’ at Rs. 71,543 crores in 2018-19, up by 74% from Rs. 41,168 crores in 2017-18. The 2017-18 figure itself is a four-fold increase compared to four years ago. Almost all of this has stemmed from malpractices at public sector banks (PSBs) which accounted for 90% of the fraud value and 55% of the number of frauds. More recent data suggest that PSB bank frauds have continued to worsen in the current financial year (2019-20). In response to a recent question in the Rajya Sabha, the finance minister reported that PSB bank frauds had reached Rs. 95,760 crores between April to September 2019 compared to Rs. 64,509 crores during 2018-19. Within PSBs, the State Bank of India recorded the highest losses amounting to Rs. 25,417 crores followed by Punjab National Bank (Rs. 10,822 crores) and Bank of Baroda (Rs. 8,273 crores). While the rise in bank frauds is worrying, it is worth noting that the greater focus on fraud detection in recent years could also be responsible for the
higher reporting of bank frauds in India. For instance, the RBI has mandated that all non-performing assets with a value exceeding Rs. 50 crore should be examined for possible fraud, and a Central Fraud Registry has been established to track these cases. Large-scale bank frauds may dominate headlines but they are only one part of economic offences. Overall economic offences too are on the rise. One measure of this comes from the National Crime Records Bureau. The 2017 report, released after a delay, suggests that the rate of economic offences (as reported under Indian Penal code) rose to 111.3 crimes (per million people) in 2017 from 110 in 2014. Economic offences here include several different crimes ranging from ATM-related fraud to forgery to counterfeit notes. Taken together, forgery, cheating and fraud accounted for 86% of all economic offences. A less important offence was counterfeiting. In 2016, during demonetization, the government cited the dangers of counterfeit notes in funding terrorism as an important reason for their decision. But new NCRB data suggests that demonetization may have had little effect in curbing counterfeit notes. In 2017, a year after demonetization, the value of fake currency seized stood at Rs. 28 crores (based on around 1000 FIRs registered). And more than half of this fake currency (Rs. 15 crores) were in fake versions of the new Rs. 2000 notes. Given their financial nature, economic offences reported in cities are usually higher than in the countryside. Within India’s cities, unsurprisingly, Delhi, the capital city, and Mumbai, the financial capital, reported the most number of economic offences in 2017. After adjusting for population, though, Jaipur and Lucknow were the worst-performing cities. According to one analysis, the rise in economic malfeasance in Jaipur is linked to the burst of the city’s real estate bubble around demonetization. Following Jaipur’s real estate crash, several dubious real estate players were forced into other activities such as chit-funds and cooperative societies. This led to a surge of chit-fund scams and cooperative society frauds. More generally, frauds could worsen in times of slowdown. One theory suggests that as firms struggle for growth and reel under greater debts, they may be tempted to engage in fraudulent activity. If this is the case, then more than regulation, policies encouraging growth may be needed to address India’s fraud problem.

Dated: Dec 10, 2019

- Actual Retail Loan Growth Could Be Lower (CRISIL):
  
  Banks’ Retail loan growth numbers may be misleading. Bulk of the lending figures since the IL&FS crisis reflects the lending for purchase of NBFCs securitised retail loan pool, a report by ratings firm said. “After deducting securitisation flows, retail loans growth shows a fall from 16% in fiscal 2018 to around 12% in 2019 and first half of this fiscal” Crisil said. This is also the slowest growth in the last five years. Crisil arrived at the figure after it filtered lending-for-securitisation data from the retail credit data. The slowdown in retail loans also corroborates with the situation on the ground, like plummeting auto sales, sluggish growth in consumer durables, housing and several other consumer-oriented sectors. NBFCs went through a liquidity crisis after defaults in loan payments by a leading NBFC-IL&FS was public in September 2018. “With conventional sources of funding (bank loans, bonds and commercial paper) becoming difficult to access, many non-banks have been rushing to securitise their
receivables, especially after a credit event in September 2018” Crisil said. Data shows that in the first half, retail credit of banks grew 16.6%, or twice the speed of overall bank credit growth and at a higher pace than the average growth of the past three years. “Of the incremental retail loans disbursed by banks, a chunk was to buy ‘pools’ of loan receivables of non-banks, according to Crisil. Such pools or packages of receivables from retail loans disbursed by non-banks – are sold to investors who are essentially banks. These are called retail securitisation transactions and those transactions involving retail loan receivables get classified as retail bank credit. With conventional sources of funding -bank loans, bonds and commercial paper-becoming difficult to access, many NBFCs have been securitisating their receivables after the IL&FS crisis. As a result, retail securitization volume doubled in FY’19 and increased by 39% in the first half of FY’20. Overall, lending for securitisation accounted for 31% of incremental bank credit last fiscal, compared with 17% in 2017 and 11% in 2015. In the first half of this fiscal, that number climbed to 37%. Crisil said that about half of the securitisation transactions was home-loan receivables, while a quarter was vehicle-loan receivables and about 11% microfinance-loan receivables.

Dated: Dec 11, 2019

- **Net Banking & Card Frauds Up 50%, Delhi Is ATM Con Capital:**

Instances of unlawful transactions involving internet banking, ATMs and credit and debit cards shot up over 50% to cross 52,000 in 2018-19, with Delhi being the ATM fraud capital accounting for nearly 27% of the reported cases of “siphoning off of cash”.

In response to questions, the government told Parliament the amount involved in such incidents, however, has come down (see graphic). The numbers of ATM frauds in public sector banks were, however, more revealing. While State Bank of India, with over 58,000 ATMs across India at the end of March 2019, accounted for over 25% of the over 2 lakh cash dispensers, one in five frauds were reported at its ATMs. But second placed IDBI Bank, which had 3,700 ATMs according to its website, saw close to 1,800 frauds being reported. So, its share of ATM population was estimated at 1.8% but when it came to reported frauds, it accounted for 15% of the pie between April 2017 and March 2019. While the government did not reveal the reasons for the frauds, bankers said India is seeing increase in number of such attempts as it tries to scale up its infrastructure to shield itself. “We are seeing a massive influx of fraudsters from foreign countries as the infrastructure in Europe has been upgraded making life difficult for them,” said a banker. A banker said cameras
are being deployed above the ATM keypad and other techniques, often using malware, are being used by skimmers and fraudsters to siphon off funds using net banking. RBI has issued detailed norms to improve the infrastructure through introduction of anti-skimming, white-listing solutions and software upgrades apart from asking banks to issue only chip- and PIN-based cards. But banks are seen to be slow in responding to the challenges, including in upgrading the ATM network.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/net-banking-card-frauds-up-50-delhi-is-atm-con-capital/articleshow/72468068.cms
Dated: Dec 11, 2019

- **Parliamentary Panel Calls For Restoration Of Financial Credit Instruments With Proper Safeguards:**

A parliamentary panel has called for restoration of financial credit instruments of Letters of Undertaking (LoU) and Letters of Comfort (LoC) but with proper safeguards. Voicing concern over discontinuation of LoU/ LoC that is impinging trade and commerce in labour intensive and MSME Sectors, the Panel expressed concern on the absence of any prescribed norms for resolutions of NPAs due to quashing of RBI Circular dated February 12, 2018 by Supreme Court: Recommends a realistic framework for resolution of stressed assets. After Rs 14,000 crore fraud by diamantaire Nirav Modi, the RBI last year had decided to discontinue the practice of issuance of LoUs/ LoCs for trade credits for imports into India. The Department Related Parliamentary Standing Committee on Commerce, under the Chairmanship of V Vijayasai Reddy, MP, Rajya Sabha Wednesday presented the Report on ‘Action Taken by Government on the Recommendations/ Observations of the Committee contained in its One Hundred and Forty Sixth Report on Impact of Banking Misappropriation on Trade and Industry' to the Rajya Sabha. “It is strongly felt by the Parliamentary Panel that the financial credit sourced through borrowing instruments of LoU and LoC stimulated trade in the country because of their easy availability and cost effectiveness. “The Committee, therefore, notes that a ban on these instruments would impinge the trade in labour intensive and MSME Sectors which are mainly dependent upon cheap credit. Hence, the Committee recommends that the Government should make prudential analysis for the restoration of LoU and LoC at the earliest with proper safeguards,” a statement on the report’s observations said.

Dated: Dec 11, 2019

- **Bank Of India Eyes Rs 10,000 Cr Loan Sales In Special Drive:**

State-run Bank of India is looking to disburse Rs 10,000 crore of incremental loans from its ongoing customer outreach initiative that began on December 2 and ends on Thursday. “Our focus through this initiative is the MSME sector as demand from the corporate sector is not high,” executive director CG Chaitanya told reporters. The outreach programme is being conducted in 54 zones, comprising 5,000 branches. “Each zone has been given a disbursement target of Rs 200 crore during this initiative. We are aiming to disburse anything between Rs 7,500 and
Rs 10,000 crore,” he added. Under this, loans will also be given to schemes such as Mudra, PSB 59 minutes loans and Stand-up India schemes. Besides the MSME sector, the bank is also looking at disbursing loans in the retail segment, with special focus on home and vehicle loans.

Dated: Dec 11, 2019

• **Axis Bank Evaluating The Acquisition Route To Scale Up Microfinance Business:**

Private sector Axis Bank is evaluating the acquisition route to scale up microfinance books while its rivals such as Kotak Mahindra Bank and IndusInd Bank have already taken strides in this segment. Axis Bank managing director and chief executive Amitabh Chaudhry said the bank has studied the market but has not found a perfect match yet. “We are evaluating opportunities all the time,” he said, adding that the microfinance firms, which are doing well and can be a good fit, are mostly overvalued. “Nothing is on the cards at present.” He said the bank has Rs 3,200 crore worth of microfinance portfolio. IndusInd Bank’s acquisition of Bharat Financial Inclusion has helped it expand its rural outreach and grow the microloan business. This was preceded by Kotak Mahindra’s acquisition of BSS Microfinance, and IDFC Bank’s Grama Vidiyal Microfinance deal in 2016 to mention a few. In terms of overall business expansion, Axis is in the process of opening more branches this fiscal. It has opened 250 in the first six months and is on course of opening another 300 by March to raise the tally from 4,284. The bank has raised Rs 12,500 crore in qualified institutional placement last quarter, which Chaudhry said is “good for 20% CAGR for the next three years”. He said merger of public sector banks would throw bigger opportunities for private banks to grow as merger takes long time to internalise. He expects economic turnaround in next couple of quarters even as general stress in banking remained elevated. Axis is carrying funded and stress book of around Rs 10,000 crore.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/axis-bank-evaluating-the-acquisition-route-to-scale-up-microfinance-business/articleshow/72475586.cms
Dated: Dec 11, 2019

• **Bank Of Baroda To Exit Trinidad & Tobago:**

As part of rationalising its international operations, state-owned Bank of Baroda Thursday signed a share purchase agreement with Ansa Merchant Bank to sell the business of Bank of Baroda Trinidad & Tobago. BoB Trinidad & Tobago started its operations in October 2007 as a wholly-owned overseas subsidiary. “We have had a long and successful tenure in Trinidad & Tobago and will look forward to a disruption-free service to our valued customers of in that market,” executive director Murali Ramaswami, said in a statement. The sale will need an approval from Central Bank of Trinidad & Tobago. BoB had decided to exit the business way back in May 2017.

