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It is indeed a matter of great pleasure for me to be here today in the Annual Banking Conclave of the Mint. I am told that this is the 13th edition of Conclave in what has become a prestigious annual event attracting the best and brightest minds of the finance and banking industry. This Conclave provides an important platform to all stakeholders in India’s financial and banking sector for assessing where we stand today and preparing ourselves for where we want to reach tomorrow.

Several issues facing the Indian banking sector have occupied the attention of policymakers in the last few years. Being a regulator and supervisor of banks, the Reserve Bank stands committed to ensuring a sound and robust banking system in the country. Emergence of new business models and new technology and its application in banking and finance have thrown up new opportunities. With the aim of taking a deeper look at India’s banking sector in the context of these new developments, the topic that I have chosen for my talk today is “Banking Landscape in the 21st Century”.

Finance and banking have emerged as engines of global economic growth. It is argued, and in my opinion rightly so, that technology has played a pivotal role in the proliferation of financial services. Cheques, wire transfers, ATMs and credit cards were important innovations of such nature. Fast forward to more recent times, it seems that we are already witnessing yet another paradigm shift in banking on the back of a technological revolution that promises better customer experience, risk management and returns to shareholders. Given this environment, it becomes extremely important to understand what it entails for the banking sector and how we can prepare ourselves for the times ahead. Against this background, let me now begin with discussing trends in global banking and then I shall dwell on some recent trends in Indian banking, new dimensions of banking and way forward.

Global Banking: Emerging Regulatory Trends:

The global financial crisis represents a watershed for the banking sector. It exposed the inherent vulnerabilities of an otherwise formidable international financial system. The crisis paved the way for an overhaul of the regulatory framework, long-lasting changes to the economic and financial environment, and shifts in the competitive landscape of financial services industry. International standard setting bodies like the Basel Committee on Banking Supervision (BCBS) and the Financial Stability Board (FSB) were prompt in addressing the shortcomings of the pre-crisis regulatory framework. Consequently, many regulatory norms including leverage, liquidity and capital adequacy were reviewed as part of the Basel-III reforms aimed at making the global financial system more resilient. To address liquidity risk, new instruments such as the Liquidity...
Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) were introduced, supplemented by large exposures framework capping large and risky exposures. Aimed at addressing the “Too Big to Fail (TBTF)” problem, the FSB phased in the Total Loss Absorbing Capacity (TLAC) for the Global Systemically Important Banks (G-SIBs) to rebuild their capital buffers. Various jurisdictions also adopted other key reforms initiated by the FSB, such as sound resolution regimes for financial institutions and effective supervision of compensation practices. Regarding non-bank financial intermediation (NBFI), the FSB has been conducting annual monitoring exercises since 2011. Broadly, it has been observed that, several aspects of non-bank financial intermediation which contributed to the financial crisis have considerably declined. Given the initiatives taken by the international bodies, policy makers across jurisdictions have been fortifying their regulatory frameworks. These policies are expected to pay back in the medium to long run by enhancing the soundness and resilience of the global banking system. More recently, with the global growth slowdown that began in 2018, credit growth, being procyclical, has decelerated across major economies. This, in turn, has adversely affected bank profitability. Despite distinct improvement in asset quality, structural weaknesses like continued overreliance on investment in government securities in the Euro area and wholesale funding in many advanced economies remain. Nevertheless, capital position of banks has improved consistently in major advanced and emerging market economies on the back of various regulatory reforms introduced after the global financial crisis.

Indian Scenario:

At the Reserve Bank of India, we have largely complied with Basel standards in terms of countercyclical capital buffer (CCCB); capital requirements for central counter-parties (CCPs); leverage ratio framework; Liquidity Coverage Ratio (LCR); Net Stable Funding Ratio (NSFR); Domestic-Systemically Important Banks (D-SIBs) requirements; and a Supervisory framework for measuring and controlling large exposures. On the resolution front, some progress has been made in terms of the notification issued by the Central Government under section 227 of the IBC. We may, however, expect to have an integrated framework for resolution of financial firms operating in India in the near future. The implementation of this reform is of particular importance for having a resilient financial system in India. In terms of recent progress, the Indian banking sector is slowly turning around on the back of improvements in asset quality with enhanced resolutions through the Insolvency and Bankruptcy Code (IBC). Despite the recent decline in impaired assets and a significant improvement in provisioning, profitability of the banking sector remains fragile. Capital position of banks has, however, improved on account of recapitalization of public sector banks by the Government and capital raising efforts by private sector banks. Nevertheless, the sector continues to encounter challenges from events like those around the telecom sector. Consequently, the overhang of non-performing assets (NPAs) remains relatively high which is weighing on credit growth. Also, in view of subdued profitability and deleveraging by certain corporates, risk-averse banks have shifted their focus away from large infrastructure and industrial loans towards retail loans. This diversification strategy, while helpful as a risk mitigation tool, has its own limitations. Further, sector specific pockets of stress need policy attention. At the same time, proper due diligence and risk pricing in lending is of prime importance so that the health of the banking sector is not compromised while ensuring adequate flow of credit to productive sectors of the economy. The banking stability indicator, as reported in RBI’s Financial...
Stability Report of December 2019, shows an improvement. Timely mitigation measures like faster resolution, better recovery, etc., need to be continued to bring down the gross non-performing assets (GNPA) ratios of all scheduled commercial banks (SCBs). While lower rate of credit growth limits the size of the denominator for measuring GNPA, risks arising out of global and domestic economic conditions and geopolitical developments persist.

New Dimensions of Banking:-

- **Emerging Structure of Banking**: While global banking system is still in the process of addressing the gaps exposed by global financial crisis, new issues have surfaced and challenged the very core of the traditional banking business. Globally, banks are facing increasing competition from non-traditional players, which are taking advantage of digital innovation. Banking structures across the globe are adapting to these new impulses. Numerous FinTech startups have formed, spanning the banking and financial services industry. They have entered the payments and remittance space in the sphere of peer-to-peer lending, crowd-funding, trade finance, insurance, account aggregation and wealth management. Through collaboration with FinTech players, several banks are applying a hybrid model where mobile services interact with banking services. Banks are not only facing competition from Fintech companies but also from large technology companies (BigTechs) which are entering into financial services industry in a big way. Building on the advantages of the reinforcing nature of their data-network activities, some BigTechs are venturing into payments, money management, insurance and lending activities. At present, financial services are only a small part of their business globally. But given their size and reach, their entry into financial services has the potential to bring about rapid transformation of the financial sector landscape. It may, of course, bring many potential benefits. Using big data, BigTechs can assess the riskiness of borrowers, reducing the need for collateral. Hence, their low-cost structure business can easily be scaled up to provide basic financial services to the unbanked population. These developments pose a challenge to banks as well as banking regulators. Banks have to imbibe these new technology and business practices to remain competitive. Banking regulators, on the other hand, have to focus on achieving a balance between promoting innovation and applying a measured/proportional supervisory and regulatory framework. All these mean that the future of banking will not be a continuation of the past. We would see a very different banking sector, in terms of structure and business model, in the coming years. So, what would be a possible scenario in India? Distinct segments of banking institutions may emerge in the coming years. The first segment may consist of large Indian banks with domestic and international presence. This process will be augmented by the merger of Public Sector Banks (PSBs). The second segment is likely to comprise several mid-sized banking institutions including niche banks with economy-wide presence. The third segment may encompass smaller private sector banks, small finance banks, regional rural banks and co-operative banks, which may specifically cater to the credit requirements of small borrowers in the unorganised sector in rural/local areas. The fourth segment may consist of digital players who may act as service providers directly to customers or through banks by acting as their agents or associates. The reoriented banking system will of course be characterised by a continuum of banks. The banking space would also include both
traditional players with strong customer base and new technology led players. In the context of the emerging scenario, a properly worked out consolidation of public sector banks can generate synergies in allocation of workforce and branches as well as streamlining of operations to meet the future challenges. The focus has to be on ushering in significant improvements in efficiency and rationalisation of scarce capital to meet the capital adequacy requirements. Investments in technology and skill building has to be stepped up. Bigger and agile banks may be able to reposition themselves with better branding exercises, backed by improved technology, skills and business models. Ultimately, the strength of a banking system depends on the strength of its corporate governance that fosters a robust and ethics-driven compliance culture. In this context, the Reserve Bank has been issuing instructions on corporate governance. For example, the compensation guidelines for whole time directors, CEOs and material risk takers of banks have also been substantially modified. Large-scale divergences and frauds observed across banks raises questions on the role and effective utilisation of internal control systems within banks to identify areas of emerging risks. The RBI has issued the revised guidelines on the concurrent audit system in banks, drawing from the recommendations of the Expert Committee under Shri Y.H. Malegam. The guidelines are aimed at strengthening the internal control functions enjoining greater responsibility on the audit committees of the Boards while providing them greater leeway. Besides, RBI would also issue draft guidelines on corporate governance in banks, as indicated in our annual report and reiterated in the report on trends and progress of banking in India 2018-19 published in August 2019 and December 2019 respectively.