Dated: Dec 12, 2019

• **RBI Has Not Put Banks On Alert:**

The Reserve Bank of India on Thursday said it has not put banks on alert, as reported by a section of media, but asked lenders to
remain prepared to face emerging and new challenges. RBI Governor Shaktikanta Das was in the city to attend a central board meeting. He also met Chief Minister Naveen Patnaik in the state capital. “There is nothing like putting banks on alert though a section of media has reported. We have said that banks should remain prepared to face the emerging and new challenges,” Das told reporters. The RBI governor said he also discussed a host of banking-related issues with Patnaik during their meeting. “We discussed on financial inclusion, bank branches in the state, credit flow to agriculture sector and streamlining of the DBT through e-Kuber platform in Odisha,” Das said.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-has-not-put-banks-on-alert-shaktikanta-das/articleshow/72497164.cms
Dated: Dec 12, 2019

- **BoB To Sell Caribbean Subsidiary To Trinidad And Tobago’s ANSA Bank:**

Public sector lender Bank of Baroda on Thursday said it has signed a binding share purchase agreement with ANSA Merchant Bank Ltd for selling its subsidiary, Bank of Baroda (Trinidad and Tobago) Ltd, or BOBTTL. The transaction is subject to the approval of the Central Bank of Trinidad and Tobago. This was the first attempt by any state-owned bank to sell its international units. BOBTTL started operations on 17 October 2007. The bank said its board had approved the sale of the subsidiary in 2017 as part of its plan to rationalize international operations. After due diligence, empaneled investment banker BOBCAPS Ltd had identified ANSA Merchant Bank Ltd as a potential buyer, Bank of Baroda said. “We have had a long and successful tenure in Trinidad and Tobago and will look forward to a disruption-free service to the valued customers of BOBTTL. Bank of Baroda stays committed to maintaining its existing international relationships,” said Murali Ramaswami, executive director, Bank of Baroda. Based in Port-of-Spain, Trinidad, ANSA Merchant Bank Ltd is into auto financing, asset finance, investment services, merchant banking, and treasury services. In August 2018, Mint had reported that Bank of Baroda aimed to sell its offshore subsidiaries in Ghana and Trinidad and Tobago. The two subsidiaries constitute less than Rs. 1,000 crore of its total business, the report had said. Bank of Baroda reported a net profit of Rs. 737 crore for the three months to September, almost five times higher than the year-ago period, on the back of higher other income. The bank's profit was higher than Rs. 165.4 crore estimated by a Bloomberg poll of 19 analysts. BoB’s other income was buoyed by trading gains of Rs. 942 crore in the quarter, compared with Rs. 138 crore in the corresponding period of last year. It has a presence in 21 countries through 100 overseas branches. In November 2017, the government's department of financial services had asked state-run banks, which are looking at ways to downsize their overseas operations to ensure efficient use of capital, to discuss the issue at their respective board meetings before taking a final call. Besides, public sector banks have also been looking to close branches or sell subsidiaries to focus on markets giving them maximum returns. In a regulatory filing on 15 December 2018, Bank of Baroda had said it would sell its subsidiaries in Guyana, Trinidad and Tobago and Ghana by 30 June 2019. It had cited government guidelines for rationalization of overseas presence, increase of efficiency and profitability of the overseas offices of the bank as reasons for closure. The subsidiary in Trinidad and Tobago reported a total revenue of Rs. 23.9
crore and had a net worth of Rs. 5.54 crore in FY18. Bank of Baroda started its overseas operations by opening its first branch way back in 1953 in Mombassa, Kenya. News agency PTI reported in December last year that as on 31 January 2018, public sector banks had about 165 overseas branches, besides subsidiaries, joint ventures and representative offices. The state-owned banks, PTI said, have the largest number of branches in the United Kingdom, followed by Hong Kong, the UAE and Singapore.


Dated: Dec 12, 2019

• **Banks’ NPAs Again Stoke Asset Quality Concerns:**

India's bad loan crisis seems far from over, with as many as 10 banks disclosing they had under-reported non-performing assets (NPAs) of close to Rs. 24,000 crore in the year ended 31 March. These banks are State Bank of India (SBI), Yes Bank, Punjab National Bank, Central Bank of India, UCO Bank, Bank of India, Union Bank of India, Indian Overseas Bank, Indian Bank and Lakshmi Vilas Bank. For India's banks, saddled with bad loans of Rs. 9.5 trillion, the findings by the Reserve Bank of India do not bode well. The country's largest lender, SBI, reported the largest bad loan divergence so far this year, under-reporting gross NPAs of Rs. 11,932 crore. Divergence refers to the difference between what a bank reports as its bad loans and provisions, and what the central bank finds when auditing that bank's books. SBI also reported divergence in provision of Rs. 12,036 crore. The bank disclosed the divergence to the stock exchange last week. Earlier, SBI had reported its highest bad loan divergence of Rs. 23,239 crore for 2016-17.

While loans turn bad once the repayment overdue exceeds 90 days, provision is the money set aside for each loan a bank disburses. Provisions mirror the change in an asset's classification from standard to NPA and increases as the asset deteriorates. In 2017, the central bank directed banks to disclose the extent to which their assessment of NPAs and their provisioning diverged from that of RBI, and released guidelines for such classification. In April, RBI mandated banks to disclose information about provisioning divergence, if it exceeded 10% of a bank's pre-provisioning profit. Banks were also directed to disclose information if additional NPAs were more than 15% of reported NPAs. The divergences were disclosed in the notes to accounts in annual financial statements following the RBI directive. After SBI, the largest divergence in gross NPAs was reported by private lender Yes Bank. According to the bank, RBI found under-reporting of bad loans by Rs. 3,277 crore in the year ended 31 March. Following these disclosures, experts have raised questions about the role of auditors in the reporting process. “From a regulatory perspective, auditors are the first line of defense, as bank accounts are prepared in accordance with the guidelines determined by RBI, with which bank auditors are well-versed,” independent analyst Hemindra Hazari wrote in a note on 11 December. “Hence, if the regulator RBI has detected misreported accounts, the auditors have to be held responsible and need to be penalized.”

“As banks hold unsecured deposits from the public, are highly leveraged and play a critical role in payments in the economy, they have to maintain the highest ethical standards. Indeed, by their very nature, banks are meant to stand for integrity and trust,” added Hazari. Others said lenders are not always at fault and the central bank
would have sought NPA classification of some assets in retrospect and with abundant caution. According to Prakash Agarwal, head of financial institutions at India Ratings and Research, not all divergences are a result of incorrect reporting or error of judgement. “In many cases, the stress in the account may have become apparent only in subsequent quarters after March ending,” Agarwal said. “In such cases, it would be challenging for banks to pre-empt stress and, hence, report such account as non-performing. Further, in many cases, divergent accounts would have been factored in the reported results of the first half of the year.” Banks such as SBI and Yes Bank have said they already provided for some of these loans and the rest will be done in Q3 FY20. SBI said it has to make provisions of Rs. 4,654 crore in the December quarter as the rest has been factored in the first half of the fiscal. Yes Bank said its remaining provision is Rs. 632 crore in Q3.

Dated: Dec 16, 2019

• India Starts Round-The-Clock Payments For Banks To Manage Funds:

India this week joined a select club of countries offering fund transfers around the clock, a move that will give banks more flexibility to manage their liquidity requirements, the central bank said. The National Electronic Funds Transfer sees transactions worth Rs 80,000 crore ($11.3 billion) daily and the round-the-clock service is expected to boost online transactions for customers and will go a long way in bolstering digital payments, according to the Reserve Bank of India. Banks have been directed to waive NEFT transfer fees from January 1 for savings-account customers who use the service. Besides, the central bank will also hold additional money market operations for banks under the fixed-rate repurchase agreements and the marginal standing facility windows late at night.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/india-starts-round-the-clock-payments-for-banks-to-manage-funds/articleshow/72816575.cms
Dated: Dec 17, 2019

• In The Recovery Game, Indian Banks Seem To Lend It, Leave It And Forget It:

Bank stocks have been among the top performers so far this year compared with the broad market trend. This exuberance comes from the fact that bad loans have fallen in absolute terms. Since dud assets have reduced, the propensity to earn interest increases for lenders. Logically, as earnings increase, the estimates of earnings per share for banks would also be raised. But investors should look closely at how banks have been able to hack down their bad loan stock. As the accompanying chart shows, write-offs have contributed in a big way to the fall in bad loans. In the first six months of FY20, banks wrote off more than Rs. 80,000 crore of loans. In the past two years, this ran close to Rs. 2 trillion. In essence, the lenders could not recover any money and were resigned to just forget about it in these cases. But why have banks given up? Or have they? Bankers argue write-offs do not mean they have washed their hands of these borrowers. Efforts at the branch level are made to get the money back. But the track record of recoveries from written-off accounts shows otherwise. State Bank of India, the largest lender and one with heft, has recovered a measly Rs. 3,222 crore in the first half of FY20 from written off accounts. If the largest lender cannot increase its recovery rate,
the chances of other banks doing so are slim. To be sure, banks historically have not been able to recover much from written-off accounts. The reasons are varied. In an economic downturn, it is difficult to press for repayments from companies given that their earnings are hurt. Also, the infrastructure, such as courts or recovery mechanisms, were not robust enough to help banks recover written-off loans. In a disappointment, even the Insolvency and Bankruptcy Code (IBC) has failed to notch up recoveries, barring a few marquee cases. IBC may have resulted in many promoters being ousted from their companies owing to non-repayment of loans. But banks are yet to ratchet up their risk-management practices to assess and price loans. As such, even today banks are unable to get back what they have lent in many cases, leave alone the time value of the money, which is interest. Write-offs are akin to giving up. Indian banks have been giving up for long now. Add the fact that banks have been lax in their assessment of bad loans, investors should be worried. As a Mint story points out, as many as 10 banks under-reported bad loans for FY19, according to a Reserve Bank of India audit. Both these factors show banks’ risk management in poor light.


Dated: Dec 17, 2019

• **Banks To Get $7.6 Billion Boost Bankruptcy Recoveries From 4 Companies:**

India’s banks are set for a $7.6 billion earnings windfall this month as the country’s bankruptcy court has made sudden progress in clearing a backlog of large cases. The lenders are expected to benefit from the recovery process from four failed companies – Essar Steel India Ltd., Prayagraj Power Generation Co., Ruchi Soya Industries Ltd. and RattanIndia Power Ltd. – which should be completed in December, according to people familiar with the matter. The gains will be welcome news for banks, which are facing a further increase in their $130 billion pile of bad loans thanks to India’s shadow banking crisis and the slowdown in the economy. Many lenders are expected to set aside additional provisions in their earnings reports for this quarter. The total proceeds from the bankruptcy cases should total 540 billion rupees ($7.6 billion), according to Karthik Srinivasan, group head of financial sector at ICRA Ratings, the local arm for Moody’s Investors Service. The banks should be able to use a large part of it “to step up provisioning as bad loans continue to rise,” Srinivasan added. India has seen slow progress since the bankruptcy court was set up in 2016 to get to grips with the bad loan crisis. Only 15% of cases admitted to the court had produced a resolution plan as of September, according to data published by the insolvency board. However, some of the logjam was broken with the Supreme Court decision last month to clear the way for ArcelorMittal SA’s $5.9 billion takeover of Essar Steel. The court allowed Arcelor to pay creditors and scrapped a bankruptcy appellate tribunal’s order that gave secured and unsecured lenders equal rights over the proceeds. Banks are expected to recover 415 billion rupees from Essar, having received a 54 billion rupees payment from the Prayagraj bankruptcy on Friday, the people said, asking not to be identified as the information remains private. Another 43.5 billion rupees is expected from Ruchi Soya on Monday and 27 billion rupees from RattanIndia later this week, the people added. Among the largest beneficiaries are
State Bank of India, IDBI Bank Ltd., Bank of India, Canara Bank and Bank of Baroda. State Bank of India rose 0.8% as of 9:47 a.m. in Mumbai on Tuesday, compared with a 0.5% gain for the main equity index. However, the December bonanza will be shortlived as India's prolonged economic downturn continues to push up overall bad loans, said Suresh Ganapathy, who oversees financial research at Macquarie Capital Securities. The soured debt ratio in India's banking system will rise above 11% by the end of March, from 9.3% some 12 months earlier, according to a Credit Suisse note in August.

Source: https://www.livemint.com/industry/banking/banks-to-get-7-6-billion-boost-bankruptcy-recoveries-from-4-companies-11576562695915.html
Dated: Dec 17, 2019

• Lessons For Equitas Small Finance Bank From Ujjivan’s Stellar Debut:

Small is beautiful, at least in the banking space. Small finance banks are capturing the attention of investors, which is evident from the robust listing of Ujjivan Small Finance Bank Ltd earlier this month. The microlender-turned-bank listed at a steep premium of 50% to its initial public offering (IPO) price of ₹37 on 12 December. Since then, the shares have held on to their listing gains. However, can Equitas Small Finance Bank expect a similar response from investors? The bank has filed its draft prospectus with the capital market regulator for an IPO and aims to list before March. It expects to raise around ₹1,000 crore, but the main objective clearly is to meet regulatory rules.

According to the Reserve Bank of India’s (RBI’s) prudential rules for small finance banks, lenders will have to list themselves within five years of starting operations. Recall that Equitas Small Finance Bank has already been penalized by RBI for missing its listing deadline in September. The bank cannot open any more branches and its chief executive officer’s remuneration was frozen. Once Equitas Small Finance Bank lists, the restrictions will be lifted and that could give a fillip to the stock price. After all, branches are one way of growing. What’s more, the bank has a superior liability franchise than its competitor, Ujjivan. Equitas boasts a low-cost deposit ratio of 25% as against Ujjivan’s 11%. The listing pop for Ujjivan also comes against the background of the valuations being modest compared with closest peer AU Small Finance Bank Ltd. While it is too early to explore that, Equitas Small Finance Bank had raised Rs. 250 crore through a private placement of shares earlier this month. The shares were issued at Rs. 52.88 apiece, at a valuation of about Rs. 5,500 crore for the bank. At that valuation, the shares would be at a multiple of two times its estimated book value for FY20, according to analysts. In comparison, AU Small Finance Bank trades at a steeper multiple of five times its estimated book value of FY20 and Ujjivan Small Finance Bank at a multiple of around three times. That said, the overhang of dilution would be there for both Equitas and Ujjivan.
PNB Loses UK High Court Appeal In USD 45-Million Deceit Claim:

The British subsidiary of Punjab National Bank (PNB) has lost its UK High Court appeal in a USD 45-million deceit claim against seven individuals and two companies, based in India and the US. The issue in contention was whether the High Court of England and Wales should accept jurisdiction to try the claim by London-based Punjab National Bank International Limited's (PNBIL), involving eight loans it made between March 2011 and December 2014 for oil re-refining and wind energy generating projects in the US. Sir Geoffrey Vos, Chancellor of the High Court, heard the appeal earlier this month against a previous decision against PNBIL by Chief Master Matthew Marsh. “The appeal as a whole against the Chief Master’s order of 1st March 2019 must be dismissed,” Judge Vos concluded in his ruling on Tuesday. UK-based law firm Zaiwalla & Co represented eight of the defendants against PNBIL – Ravi Srinivasan, Trishe Resources INC (USA), Vathsala Ranganathan, Pesco Beam Environmental Solutions INC (USA), Pesco Beam Environmental Solutions Private Limited, Anantharaman Shankar, Luke Staengl and Anantharam Subramamium. “PNB has now lost twice in this case i.e. first before Chief Master Marsh and now before Sir Geoffrey Vos, Chancellor of the High Court. In both instances, the court found that PNB had failed in its duty to make full and frank disclosure,” said Kartik Mittal, Partner at Zaiwalla & Co. PNBIL also faces a costs order of around GBP 215,000 towards the cost of the appeal. It has, however, indicated to the court that it plans to pursue the case further and apply for permission to appeal against the latest order in the UK Court of Appeal. “PNB has indicated to the court that it intends to apply for permission to appeal to the Court of Appeal. As this would be a second appeal, the test for granting permission to appeal is stringent,” Mittal said. “Permission to appeal will only be granted by the Court of Appeal if PNB can show that its appeal would have real prospects of success and it raises an important point of principle or practice,” he said. “Our clients feel vindicated in their belief that these allegations have no basis in reality,” added Rohit Ralleigh, Senior Solicitor at Zaiwalla & Co. involved with the case. All the defendants, except one based in the US, are resident in India. PNB International Ltd had claimed that it had been misled and defrauded by the actions of the defendants following the granting of loans amounting to USD 45 million to companies in the US and India controlled by the individual defendants. The bank also alleged that money had been siphoned off and payments due had not been made under the loan facilities and guarantees. In its appeal in the commercial court division of the High Court in London, the bank was represented by law firm Gunnercooke LLP. PNBIL is the wholly-owned subsidiary of Punjab National Bank (PNB) in India, which started its UK operations in 2007 and operates through seven branches around the country.
• **RBI Told Not To Disclose Sensitive Bank Reports Under RTI For Now:**

The Supreme Court asked the Reserve Bank of India not to make public any inspection reports, risk assessment reports and financial inspection reports of banks, including the State Bank of India, under the Right to Information Act until further orders. The ruling came on an application filed by banks, which said such information cannot be shared without first giving them an opportunity to oppose it. The top court had mandated the RBI in 2015 to release such information to RTI applicants or risk contempt of court. RTI applications have been piling up at the RBI ever since the court ruled that the banking regulator must reveal all information under RTI, except those excluded by law. The banks then moved the top court seeking relief. The lenders included HDFC Bank, ICICI Bank and SBI, which have been stung by the alleged leak of one such report. These reports are sensitive and are being bandied about in the press, an advocate in the know of things said. “Inspection reports, risk assessment reports, annual financial inspection reports of the banks including State Bank of India shall not be released by the Reserve Bank of India until further orders,” a bench comprising Justices S Abdul Nazeer and Sanjiv Khanna said on Wednesday. The interim order will continue till the court examines the issues involved in the case. SBI was represented by standing counsel Sanjay Kapur and the RBI by senior advocate Jaideep Gupta. Solicitor General Tushar Mehta also appeared for SBI. Banks has earlier filed a plea for a review and recall of the 2015 ruling, which is pending and yet to be adjudicated. The top court ruled on December 16, 2015, that the RBI must, in the interest of transparency and accountability, release all information sought from it except those exempted under RTI. The order was passed by a bench comprising Justices MY Eqbal and C Nagappan. The RBI contested this on the ground that such information was held by it in a fiduciary capacity and cannot be shared. The court rejected this argument. It also argued that releasing such sensitive information would only undermine public confidence in the banking system and have an adverse impact on the economy, but the court shrugged that off. Despite the order, the RBI kept turning away information seekers, citing a fresh non-disclosure policy. One RTI applicant eventually moved the top court seeking contempt action against the regulator.


Dated: Dec 20, 2019

• **Banks Cannot Go Beyond A Threshold To Cut Deposit Rates As India Lacks Social Security Net:**

SBI Chairman Rajnish Kumar on Saturday said banks cannot go beyond a threshold to bring down interest rates on deposits as India lacks social security schemes and likewise cannot lend at lower rates to corporates as the risk of default is too high. On rate transmission by banks, Kumar said when interest rate moves downwards then everybody starts talking and when it goes upwards nobody talks about it. When the repo rates were going up five-six years back, interest rates for borrowers did not increase in that proportion, he said. In 2013, the repo rate was around 10 per cent, the SBI Chairman said adding that since 2013, Reserve Bank’s repo and bank
interest rates for consumers have been moving in a completely aligned manner. “Secondly, we have repeatedly mentioned that banking system’s dependence ...in India is largely on depositors. Today, 90 per cent of my deposit is retail deposit. If I want to lend money cheap, obviously I will have to pay less to depositors; and in a country like ours where there is huge population of senior citizens and in the absence of social security schemes, the interest on deposits is a source of earning,” Kumar said while speaking at the 92nd Ficci Annual Convention here on the theme ‘making financial system robust to aspire a USD 5 trillion economy’. At present, banks largely offer 3 to 4 per cent interest on deposits in savings accounts, and charge borrowers 8 per cent and above rate on loans. On getting competition from government saving schemes, he said such instruments do not impact the banks much as they still command huge share in the deposit market. “We can’t lower the interest rates (on lending) without lowering the interest rates for depositors. And there is a point, a threshold below which we cannot reduce the interest rate for depositors. Third thing is that the credit cost in the country is very high because the default rates are very high, so the spread has to be necessarily high,” said the head of the country’s largest lender. The loss due to defaults is very high currently and in such a scenario the spreads have to be necessarily high to cover for the credit costs, Kumar added.

**Banks May Ask You For Your Religion Details:**

Soon, banks may introduce a new column in ‘know your customer’ (KYC) forms for their depositors and clients to mention their religion. This requirement has arisen in the wake of the recent changes made to Fema Act regulations, which extend the benefits of opening NRO accounts and holding property to select religious minorities, excluding Muslims. Eerily similar to the Citizen (Amendment) Act, the amendments by the Reserve Bank of India to the Foreign Exchange Management Regulations, issued in 2018 are limited to migrants who are from minority communities Hindus, Sikhs, Buddhists, Jains, Parsis and Christians from Pakistan, Bangladesh and Afghanistan and hold long-term visas (LTVs). These LTV holders can buy residential property and open bank accounts in India. The rules exclude atheists, Muslim migrants as well as those from other neighbouring countries such as Myanmar, Sri Lanka and Tibet. RBI said it had no comments to an emailed questionnaire sent by TOI. The amendment to Schedule 3 of the Fema (Deposit) regulations states: “A person being a citizen of Bangladesh or Pakistan belonging to minority communities in those countries, namely, Hindus, Sikhs, Buddhists, Jains, Parsis and Christians who is residing in India and has been granted a Long Term Visa (LTV) by the central government is permitted to open with an authorized dealer only one NRO Account. The said NRO account shall be converted to a resident account once the person becomes a citizen of India within the meaning of the Citizenship Act, 1955.” The Fema (Acquisition and Transfer of Immovable Property in India) Regulations, says, “A person being a citizen of Bangladesh, Pakistan or Afghanistan


Dated: Dec 21, 2019*
belonging to minority communities in those countries Hindus, Sikhs, Buddhists, Jains, Parsis and Christians and granted an LTV, may purchase only one residential immovable property in India as dwelling unit for self-occupation and only one immovable property for carrying out self-employment.” A source in the finance ministry said that the changes were made last year, when the focus for many financial pundits, bureaucrats and politicians was on the financial implications. “No one would have expected a religious discriminatory clause in rules relating to banking.” Prior to the amendment, a foreign national, irrespective of his religion and the country of origin, could open FA resident accounts for longer durations and NRO accounts for a short-period of six months. With regard to residential property, earlier the regulation was foreign citizens who reside in India for more than six months — and who are not citizens of Pakistan, Bangladesh, Sri Lanka, Afghanistan, China, Iran, Nepal, or Bhutan can purchase residential property in India. “It is news to me that the Fema Act primarily a financial regulation has a religious cause,” said the CEO of a public sector bank. “For KYC forms for savings and current accounts, we do not ask for religion. We ask for nationality while opening FA and NRO accounts,” said a top banker from another PSB. Emails to 10 public and private sector banks showed that religion is not a criterion till date for opening an account. Banking analysts on Dalal street, who did not want to be quoted, said that the regulation was a surprise, as its an unheard-of bar or norm based on religion for investment. Activists and lawyers say this is unconstitutional. “This is absolutely scandalous and unconstitutional. There is no basis for discrimination by religion under Article 14. You can prohibit investment in a particular activity like earlier they didn’t want foreign migrants to get involved with plantation and agriculture. But this is outrageous,” said Rabindra Hazari, a lawyer at the Bombay high court. Kannan Gopinathan, who recently resigned from the IAS in protest against the blockade in Kashmir, said, the change in rules were is in line with the policies of the current government. “How can they define religion or faith, which is fluid and dynamic? People can become atheists or convert to Buddhism - there is no practical applicability. It will just serve as a tool for humiliation and making Muslims feel second-class in every way.” He feels there are concerted efforts, like through CAA and Fema, to bring in laws to segregate and isolate people destroy India’s democratic fabric.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/banks-may-ask-you-for-your-religion-details/articleshow/72910764.cms

Dated: Dec 21, 2019

- **Number Of Debit Cards Plunges 15%, Hits A 2-Year Low:**

In October 2018, debit cards in India seemed well on their way to touching the one billion mark with 998 million cards in circulation (TOI report from Nov 3, 2018). In just a year, the number has plunged over 15% and hit a two-year low of 843 million, as of October 2019. Bankers say nearly 155 million cards went out of the market because of the EMV migration from magnetic-strip to chip-based cards, weeded out dormant accounts and inactive cards. The RBI has mandated that all banks have to make this switch as EMV-chip based cards are deemed more secure. So most of 2018, banks were engaging in a massive exercise to reissue all debit cards. With more than 80% of cards reissued, in April 2019, most public-sector
and private banks had blocked magnetic stripe cards. This automatically weeded out any remaining inactive accounts. “All banks had undertaken a major re-carding exercise during the EMV migration. For us, when we moved from the magnetic strip to EMV-chip based, we also made all our cards NFC-enabled (near field communication-enabled or contactless cards) for tap-and-go payments,” said Sanjeev Moghe, executive vice-president and head, cards and payment at Axis Bank. Banks have also stopped suo motu issuing cards for dormant accounts. “For a bank, it is not prudent to keep servicing dormant accounts. One, the risk of fraud like money laundering increases. And second, there is the cost of maintaining such an account. So, banks have stopped issuing cards suo motu unless approached by the customer,” says Bharat Panchal, CRO, FIS Global, a financial services provider. But why so many dormant accounts? Banks attribute this to job-hopping by salaried professionals. As young urban Indians switch jobs more frequently, they leave a string of zero-balance salary accounts dormant in their wake. This fall in debit cards could have been sharper had it not been cushioned by rural India increasing its debit card usage via Jan Dhan accounts. RuPay cards used by Jan Dhan account holders grew 13.5% year-over-year to 296.8 million as of November 2019 which increased debit card holding in poor families in India from 75% to 80% in a year. “While it might be a popular notion that many poor people don’t use Jan Dhan accounts. And government pressure forced bankers to foolishly open thousands of bank accounts, which now remain inactive it is not so. Numbers show otherwise,” said Mrutyunjay Mahapatra, MD, Syndicate Bank, citing the 13% year-over-year increase to 374.7 million Jan Dhan accounts.


Dated: Dec 23, 2019

• **Banks Reach Out To Advisers Seeking Clarity On GST Over CBLO Income:**

Top banks that use collateralized borrowing and lending obligation (CBLO) instruments have reached out to their tax advisers, seeking clarity on whether they could face problems under the goods and services tax regime. They had faced tax demand on their CBLO income under the pre-GST indirect tax regime. CBLO is a lending and borrowing instrument issued in an electronic book entry form, for a maturity period ranging from one day to one year. Borrowers and lenders carry out transactions on the Clearing Corporation of India platform. The difference between the issue price and the face value is the margin that banks and lenders make on this instrument. Banks maintain that the margins are nothing but interest and should be outside the gamut of indirect tax. They haven’t faced any tax demand on this income so far. But in the pre-GST regime, the indirect tax department had demanded service tax on the margin, calling it an income on a service provided. For top banks, this had run into hundreds of crores. “There is no tax on interest payment and the controversy is whether the consideration is in the nature of a fund-based activity. Many banks have challenged the substantial service tax demand and the fear is that similar problems could arise under the GST regime,” said Abhishek A Rastogi, a partner at law firm Khaitan & Co. There is no GST on interest charged by banks but there is no clarity whether returns on CBLO are an interest or profit and whether
that is exempted. After they received service tax demands, banks had approached several judicial and quasi-judicial bodies. The rulings so far have been mixed. Tax experts point out that the controversy could come to visit the banks again as there are conflicting rulings on the issue. “The problem aggravates when there are controversial decisions by different courts and ultimately the taxpayers suffer. This has been witnessed in different issues related to banks”, said Rastogi of Khaitan & Co. But MS Mani, a partner at Deloitte India, said: “In the event of any notices/enquiries from the GST authorities in respect of CBLO transactions, banks would be able to defend themselves on issues of taxability of CBLO transactions considering the precedents in the service tax regime and the FAQ’s issued in the GST regime.” Banks such as Axis Bank, Bank of Baroda, Bank of India, HDFC Bank and ICICI Bank are members of the Clearing Corporation of India and deal in CBLO. Banks have had their share of controversies with the indirect tax department under the GST regime. Early this year the tax department started issuing notices to banks that allow subsidiaries, such as mutual fund and insurance units, to use their logos for free. The tax department want the banks to pay an 18% GST on the “deemed” value of such transactions and has even calculated how much these are worth. Subsidiaries use logos for the promotion of related products with the understanding sometimes included in a contract that no fees have to be paid. The tax department claims that these were “related-party transactions” and hence should be subjected to valuation regulations as per the GST framework.

Dated: Dec 23, 2019

• **Delay In Recognition Of NPAs Bad For Financial Health Of Banking Sector:**

Delays in recognition of non-performing assets (NPA) and the lack of timely allocation of provisions on these bad loans can impact the financial health of banks, the Reserve Bank of India said in its annual Trends and Progress report Tuesday. “Empirical evidence suggests that the profitability of banks that delay recognition and adequate provisioning for impaired assets is adversely affected as compared to those that act in a timely manner,” the central bank said in a report published Tuesday. After seeing seven consecutive years of rising bad loans, the banking sector in FY19 posted a decline in consolidated bad loans, data from the report showed. The gross NPA ratio in the fiscal year of 2018-19 came in at 9.1 percent as against 11.2 percent in the year-ago period, while net NPA nearly halved to 3.7 percent. Separately, the provision coverage ratio (PCR) of all scheduled commercial banks improved to 61 percent by September 2019, RBI said, on the back of declining NPAs at the public-sector banks. RBI noted that the recognition of past bad loans has “nearly completion” in the reported fiscal year on the back of the asset quality review exercise undertaken by the central bank in 2015 and the subsequent implementation of the framework for resolution of stressed assets in February 2018. The framework that had made it mandatory for banks to identify signs of incipient stress in loan accounts and classify these assets as Special Mention Account (SMA), immediately on default, was revised in June 2019 to provide banks a window to resolve these toxic accounts without taking them into administration. “Going ahead, this framework is expected to induce timely recognition of stressed
assets, thus helping strengthen the financial health of the banks,” the central bank said.


Dated: Dec 24, 2019

• **NAFCUB To Set Up Umbrella Organisation For UCBs:**

The Reserve Bank has given nod for an Umbrella unit to strengthen urban co-operative banks. The proposed entity is expected to provide liquidity support to UCBs, besides providing IT infrastructure. The National Federation of Urban Cooperative Banks and Credit Societies Ltd. (NAFCUB) has been given the regulator’s approval for setting up an umbrella organisation as a non-deposit taking NBFC (NBFC-ND), according to the latest report on trends and progress in banking released by the Reserve Bank of India. “In view of the pressing need for an umbrella organisation for the sector, which can provide liquidity and capital support to member banks, the Reserve Bank has given approval for its formation “the Reserve Bank said in its latest report on trends and progress in banking. “This organisation is also expected to provide IT infrastructure and capacity building facilities to UCBs, and would contribute to their strength and vibrancy” The Umbrella Organisation could be in the form of apex entities, as is the practice in many countries that provide access to resources/capital to financial co-operatives at the base level through their ability of tapping into the capital market, while maintaining the cooperative character, RBI said. The apex central body also provides services to its member banks and regulates their activities. UCBs cannot raise capital through public issues, limiting their ability to comply with the regulatory requirements, even under Basel I. UCBs caught media attention in September earlier this year when RBI put curbs on Punjab and Maharashtra Co-operative (PMC) Bank Ltd, including on cash withdrawal as it is being probed for under reporting its bad loans and large exposures among others. Umbrella organisations can also exist as a distinct entity where the credit unions are its members. In some countries. All local co-operative banks are members of this apex entity. Member co-operatives within an apex bank also agree to provide mutual support to each other in times of financial difficulty. This system also enables self-regulation and good corporate governance in the sector.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/nafcub-to-set-up-umbrella-organisation-for-ucbs/articleshow/72958854.cms

Dated: Dec 24, 2019

• **Total Frauds At Banks Rise 74 Percent To Rs 71,543 Crore In 2018-19:**

Banks reported a total fraud of Rs 71,543 crore in 2018-19, a 74 per cent increase as against Rs 41,167 crore in the previous financial year, according to a report by the Reserve Bank of India. The number of fraud cases reported by lenders also jumped to 6,801 in 2018-19, compared to 5,916 cases in 2017-18. “Public sector banks accounted for a bulk of frauds reported in 2018-19 – 55.4
per cent of the number of cases reported and 90.2 per cent of the amount involved – mainly reflecting the lack of adequate internal processes, people and systems to tackle operational risks,” the RBI’s report on ‘Trends and Progress of Banking 2018-19’ showed. In February 2018, the government had issued a framework for timely detection, reporting and investigation of frauds in public sector banks (PSBs). It required these lenders to evaluate non-performing accounts exceeding Rs 50 crore from the angle of possible frauds, to supplement the earlier efforts to unearth fraudulent transactions. This appears to have caused the sharp jump in reported frauds in 2018-19, the report said. Private sector lenders and foreign banks accounted for 30.7 per cent and 11.2 per cent, respectively, of the total number of reported fraud in 2018-19. Their share in the amount involved in the frauds reported were 7.7 per cent and 1.3 per cent, respectively. PSBs' share in the value of large frauds was even higher at 91.6 per cent in 2018-19. In the bank advances category, there were 3,606 number of fraud cases involving Rs 64,548 crore reported in 2018-19. The banks reported 13 cases of fraudulent foreign exchange transactions worth Rs 695 crore. There were 1,866 fraud cases involving Rs 71 crore related to card or internet transactions.


Dated: Dec 24, 2019

• RBI Cautions Banks On Possible Risks In Retail Segment In Its Report On Banking For FY19:

The RBI has cautioned banks on retail lending and asked them to be watchful of household leverage and indebtedness. The RBI observed in its Banking Report for FY19 that in the event of demand for credit slowing down from the corporate sector, the retail segment saw a surge in lending. “The slowdown in consumption and overall economic growth may affect the demand for and the quality of retail loans” read the report. The RBI noted that the bad loan overhang remains in the banking segment even as the resolutions under the IBC framework have seen an improvement. It said that issues like resolution of stressed assets, governance, frauds needs to be addressed. The central bank said that the health of banking industry depends on a turnaround in the macroeconomic conditions. It also observed that in the event of defaults and rating cuts, formal lending to NBFCs declined. RBI's report prescribes ways to address the ongoing stress in various sectors. In order to strengthen the liquidity framework for NBFCs, a liquidity coverage ratio (LCR) has been introduced for all deposit-taking NBFCs (NBFCs-D) and non-deposit taking NBFCs (NBFCs-ND) with an asset size of Rs 5,000 crore. The central bank resolved to ensure an optimal level of regulation and supervision in this sector so that it is financially resilient and robust. The deferment of the implementation of the last tranche of the CCB till March 31, 2020 has offered some breathing space to these banks. Their capacity to sustain credit growth in consonance with the financing requirements of the economy will, however, warrant that capital is maintained well above the regulatory minimum, providing these banks confidence to assume risk and to lend. The recently announced prudential framework for stressed assets serves as a multi-pronged strategy in this regard, expanding degrees of freedom for lenders while prescribing disincentives for delayed implementation of resolution plans.
RBI Optimistic About Mergers Creating Global Scale PSBs:

The RBI believes that the country can create some global banking majors if the ongoing mergers of state-owned banks achieve desired impacts of creating stronger and well-capitalized lenders of global scale. Currently, there is not a single domestic lender in the global top 50 list, which since the 2008 global financial meltdown has been dominated disproportionately by Chinese lenders. Soon after the merger of its five associates, the SBI had a short stint in the global 50 list with a balance-sheet of around USD 450 billion, but soon slipped following the massive pile of bad loans in the system, which shrank its balance-sheet. As a way to recapitalize the crippled state-owned lenders, the government had in August announced merger of 10 PSBs into four. Under the scheme, Oriental Bank of Commerce and United Bank of India will merge with Punjab National Bank creating the second largest public sector lender after the SBI; Syndicate Bank would merge with Canara Bank; Union Bank would take over Andhra Bank and Corporation Bank; and Allahabad Bank would merge with Indian Bank. The process, likely to be completed by March, will see the number of state-owned banks coming down to 12 from 19 now and as many as 27 in 2017. In FY19, the government had merged Vijaya Bank and Dena Bank with Bank of Baroda and in 2017, the State Bank absorbed five of its associates along with the Bharatiya Mahila Bank. “The merger of PSBs is likely to transform the face of our banking sector with the emergence of stronger, well-capitalized banks aided by cutting-edge technology and state-of-the-art payment systems. Our banks have the potential to become global baking leaders,” the Reserve Bank of India said in its annual report on ‘trends & progress of banking 2018-19’, released on Tuesday. The report also warned banks about the rising competition from FINTECH and other large tech companies and noted that the global growth slowdown has impacted the financial system worldwide, especially banks, which is visible in their plunging profitability and shrinking balance-sheets. “Banks are facing increasing challenges from non-traditional players such as FINTECH and big technology firms which are taking advantage of digital innovation,” the report warned. It can be noted that the global tech giants like Google, Amazon, Whatsapp/ Facebook and domestic players like Paytm and tens of dozens of small tech players are chipping away a large portion of the payments market. On the crippled NBFCs, the report expects them to come out of the mess faster as the liquidity situation has been improving since recent months. As liquidity strains recede, and solvency shored up, NBFCs are expected to regain their niche and expand their reach, the report said. Going forward, the need of the hour is to continue the policy coordination with a view to developing the banking system on one hand and securing a competitive and resilient non-banking sector, it added

Dated: Dec 24, 2019
Net Blockade Leaves Up At A Net Financial Loss:
The internet shutdown in parts of Uttar Pradesh due to the protests over the Citizenship Amendment Act has hit banking services, including movement of cash and branch operations. Bankers told ET that transactional services had come to a halt, and merchants were finding it hard to conduct business. “We have seen our business in certain parts of UP being hit due to internet closure because our businesses are online-based. Several merchants haven’t been able to carry out transactions,” said Rishi Gupta, CEO, Fino Payments Bank. “There has also been a problem in moving cash to sensitive areas, and we hear that a few bank branches have been shut down.” Violent protests against the Citizenship Amendment Act (CAA) have led to statewide imposition of prohibitory orders under Section 144, heavy deployment of forces and shutdown of internet in several areas of UP. Across the state, 879 people have been arrested in connection with the violence while 5,000 have been detained, as per official figures. The worst-hit are Lucknow, Kanpur, Varanasi, Meerut, Bahraich, Agra, Firozabad and Gorakhpur. Some banks are reported to have closed branches and stopped dispatch of cash to sensitive areas. “While in most areas the disruptions were temporary, availability of cash was an issue for many people, even though most ATMs run on VSAT (very small aperture terminal) connections,” the CEO of an ATM services company told ET on condition of anonymity. “While we understand the necessity for the shutdown, the cost of inconvenience is rather high.” Basic banking such as cash disbursal by ATMs, digital banking transactions, OTP-related services including electronic KYC (know your customer) verification, remittance transfers and UPI (Unified Payments Interface) and AEPS (Aadhaar-Enabled Payment System) have been impacted, said market stakeholders. “The Aadhaar-Enabled Payment System
has been severely affected. Our members on the ground have written to us, but the exact extent of the impact is not yet clear,” said Anand Srivastava, founder of financial services provider Beam. “AEPS is used at kirana stores, groceries, medical stores and by Business Correspondents (BCs). Uttar Pradesh is a heavy user of this platform. We will analyse the situation in depth and write to both the National Payments Corporation of India and the Unique Identification Authority of India, as well as ministries, regarding the situation,” said Srivastava, who is also the chairman of the Business Correspondent Federation of India. “We’ve seen an impact on business in several small pockets across the country, which could be because of the internet shutdowns,” said a senior official with a leading payments company. “The impact is more on the merchant side of the transaction activities.” According to data sourced from government database Digidhan, per capita UPI transaction rate in Uttar Pradesh till November 30 stood at 6.243 — which means an average user transacted six times a month. The rate for Assam and Jammu and Kashmir was much lower at 0.663 and 0.727, respectively. Both these states have also seen internet shutdowns. As on September 30, Uttar Pradesh had 21,098 ATMs. The average replenishment rate was Rs 1.36 crore per ATM in June — the highest in the country, according to data sourced by ET from CMS Info, an ATM management company. Replenishment can be used as a proxy for cash demand per ATM. “Whenever it (internet shutdown) happens, people get impacted,” said a senior executive with a tech-enabled nonbanking financial company. “Just as roads and highways are essential for running the economy, internet availability is also important, in view of the increased shift towards digital transactions. The cost of disruptions (due to internet shutdowns) is as high as the cost of shutting other forms of physical infrastructure (such as roads and highways).”

Dated: Dec 25, 2019

• RBI Introduces New Prepaid Payment Instrument For Your Daily Grocery Payments:

The Reserve Bank of India has given Indian consumers a new option to make their daily payments at local shops and retail outlets for the purchase of daily household goods and services. In a bid to give increased impetus to small ticket digital payments RBI on Tuesday has introduced a new Prepaid Payment Instrument (PPI) which will come with a monthly rechargeable limit of Rs 10000 and can be used only for making retail payments. “To give impetus to small value digital payments and for enhanced user experience, it has been decided to introduce a new type of semi-closed PPI...” the central bank announced in press release on Tuesday. “These PPIs shall be used only for purchase of goods and services and not for funds transfer.” The newly introduced payment instrument can be issued by banks and existing non bank PPI players. These companies would be able to verify credentials of customers seeking to open their PPI accounts using an OTP sent to user’s verified mobile number and a digital identification document recognized by the Department of Revenue, the banking regulator said. “The minimum details shall necessarily include a mobile number verified with One Time Pin (OTP) and a self-declaration of name and unique identity/identification number of any ‘mandatory document’ or ‘officially valid document’
(OVD) listed in the ‘Master Direction - Know Your Customer (KYC) Direction,” according to the central bank. This will come as a boost especially for wallet companies such as Paytm and Phonepe that have reeled due to high costs of KYC compliance since the Supreme Court denied them permission to access Aadhar database to complete full KYC authentication. The PPI can be used for a monthly limit of Rs. 10000 and the amount can only be uploaded only from bank account linked with customer’s verified mobile number. Furthermore, RBI has also fixed an annual limit of Rs 1.2 lakh that can be recharged on these accounts. RBI governor Shaktikanta Das had spoken about the possible launch of such an instrument while making his Monetary Policy speech on December 5. The governor had emphasised on the need for a seamless, easy to issue payment instrument to increase the use of digital payments at small merchant locations where typically the failure rate of transactions are known to be high.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-introduces-new-prepaid-payment-instrument-for-your-daily-grocery-payments/articleshow/72959989.cms

Dated: Dec 25, 2019

• **RBI Warns Banks Over Focus On Retail Loans:**

The Reserve Bank of India (RBI) has red-flagged banks’ reliance of retail loans over slowing economic activity and negative consumer sentiment. The banking regulator called for a granular lending strategy to offset risk concentration in its annual publication on trends and progress of banking in India. “Lenders have been shifting their focus away from large industrial loans towards retail loans, as bad loans of the latter have traditionally been low,” RBI noted in the report. “This diversification strategy, while helpful as a risk mitigation tool, has its own limitations: the slowdown in consumption and overall economic growth may affect the demand for and the quality of retail loans.” Household leverage and indebtedness need to be kept in focus in the context of overall financial stability, it further said. With corporate loans rigidly at multi-year lows, risk-averse banks lapped up retail credit. Of late, retail asset quality is showing signs of stress as individual borrowers are delaying payments, especially in auto, two-wheeler and loans taken to buy consumer durable products, data from credit rating CRIF High Mark shows. RBI also said that the need of the hour is to kick-start industrial credit and use that to regenerate a virtuous cycle of capex, investment and growth. “Some sector-specific pockets of stress will need policy attention. Proper risk pricing in lending is of prime importance so that the health of the banking sector is not compromised while ensuring adequate credit to the productive sectors of the economy,” it said. The RBI said that slowing credit growth was an area of concern. Banks’ credit grew 8.07% to Rs 98.47 lakh crore in the fortnight-ended Nov 6. In the previous fortnight ended Oct 25, bank credit had grown by 8.90% to Rs 98.39 lakh crore.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-warns-banks-over-focus-on-retail-loans/articleshow/72962399.cms

Dated: Dec 25, 2019

• **Airtel Payments Bank Enables 24X7 NEFT Transfers:**

Airtel Payments Bank on Thursday said it has enabled 24x7 NEFT transfers in line with the Reserve Bank of India’s (RBI) guidelines. Airtel Payments Bank customers will now
be able to use the National Electronic Funds Transfer (NEFT) facility at any time of the day. The facility will be available to customers on a 24x7 basis even on holidays enabling them to receive or send funds to any bank from anywhere, anytime, the Bank said. Airtel Payments Bank customers can transfer funds via NEFT using the banking section of the Airtel Thanks app or the website of Airtel Payments Bank. They need to select the ‘Transfer Money’ option followed by ‘transfer to Bank’. A screen to register the beneficiary will appear. Once the beneficiary registration process is completed, the customer can easily transfer the money.

Airtel Payments Bank Chief Operating Officer Ganesh Ananthanarayanan said: “We are committed to provide customers with an efficient and smooth banking experience. We welcome the RBI mandate as it will allow our customers to easily transfer the money to any bank account at any time using NEFT mode. This will add to the overall online banking experience for the customers.”

Launched in January 2017, Airtel Payments Bank has a physical presence in all 29 states of the country through its 500,000-plus banking points. Out of these, over 60,000 focus on insurance and pension products in an attempt to reach the underserved. India’s first payments bank has a user base of over 40 million customers. The RBI earlier this month said Airtel Bank customers will be able to transfer funds through NEFT around the clock on all days including weekends and holidays from December 16. After the usual banking hours, these transactions are set to be automated initiated using ‘Straight Through Processing (STP)’ modes by the banks. According to the bank, the existing discipline for crediting the beneficiary’s account or returning the transaction within 2 hours of settlement to the originating bank will also continue.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/airtel-payments-bank-enables-24x7-neft-transfers/articleshow/72985179.cms
Dated: Dec 26, 2019

• RBI Tells Banks To Cap Stake In Insurance Companies At 30%:

The Reserve Bank of India has asked lenders to cut their stakes in insurers to 30%, as the banking regulator attempts to shield banks from risks arising out of their non-banking businesses and steer focus to boosting credit growth in a slowing economy, four people with direct knowledge of the matter said. RBI informed the bankers in a meeting last week that it will soon introduce rules to cap their holdings in an insurance company to 30%, the people said, requesting anonymity as the matter is confidential. The holding limit will be 50% for non-banking financial companies such as Housing Development Finance Corp. that have insurance units, they said. Banks have been told to await RBI’s official communication on the new rules. The move is likely to have far-reaching impact not only on banks, which derive significant income from their insurance units, but also on the insurers themselves as their parent banks are major capital providers and distributors.
of insurance products. State Bank of India, ICICI Bank Ltd and Kotak Mahindra Bank will be among the lenders to be affected by the decision. “The 30% capping rule is meant to safeguard banks from capital risks arising from non-core businesses. But the new RBI rule, which is likely to come into effect some time in fiscal 2021, will create a huge supply of equities in the market when the banks slash their stakes. It is to be seen if the market has an appetite to absorb such large amount of liquidity,” said the first of the four people. The rule is likely to be implemented in a phased manner, the person added. “RBI is asking us to rather use the money for credit growth. RBI is suggesting banks to increase Tier 1 networth,” said the second person. “There should not be much of a problem as some of the insurance firms are listed. We (as a bank) have to give a roadmap to RBI as in when we will bring down stake to 30%. We have asked for five years but they (RBI) will not give five years. They may say three.” Current regulatory norms mandate that a bank can hold a maximum of 50% in an insurance venture but the regulator may allow them to hold more on a case-to-case basis. In the life insurance space, ICICI Bank owns 52.87% in ICICI Prudential Life Insurance Co. Ltd; Kotak Mahindra Bank holds a 77% stake in Kotak Mahindra Life Insurance Co. Ltd; and State Bank of India owns 57.6% in SBI Life Insurance Co. Ltd. Home financier HDFC holds 51.47% in HDFC Standard Life Insurance Co. Ltd. Among general insurers, HDFC holds 50.49% in HDFC Ergo General Insurance Co.; ICICI Bank holds a 55.86% stake in ICICI Lombard General Insurance Co. Ltd; Kotak Mahindra Bank holds 100% in Kotak Mahindra General Insurance; and State Bank of India holds 57.13% in SBI General Insurance Co. Ltd. “Banks are the major distributors of financial products especially life insurance. Any reduction of stake by sponsor banks in these institutions may have negative impact on the distribution capabilities as well as general public perception about these institutions they enjoy because of parentage. This issue may impact the prospective investor sentiment also,” said Ashutosh Mishra, head of research, Ashika Stock Broking. In any insurance business, whenever capital infusion takes place, all promoters need to put in money as per the proportion of their shareholding. If even one of the promoters is unable to put in money as per their shareholding, the capital infusion process fails. This can stifle the growth of the insurer. “RBI is concerned that such capital contributions commitments may hurt the bank and exposes it to higher risks. This is why RBI wants to cap bank's holding in insurance firms;” said the first person. The second person said RBI doesn't want banks to own insurance, asset management and NBFC businesses. “Over a period of time, RBI wants to reduce the holding cap to 30% or below 10%,” said the second person. Insurance is a capital-guzzling business, which needs regular capital infusions as it grows. Mutual fund businesses also have been growing steadily but new norms related to penetration of AMCs into locations beyond top-15 cities, require additional growth capital. The NBFC business has been shrinking after the IL&FS debacle last September and a subsequent liquidity crisis. Any turnaround in the NBFC business or even to keep the NBFC afloat, albeit with losses until the credit situation improves, will require a lot of capital. In all these businesses, wherever banks are parent companies, capital outflow will be from the bank’s books, which will weaken the bank’s own core business. While RBI plans to limit the holding of banks in insurance at 30%, in order to ensure that insurance companies do
not face growth constraint due to the ceiling on bank’s holding, the Insurance Regulatory and Development Authority of India, or Irdai, last week proposed an increase in FDI in insurance from 49% to 74%. If this proposal is enacted in the Parliament, foreign joint venture partners in insurance will be able to infuse more capital in the company whenever growth plans are drafted. To be sure, RBI has been attempting to recalibrate banks’ holding norms to safeguard them from external risks for some time. In May 2011, an RBI working group recommended a holding company structure for banks. It said all new banks and insurance companies will mandatorily need to operate under the financial holding company (FHC) framework and intermediate holding companies within the FHC should not be permitted. Under the holdco norms, a bank had to unwind its shareholding in subsidiaries, and the existing shareholding of the bank in its units were to be transferred to the holdco. According to the working group, the holdco was supposed to be regulated either by RBI itself or by a new regulator. The group had said it was necessary to put in place some limit on the expansion of non-banking businesses after the existing financial groups, dominated by banks, migrate to the holding company structure. However, the holdco proposal has now been scrapped due to its complexities, according to the three people cited above.


Dated: Dec 27, 2019

- **Align Interest Rates Of Small Savings Schemes, RBI To Govt:**

Ahead of the announcement of interest rates on small savings schemes for the January-March quarter by December 31, the RBI has asked the Finance ministry to align their interest rates with market rates which govern the banks also in a bid to improve transmission. “The ministry has been internally sounded out and communicated by RBI also on small savings rate alignment requirements for better transmission, RBI has told government the banks’ response in this regard also. It will be a call by the government,” said sources. Small savings rates are revised every quarter and if there is no change in the rates, the finance ministry retains the existing rates. Focus will be on the small savings rates by banks, industry and account holders of such schemes mostly retired government workers, marginal class, farmers, women. Such schemes are the Post Office Saving Schemes that include a bucket list of products that offer reliability and risk-free returns on investment. Such security and returns are perks mostly associated with a central government-run savings portfolio. The ministry has been nudging RBI to push banks particularly the PSBs to pass the whole amount of interest rate cuts (repo rate cuts) to retail loans for pushing consumption. Banks have resisted it fearing their margin will take a hit in case of 100 per cent transmission. Recently SBI chairman Rajnish Kumar said banks cannot go beyond a threshold to cut deposit rates which is linked to the lending rates. The interest rates on small savings schemes are on average up to 100 basis points higher than the rates prevailing in the market from commercial banks, said sources adding the government also have to facilitate monetary policy transmission by reducing administered interest rates on small savings by bringing them in line with the agreed formula. As per the formula, interest rates on small saving schemes are linked to yield on government securities of similar maturities and are reset quarterly and though the yield on 10-year
benchmark government security has fallen by 80 bps so far in 2019, the government has cut interest rates on small savings schemes only by 10 bps. Going by the agreed formula on fixing small savings schemes, the interest rate on Public Provident Fund is 86 bps higher than the market rate, while it is 81 bps higher for Kisan Vikas Patra. The interest rate on schemes like five-year recurring deposit is actually 135 bps higher than the market rates. Currently banks see small savings rates act as a floor beyond which banks cannot cut deposit rates without a diversion. This severely affects the ability to transmit RBI policy rate cuts into lending rates. According to the monetary policy statement, though the RBI has cut the repo rate by 135 bps between February and October, the weighted average lending rate on fresh rupee loans of banks declined only by 44 bps during the period. The weighted average lending rate on outstanding rupee loans has actually increased by 2 bps during the period. The Monetary Policy Committee resolution in December said there was a need for greater flexibility in the adjustment in interest rates on small savings schemes. At the post-policy conference on Dec 5, the RBI Governor had said that the central bank has internally conveyed its views on small savings to the government. In recent interactions with the RBI, banks - both PSU and private - had made it clear that deposit rates can’t be cut primarily as it leads to money shifting to sovereign backed small savings schemes. Banks can’t transmit only on lending rates making it lower, when there is a floor for deposit rates due to small savings, a banker said who attended meetings with RBI called to pass lower repo rates. Some of the most popular such schemes are -- Post Office Savings Account, 5-Year Post Office Recurring Deposit Account (RD), Post Office Time Deposit Account (TD), Post Office Monthly Income Scheme Account (MIS), Senior Citizen Savings Scheme (SCSS), 15 year Public Provident Fund Account (PPF), National Savings Certificates (NSC), Kisan Vikas Patra (KVP), Sukanya Samriddhi Accounts (SSA).

Dated: Dec 27, 2019

- DICGC Faces A Claim Of Rs 14,000 Crore From Co-Operative Banks Including PMC:

The Deposit Insurance and Credit Guarantee Corporation (DICGC) faces a total claim of about Rs. 14,000 crores from the co-operative banks mostly urban cooperative banks including PMC Bank, that are in default, but all the claims may not materialise at the same time and some may even revive, the latest financial stability report said released by the central bank on Friday. The extent of devolvement on DICGC in the event of all the banks ‘under direction’ or weak banks going into liquidation/ ordered to be wound up, would be Rs 14098 crore as of end September, 2019, RBI said. The break-up would be Rs 3,414 crore in the case of state cooperative banks, district central cooperative banks and Rs. 10,684 crore in the case of UCBs including PMC Bank. DICGC came into limelight since the RBI imposed restriction on PMC Bank due to large defaults and mismanagement at the bank resulting in withdrawal restrictions on depositors. As a percentage of the deposit insurance fund, these deposits are about 13.9 per cent, RBI said. “It needs to be noted that the banks which are under direction/ weak will go under liquidation over a period, not together at a particular point of time. Weak banks may also witness a revival.” Insured deposits of banks which are ‘under direction’
or ‘weak’ constituted about 0.4 per cent of the total insured deposits of commercial and cooperative banks as at end-September 2019. DICGC has sanctioned aggregate claims of Rs. 40 crore with respect to 15 cooperative banks during 2018-19.


Dated: Dec 27, 2019

• **RBI Considering Giving Fintech Cos Access To NEFT And RTGS Clearing Systems:**

The Reserve Bank of India (RBI) is considering the possibility of giving non-bank players, such as fintech and insurance companies, direct access to processing RTGS and NEFT transactions in line with global best practices. Citing the examples of the banking regulators of England and Switzerland, the RBI said in its Financial Stability Report that an easing of access to Centralised Payments Systems (CPS) to nonbanks in India will reduce costs and make market access to funds easier. “The Reserve Bank will examine the case for increased participation of non-banks in CPS,” the RBI said in the biannual report. “Internationally, central banks are expanding access to payment systems by enabling various types of non-banks to become members.” Currently only standalone primary dealers, clearing corporations, central counterparties, retail payment system organizations, select financial institutions such as NABARD, Export-Import Bank of India (EXIM Bank) and Deposit Insurance and Credit Guarantee Corporation (DICGC) can access these systems. Furthermore, the central bank also said that it is considering the possibility of introducing New Umbrella Entities (NUE) for retail payment systems to function along with the National Payments Corporation of India (NPCI). “Over a decade, the National Payments Corporation of India (NPCI) has performed as the sole umbrella organization for retail payment systems in India,” the central bank said. “Availability of NUE offering products which will lead to the redundancy of existing systems can, besides addressing concentration risk, also encourage competition and innovation, thus contributing to financial stability.” Such a competitive setup may not only reduce the systemic risks of having a single large entity processing nearly 60% of all retail electronic payments, but will also enhance the reach of digital payments to a larger number of people and thereby reduce the dependency on cash, the banking regulator said.


Dated: Dec 27, 2019

• **NBFCs Relying Less On Commercial Papers To Raise Short Term Funds:**

Non-bank lenders and home financiers are relying less on commercial papers (CPs) to raise funds after IL&FS defaults last autumn prompted mutual funds and asset management companies to restrict their exposure to these categories of financiers. These short-term instruments by non-banking finance companies (NBFC) and housing finance companies (HFC) accounted for 22.7% of the outstanding overall investments of mutual funds and asset managers in the quarter ended September 2018. That share has nearly halved to 12.2% in September 2019. At the same time, mutual funds and asset managers increased their share of Certificates of Deposit (CD), an
instrument issued solely by banks, to 15.6% from 11.9%, indicating that these companies were more comfortable investing in banks over the riskier non-banks. “In the CD market, AMC-MFs are the biggest investors and private sector banks are by far the biggest issuers followed by public sector banks,” the central bank said. “The size of the CD market, which shot up during the second half of 2018-19, witnessed a sharp fall after March 2019. The size of the CP market has also shrunk considerably last year.” AMC-MFs are the largest net providers of funds to the financial system with a gross exposure of around Rs. 9.4 lakh crore, the central bank said. The top three recipients of their funds were scheduled commercial banks, NBFCs and HFCs.

Dated: Dec 27, 2019

- **SBI To Launch OTP-Based ATM Cash Withdrawal From January 1:**

With ATM-related frauds on the rise, banks are introducing ways to protect their customers from tricksters. The country’s largest public sector lender, the State Bank of India (SBI), via a tweet on December 26, said that it will introduce a one-time password (OTP)-based cash withdrawal system for its ATMs. The bank said that this facility will be available for transactions above Rs 10,000 between 8 pm and 8 am. According to the tweet, this facility will be applicable from January 1, 2020 across all SBI ATMs. Introducing the OTP-based cash withdrawal system to help protect you from unauthorized transactions at ATMs. This new safeguard system will be applicable from 1st Jan, 2020 across all SBI ATMs. SBI cardholders will receive an OTP on their mobile number registered with SBI bank at the time of initiating the cash withdrawal process at the ATM, according to a post on the bank’s official Facebook account. “The...
OTP is a system-generated numeric string of characters that authenticates the user for a single transaction. This additional factor of authentication will protect SBI card holders from unauthorized ATM cash withdrawals,” it said. In the process of making cash withdrawals, once the SBI cardholder enters the amount he/she wish to withdraw, the ATM screen will display the OTP screen. The SBI cardholder has to enter the OTP received on his/her mobile number registered with the bank in this screen for withdrawing the cash. “This will safeguard the customers against the risk of unauthorized transactions on account of skimmed /cloned cards, while withdrawing cash at SBI ATMs,” the bank’s Facebook post stated. Do keep in mind that you cannot use another bank's card to avail of this facility at an SBI ATM “ because this functionality has not been developed in National Financial Switch (NFS).”


**Dated:** Dec 27, 2019

**Smt. Sitharaman Allays Fear Of ‘Three Cs’ Among Bankers:**

Assuring that honest commercial decisions taken by bankers will be protected, Finance Minister Nirmala Sitharaman on Saturday said the government has decided to take measures to assuage concerns over harassment by investigative agencies. In a meeting with heads of the public sector banks (PSBs), also attended by the CBI Director, she assured the bankers that a distinction would be made between genuine commercial failures and culpability. “Banks have gone through a slightly worrying period wherein decision making was getting difficult because of fear of 3Cs. There was concern and bona fide decisions are not being made by banks because of what they would say undue harassment, uncalled for harassment happens because of these agencies pursuing on cases,” Sitharaman said. The Central Bureau of Investigation (CBI), Comptroller and Auditor General of India (CAG), and Central Vigilance Commission (CVC) are commonly referred as 3Cs. “So, on that we’ve had a quite a few decisions, and quite a few exchanges of engagement with the banks in the presence of the CBI director to help easing out the process. Some of the confusion, apprehension have been explained by the CBI director,” she said. The CBI will have discussions, and workshops with the bank officials from the level of vigilance officers, senior managers to general managers to explain and eliminate apprehension from their minds, she added. The minister also said that the similar exercise will be done with other investigative agencies like Enforcement Directorate, Directorate of Revenue Intelligence, and Customs to allay fears from their mind. Sitharaman also directed public sector bank heads to clear long pending vigilance cases against their officials for alleged malpractices. The banks should form a panel headed by General Manager and it should either take decision to pursue the case with timeline or close the file of long pending vigilance cases, she instructed. It was decided that the CBI will develop a mechanism -- as recently introduced for income tax notices -- so that its notices carry a registration number to avoid any scope for unauthorised communication and consequent harassment. In line with tax department, she said, the CBI can look at documentation identification number to check unnecessary harassment from official of the investigative agency. “While pursuing criminal action against those responsible, the agency shall be sensitive to the distinction between genuine commercial failures and
culpability. It was also noted that there is need for preserving the value of the business enterprise by treating it on a separate footing from culpability of individuals, if any,” she said. During the meeting she assured bankers that prudent commercial decision-making would be protected. It was also decided that PSBs may report instances of fraud through e-filing of FIRs on a designated email address of CBI so as to avoid scope of any arbitrage due to information asymmetry. The CBI would establish a dedicated phone number on which any person could give information regarding any undue harassment by the investigative machinery, she added. The banks were also advised to ensure rigor and adherence to objective standards in selection of forensic auditors and devising objective SOPs (standard operating procedures) for carrying out of forensic audit. To this end, the Indian Banks’ Association was requested to strengthen the forensic auditor empanelment process and put in place robust arrangements for assessing adherence to standards by forensic auditors.


Dated: Dec 28, 2019

- **Housing Finance Companies’ Share In Realty Loans Doubles Since 2016:**

The loss of public sector banks’ share in credit market, especially the realty sector, has been the gain for housing finance companies as their share saw doubling in the past three years to 23.81 per cent as of June 2019, according to the latest RBI data. The share of builder loans has risen for non-banking lenders and private banks since 2016, as per the Financial Stability Report (FSR) based on the analysis of 310 companies, even as the proportion of public sector banks’ (PSBs) exposure to this segment nearly halved. Over the past four years, total financing to real estate companies nearly doubled to Rs 2.01 lakh crore, shows the FSR released on Friday. Housing finance companies (HFCs) have doubled their share in builder loans to 23.81 per cent by June this year, compared with 12.17 per cent in June 2016. Meanwhile, the share of private sector banks rose to 30.41 per cent from 23.62 per cent, while the exposure of PSBs nearly halved to 24.34 per cent as of June 2019, shows the FSR. “While the aggregate exposure to real estate companies almost doubled to Rs 2.01 lakh crore, the aggregate share of HFCs and private sector banks increased, while public sector banks’ aggregate share came down sharply,” the report said. Home financiers have collectively lent around Rs 47,900 crore to builders as of June 2019 up from Rs 12,770 crore in June 2016. But, their exposure in absolute terms did not change much, for state-owned lenders. “Since September 2018, when the IL&FS-induced risk aversion began, all categories of financial intermediaries have increased their exposures to realtors, the sharpest being that of HFCs,” the RBI said. On the other hand, the system-wide credit losses of banks also jumped from 5.74 per cent in June 2018 to 18.71 per cent in June 2019. This spike has been led by PSBs, whose impairment has jumped from 15 per cent in June 2018 to 18.71 per cent in June 2019, the FSR added. The system-wide losses stood at 3.90 per cent in June 2016, and for state-owned banks, it stood at 7.06 per cent. The losses saw on a steady rise to 4.38 per cent and 9.67 per cent, respectively, in June 2017, said the report. The FSR added that the numbers are based on an analysis of 310 real estate borrowers and the impairment numbers are based on a 90-days past due.
Banking Sector Eyes Better Days On Reforms, Bad Loan Resolution:

Battered by bad loan menace and fraud, the country's banking industry eyes better days with mega merger of public sector lenders as well as massive capital infusion into them and the government's assurance that bankers will not be harassed for genuine decisions that went haywire will provide succour. “Every fundamental indicate towards higher growth and better future next year,” Finance Secretary Rajiv Kumar told PTI, reflecting strong optimism going into 2020. Amid slowdown blues, the government has unveiled a raft of measures over the past few months aimed at improving liquidity in the system, moderating interest rates as well as credit growth apart from addressing stress in the NBFC sector. Better efficiency and transparency at the public sector banks are also in the priority list. Resolution of bad loans has helped 13 public sector banks to post profit during the current fiscal against only six last year. Five such banks still remain in red. Public sector banks made a recovery of about Rs 52,000 crore till September 2019. It is estimated that resolution of some of the large cases like Alok Industries and Bhushan Power & Steel Ltd (BPSL) would help aggregate recoveries cross over Rs 1 lakh crore during the current fiscal. Besides, a number of measures, including capital infusion and transparent One Time Settlement (OTS) policy were implemented during the year to improve the health of banking sector and bring down bad loans. Primarily on the back of various reform measures, the gross NPAs of public sector banks declined from Rs 8.96 lakh crore in March 2018 to Rs 7.27 lakh crore in September 2019. Their Provision Coverage Ratio (PCR) rose to their highest level in seven years at 76.6 per cent at the end of September. In the biggest consolidation exercise in banking space, the government, in August, announced major mergers of public sector banks, that will bring down their total number to 12 from 18 at present. The move is aimed at making state-owned lenders into global sized banks. The process of merger has been initiated with approval of respective boards. United Bank of India and Oriental Bank of Commerce are to be merged with Punjab National Bank, making the proposed entity the second largest PSB among others. To improve the financial health of PSBs and enhance their lending capacity by additional Rs 5 lakh crore, the government decided to infuse over Rs 55,000 crore upfront. As a result of capital infusion and improved parameters, RBI removed five banks – Bank of India, Bank of Maharashtra, Oriental Bank of Commerce, Allahabad Bank and Corporation Bank – from the Prompt Corrective Action framework in two phases during the year. Currently, Indian Overseas Bank (IOB), Central Bank of India, UCO Bank and United Bank of India are under this framework which puts several restrictions on them, including on lending, management compensation and directors' fees. All these banks are expected to be out of the framework next year. With nudge from the government, banks also decided to link interest rates with repo rate. Public sector banks have sanctioned over 11.68 lakh repo-linked loans to retail borrowers for home, vehicle, education, personal loans and to micro and small enterprises, amounting to Rs 1.32 lakh crore post Finance Minister's announcements in August on measures to boost the economy. Continuing efforts to deal with liquidity woes in the NBFC sector, a Partial Credit Guarantee scheme for…
purchase of pooled assets of NBFCs/HFCs up to Rs 1 lakh crore was unveiled. There is also additional liquidity support by National Housing Bank raised to Rs 30,000 crore for Housing Finance Companies (HFCs). In order to support decision making and to prevent harassment for genuine commercial decisions by bankers, the Central Vigilance Commission (CVC) has issued directions that Internal Advisory Committee (IAC) in banks need to classify cases as vigilance and non-vigilance ones. On Saturday, Finance Minister Nirmala Sitharaman assured that honest commercial decisions taken by bankers would be protected and that the government has decided to take measures to assuage concerns over harassment by investigative agencies. In recent times, many bankers have come under the scanner of probe agencies and regulatory authorities. According to Rajiv Kumar, Non-Performing Assets (NPAs) are on decline, PCR is at record high, more than dozen banks have posted profit, recovery on the rise and retail loan growth is in double digit. “Banks have improved their recovery efforts and Scheduled Commercial Banks have recovered an amount of Rs 4,01,393 crore over the last four financial years, including record recovery of Rs 1,56,702 crore during 2018-19,” Finance Minister Nirmala Sitharaman had said. As bad loan recognition process nears completion, gross NPAs of banks improved to 9.3 per cent as of end-September 2019, compared to 11.2 per cent in FY18. However, as per the latest Financial Stability Report (FSR), the gross NPA ratio of banks may increase to 9.9 per cent by September 2020 from 9.3 per cent in September 2019. Although Rs 14,000 crore Nirav Modi-fraud case was dealt last year by Punjab National Bank with the government financial support, this year it was the turn of Punjab & Maharashtra Cooperative (PMC) Bank scam leaving thousands of depositors in the lurch. The once big cooperative bank has been put under restrictions by the RBI since September, after an alleged Rs 4,355 crore scam came to light. At least eight depositors, who had high quantum of money stuck with the bank, died in the last couple of months, including one who committed suicide.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/banking-sector-eyes-better-days-on-reforms-bad-loan-resolution/articleshow/73026727.cms

Dated: Dec 30, 2019

- Close To Half Of Claims Under IBC Were Settled In FY19:

Around half of the claims under the Insolvency and Bankruptcy Code (IBC) were settled in 2018-19, the latest RBI report showed, helping banks recover stressed assets more quickly. As a percentage of claims, banks recovered on average 42.5% of the amount filed through the IBC in the financial year 2018-19, against 14.5% through the Sarfaesi resolution mechanism, 3.5% through Debt Recovery Tribunals and 5.3% through Lok Adalats, it said. Against Rs1.66 lakh crore claims involved under IBC, the recovery was Rs 70,819 crore. Through the Sarfaesi mechanism, it stood at Rs 41,876 crore. Recoveries through DRTs and Lok Adalats were Rs 10,575 crore and Rs 2,816 crore, respectively. “The stipulated timeframe for resolution of stressed assets under IBC is significantly lesser than for other mechanisms,” said Kollegal Raghavendra, Chief Financial Officer, Bank of India. “That there is a distinct disincentive for delayed resolutions under the mechanism is the primary motivation for banks to now refer cases to NCLT (National Company Law Tribunal).” After rising for seven consecutive years, non-performing assets declined in 2018-19 and bad loans recognition neared completion and the slippage ratio improved.
With recovery through legal mechanisms going up, cleaning up of balance sheets via sale of stressed assets to asset reconstruction companies fell year-on-year. “The entire process has also inculcated fear in the minds of promoters over defaults and delays in resolutions as whatever kingdoms they’ve established might be taken away. It has been a positive reinforcement of the overall credit culture as the paybacks are more efficient because these promoters don’t want to be dragged into the court over defaults,” said Raghavendra. Even if recoveries do not happen within the stipulated time-frame, IBC is one of the most efficient modes of recovery. “One of the reasons why NPAs are coming down is because there are real repayments happening because of the introduction of IBC mechanism for resolution of stressed assets,” said Sridhar Ramachandran, CIO, IndiaNivesh Renaissance Fund, which specialises in investing in turnaround companies. “However, having said that, the process still requires some fine-tuning. The expertise of resolution professionals compared to the RPs in the UK or some other countries is still less. Secondly, the training of the judges of the NCLT courts and the speed at which cases are being disposed (of) is still not at desirable levels.” Although two new benches of the NCLT are being set up, more benches and members are required. Ramachandran said training of judges and expansion of infrastructure should be prioritised. “There is a fear in the minds of the promoter which is helping the banks in recovering their dues quicker but the moment there is more proactiveness in training the judges, the mechanism should do well,” he said.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/close-to-half-of-claims-under-ibc-were-settled-in-fy19-rbi/articleshow/73023705.cms
Dated: Dec 30, 2019

- **Indian Bank To Revise MCLR From January 3:**

Indian Bank on Monday said it would revise lending rates on marginal cost of funds from January 3. “The bank has revised the marginal cost of funds-based lending rate with effect from January 3, 2020,” the city-based bank said in a Bombay Stock Exchange (BSE) filing. Accordingly, the revised MCLR would be 7.90 per cent as against the existing 7.95 per cent for overnight tenors. For tenors of one month, the lending rates would be revised to 8.05 per cent from the current 8 per cent. Lending rates for tenors of three months would be revised to 8.15 per cent from the current 8.20 per cent. For six months tenor, the lending rates would be fixed at 8.20 per cent from January 3 as against 8.25 per cent. Lending rates for tenors of one year would be revised to 8.30 per cent from the current 8.35 per cent, the bank said. The bank shares ended at Rs 104.50 per share on the BSE.

Dated: Dec 30, 2019
INDIA’S FOREIGN TRADE

India’s overall exports (Merchandise and Services combined) in April-November 2019-20* are estimated to be USD 353.96 billion, exhibiting a positive growth of 1.60 per cent over the same period last year. Overall imports in April-November 2019-20* are estimated to be USD 408.02 billion, exhibiting a negative growth of (-) 5.30 per cent over the same period last year.

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

• Merchandise Trade:-
  o Exports (Including Re-Exports): Exports in November 2019 were USD25.98 billion, as compared to USD26.07 billion in November 2018, exhibiting a negative growth of (-)0.34 per cent. In Rupee terms, exports were Rs. 1,85,644.81 crore in November 2019, as compared to Rs. 1,87,335.14 crore in November 2018, registering a negative growth of (-)0.90 per cent. In November 2019, major commodity groups of export showing positive growth over the corresponding month of last year are Cumulative value of exports for the period April-November 2019-20 was USD211.93 billion (Rs.14,89,793.87
crore) as against USD216.23 billion (Rs.15,05,216.55 crore) during the period April-November 2018-19, registering a negative growth of (-)1.99 per cent in Dollar terms (negative growth of (-)1.02 per cent in Rupee terms). Non-petroleum and Non Gems and Jewellery exports in November 2019 were USD19.31 billion, as compared to USD18.55 billion in November 2018, exhibiting a positive growth of 4.08 per cent. Non-petroleum and Non Gems and Jewellery exports in April-November 2019-20 were USD156.76 billion, as compared to USD156.49 billion for the corresponding period in 2018-19, an increase of 0.17 per cent.

**Imports:** Imports in November 2019 were USD38.11 billion (Rs.2,72,274.45 crore), which was 12.71 per cent lower in Dollar terms and 13.20 per cent lower in Rupee terms over imports of USD43.66 billion (Rs.3,13,680.85 crore) in November 2018. Cumulative value of imports for the period April-November 2019-20 was USD318.78 billion (Rs.22,39,900.18 crore), as against USD349.96 billion (Rs.24,37,538.61 crore) during the period April-November 2018-19, registering a negative growth of (-)8.91 per cent in Dollar terms (negative growth of (-)8.11 per cent in Rupee terms). Major commodity groups of import showing negative growth in November 2019 over the corresponding month of last year are:

**Crude Oil And Non-Oil Imports:** Oil imports in November 2019 were USD11.06 billion (Rs. 79,040.21 crore), which was 18.17 percent lower in Dollar terms (18.63 percent lower in Rupee terms), compared to USD13.52 billion (Rs. 97,134.45 crore) in November 2018. Oil imports in April-November 2019-20 were USD84.99 billion (Rs. 5,97,310.87 crore) which was 12.99 per cent lower in Dollar terms (12.35 percent lower in Rupee terms) compared to USD97.69 billion (Rs. 6,81,497 crore), over the same period last year. In this connection it is mentioned that the global Brent price ($/bbl) has decreased by 3.73 % in November 2019 vis-à-vis November 2018 as per data available from World Bank. Non-oil imports in November 2019 were estimated at USD27.04 billion (Rs. 1,93,234.24 crore) which was 10.26 per cent lower in Dollar terms (10.77 percent lower in Rupee terms), compared to USD30.14 billion (Rs. 2,16,546.40 crore) in November 2018. Non-oil imports in
April-November 2019-20 were USD233.78 billion (Rs. 16,42,589.31 crore) which was 7.33 per cent lower in Dollar terms (6.46 percent lower in Rupee terms), compared to USD252.27 billion (Rs. 17,56,041.60 crore) in April-November 2018-19. Non-Oil and Non-Gold imports were USD24.10 billion in November 2019, recording a negative growth of (-)11.96 per cent, as compared to Non-Oil and Non-Gold imports of USD 27.37 billion in November 2018. Non-Oil and Non-Gold imports were USD213.19 billion in April-November 2019-20, recording a negative growth of (-)7.35 per cent, as compared to Non-Oil and Non-Gold imports USD230.12 billion in April-November 2018-19.

- **Trade In Services:-**
  
  - **Exports (Receipts):** As per the latest press release by RBI dated 13th December 2019, exports in October 2019 were USD 17.70 billion (Rs. 1,25,725.53 crore) registering a positive growth of 5.25 per cent in dollar terms, vis-à-vis October 2018. The estimated value of services export for November 2019* is USD 17.26 billion.
  
  - **Imports (Payments):** As per the latest press release by RBI dated 13th December 2019, imports in October 2019 were USD 10.86 billion (Rs. 77,177.20 crore) registering a positive growth of 7.58 per cent in dollar terms, vis-à-vis October 2018. The estimated value of service Import for November 2019* is USD 10.28 billion.

- **Trade Balance:-**
  
  - **Merchandise:** The trade deficit for November 2019 was estimated at USD12.12 billion as against the deficit of USD17.58 billion in November 2018.
  
  - **Services:** As per RBI’s Press Release dated 13th December 2019, the trade balance in Services (i.e. Net Services export) for October, 2019 is estimated at USD6.83 billion.
  
  - **Overall Trade Balance:** Taking merchandise and services together, overall trade deficit for April-November 2019-20* is estimated at USD54.06 billion as compared to USD82.47 billion in April-November 2018-19.

*Note: The latest data for services sector released by RBI is for October 2019. The data for November 2019 is an estimation, which will be revised based on RBI’s subsequent release.
<table>
<thead>
<tr>
<th>Exports &amp; Imports : (US $ Billion)</th>
<th>November</th>
<th>April-November</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exports(Including Re-Exports)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018-19</td>
<td>26.07</td>
<td>216.23</td>
</tr>
<tr>
<td>2019-20</td>
<td>25.98</td>
<td>211.93</td>
</tr>
<tr>
<td>%Growth 2019-20/ 2018-19</td>
<td>-0.34</td>
<td>-1.99</td>
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<tr>
<td><strong>Imports</strong></td>
<td></td>
<td></td>
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<tr>
<td>2018-19</td>
<td>43.66</td>
<td>349.96</td>
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<tr>
<td>2019-20</td>
<td>38.11</td>
<td>318.78</td>
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<tr>
<td><strong>Trade Balance</strong></td>
<td></td>
<td></td>
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<tr>
<td>2018-19</td>
<td>-17.58</td>
<td>-133.74</td>
</tr>
<tr>
<td>2019-20</td>
<td>-12.12</td>
<td>-106.84</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Exports &amp;Imports (Rs. Crore)</th>
<th>November</th>
<th>April-November</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exports(Including Re-Exports)</strong></td>
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<td>2018-19</td>
<td>1,87,335.14</td>
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<td>2019-20</td>
<td>1,85,644.81</td>
<td>14,89,793.87</td>
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<td>-0.90</td>
<td>-1.02</td>
</tr>
<tr>
<td><strong>Imports</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018-19</td>
<td>3,13,680.85</td>
<td>24,37,538.61</td>
</tr>
<tr>
<td>2019-20</td>
<td>2,72,274.45</td>
<td>22,39,900.18</td>
</tr>
<tr>
<td><strong>Trade Balance</strong></td>
<td></td>
<td></td>
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<tr>
<td>2018-19</td>
<td>-1,26,345.70</td>
<td>-9,32,322.06</td>
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<tr>
<td>2019-20</td>
<td>-86,629.64</td>
<td>-7,50,106.31</td>
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</table>
## SERVICES TRADE

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

<table>
<thead>
<tr>
<th></th>
<th>October 2019</th>
<th>April-October 2019-20</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exports (Receipts)</strong></td>
<td>17.70</td>
<td>124.76</td>
</tr>
<tr>
<td><strong>Imports (Payments)</strong></td>
<td>10.86</td>
<td>78.96</td>
</tr>
<tr>
<td><strong>Trade Balance</strong></td>
<td>6.83</td>
<td>45.80</td>
</tr>
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### Exports & Imports (Services) (Rs. Crore)

<table>
<thead>
<tr>
<th></th>
<th>October 2019</th>
<th>April-October 2019-20</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exports (Receipts)</strong></td>
<td>1,25,725.53</td>
<td>8,74,938.73</td>
</tr>
<tr>
<td><strong>Imports (Payments)</strong></td>
<td>77,177.20</td>
<td>5,53,723.83</td>
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<tr>
<td><strong>Trade Balance</strong></td>
<td>48,548.33</td>
<td>3,21,214.90</td>
</tr>
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*Source: RBI Press Release dated 13th December 2019*

*Note: The latest data for services sector released by RBI is for October 2019. The data for November 2019 is an estimation, which will be revised based on RBI's subsequent release.*
TOP BANKING APPOINTMENTS

• **Axis Bank Appoints Shri Amit Talgeri As Chief Risk Officer:**

  Axis Bank on Tuesday appointed Amit Talgeri as the Chief Risk Officer (CRO) of the bank for three years, from January 1, 2020. “Cyril Anand, the incumbent CRO will retire from the services of the bank, with effect from close of business hours of December 31, 2019,” Axis Bank said in a statement. Additionally, Naveen Tahilyani has been appointed as Group Executive-Head Banking Operations and Transformation – with effective from January 6. Tahilyani will take charge of the position to lead operations, technology, strategy and analytics from January 6, 2020, it said. Both, Tahilyani and Talgeri will report to Managing Director and CEO of the bank Amitabh Chaudhry, the company said. “We are confident that with these appointments, the bank will further consolidate its leadership position across multiple businesses, as we look forward to progressing to the next phase of growth,” Chaudhry said.

  Dated: Dec 31, 2019

• **Liquidity Pressures Faced By Non-Banking Financial Sector To Continue (FITCH):**

  Liquidity pressures faced by the non-banking financial sector following the IL&FS failure are likely to continue though funding costs have come off the peak, Fitch Ratings said on Friday. “We view wholesale and housing finance companies (HFCs) as more vulnerable – given their higher leverage, weaker asset-and-liability maturity (ALM) profiles and higher concentration risks. Large retail finance companies with well-managed ALM profiles should continue to access bank and capital markets funding. Further, funding diversification in the offshore markets by larger issuers would benefit their funding profiles,” it said in its outlook for emerging market finance and leasing companies. Indian finance and leasing companies are likely to grow at a slower pace in 2020 than in prior years, amid weaker economic growth and liquidity constraints, it said. Fitch said its 2020 sector outlook is underpinned by challenging operating environments, lower growth prospects, and rising funding pressure. “Liquidity pressures faced by the sector following the IL&FS failure are likely to continue, though funding costs have come off the peak.” Increasing competition to offset lower growth may weigh on profitability and test risk appetite. “This is likely to have an impact on loan growth, including...
business loans and commercial vehicle (CV) loans. The slowdown in automotive sales has had a particular impact on auto-loan growth and is likely to continue, while the acute slowdown in real estate may have a prolonged impact on construction financing as new disbursements have halted," it said. Companies focused on small-ticket consumer loans continue to grow above the industry rate, owing to the lower credit penetration and higher exposure to rural sectors where credit competition with banks is lower. Certain asset classes (new CV loans, metro and tier-I housing loans, and large-ticket loans against property) could see weakening margins due to rising competition from banks, while funding costs are likely to stay high as market rates should remain volatile — given the liquidity strain, Fitch said. HFCs with thinner margins are more vulnerable to losses if asset-quality pressures increase due to rising real estate delinquencies. The economic slowdown, coupled with deterioration in corporate and SME (small and medium enterprise) earnings, will affect asset quality for CV loans and loan against properties. “The weaker growth outlook should ease pressure on capitalisation. However, weakening asset quality for companies exposed to the construction sector may pressure capitalisation. Access to new capital is likely to be challenging as the market appetite for equity investments in these companies remains subdued,” it said. Indian finance and leasing companies cater to a diversified retail market, including consumers and SME segments, which may have a moderate impact on asset quality. However, granular portfolios, high-yield profiles and matched asset tenors provide an adequate buffer against system-wide liquidity and asset-quality shocks, it added.

Dated: Dec 03, 2019

- **Room For Strong Growth For Microfinance In India (KPMG):**

Microfinance sector which grew at a compounded rate of 48 per cent in the last five years has a potential for further growth as its penetration is only one-fourth of the addressable market, a KPMG report said. Eastern and northeastern regions of the country have played a key role with the highest share of loan portfolio at 35 per cent. “Microfinance is growing at 48 per cent CAGR in the last five years, there is still room for growth given that microfinance penetration is 25 per cent of the addressable market,” KPMG India national head (Financial Services) Gayathri Parthasarathy said in the report. Microfinance players have also been actively pursuing activities beyond lending to meet their social objectives and improve their margins, it said. “This also calls for changes in the operating model, product portfolio, partnership models and delivery capabilities of the players,” Parthasarathy said. Microfinance growth over the last four to five years has been driven by geographical expansion. Various players in this space are opting to integrate technology and collaborate with fintech players across the value chain primarily to optimise costs and reduce portfolio risk, the report said.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/room-for-strong-growth-for-microfinance-in-india-kpmg/articleshow/72880672.cms
Dated: Dec 19, 2019
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<td>Setting up of IFSC Banking Units (IBUs) – Permissible activities</td>
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<td>Department</td>
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<td>RBI/2019-2020/111</td>
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<td>Foreign Exchange Department</td>
<td>Exim Bank's Government of India supported Line of Credit (LOC) of USD 500 million to the Government of Bangladesh</td>
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**Upcoming Conferences for ASSOCHAM**

**Department of Banking & Financial Services**

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<td>February 2020</td>
<td>Mumbai</td>
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<td>ASSOCHAM Banking E-Bulletin</td>
<td>10th February 2020</td>
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