• **Digital Disruptions:** Besides structural changes, digital disruptions will continue to transform the banking sector. Initiatives undertaken by the Government, the Reserve Bank and the industry have led to a radical shift towards ubiquitous digitization, which has provided an impetus to adoption of technology. There is a unique confluence of several positives like demographic dividend, JAM trinity, etc., that would further support rapid digitisation of financial services in India. With inroads into their traditional businesses, banks are expanding into newer areas such as insurance, asset management, brokerage and other services. It is heartening to note that the mindset of banks is changing and they no longer view FinTech firms as disruptive. This change in approach has provided the financial services sector a sense of security. There is evidence that Fintech companies are acting as enablers in the banking ecosystem. Banks are relying on a number of strategies to embrace technological innovation; ranging from investing in FinTech companies and founding their own FinTech subsidiaries, to collaborating with Fintech companies. Banks and non-banks are partnering to offer the combination of trust and innovation to the Indian consumer. This “best of both worlds” approach has resulted in tremendous growth in the number of digital payments, which is expected to continue. These strategies can effectively ensure that banks retain market share, as customers increasingly value more efficient and cost-effective services. In the light of these developments, conventional banking is making way for next-generation banking with a focus on digitisation and modernisation. The need for brick and mortar branches is being reviewed continuously as digitisation has literally brought banking to one’s fingertips, obviating the need to physically visit a bank branch for most of the
banking services. The movement towards digital payments has also been facilitated by introduction of fast payment systems, such as Immediate Payment Service (IMPS) and Unified Payment Interface (UPI), which provide immediate credit to beneficiaries and are available round the clock. The extent of digital penetration can be gauged from the fact that, each day on an average, the payment systems in India process more than 10 crore transactions of nearly INR 6 lakh crore. Today, digital payments account for around 97 per cent of daily payment system transactions in terms of volume. This has been made possible with an accelerated growth of over 50 per cent in the volume of digital payment transactions in the last five years. The Reserve Bank has recently started operating its retail payment system, viz., National Electronic Funds Transfer (NEFT) on a 24x7 basis. This is a game changer and places India among very few countries which provide this facility. The Bank for International Settlements (BIS), in a recently published paper, has indicated that the UPI framework of India can become an international model to facilitate quick and seamless payments not only within countries but even across countries. There is considerable interest at International fora to understand and learn from our experience in furthering digital payments and we are very glad to share and collaborate. The National Payments Corporation of India (NPCI) has also decided to set up a subsidiary to focus on taking the UPI model to other countries which will help enhance global outreach of India’s payment systems. With a view to encourage competition and further innovation in the retail payments space, we have also placed on our website a draft framework of a pan-India New Umbrella Entity (NUE) for retail payment systems for public comments.

**Strengthening Regulation & Supervision:**
In the context of ever expanding dimensions of the banking sector in the 21st century, we need to be aware of the extensive regulatory and supervisory reforms essential for ensuring stability and inclusiveness of the banking sector. It has been RBI's endeavor to constantly improve the efficacy of its supervisory and regulatory functions, so that the resilience of the regulated financial entities can be enhanced. A number of steps have been taken in the recent past in this regard. In particular, we have reorganised the supervisory and the regulatory departments of the Reserve Bank with the aim to improve coordination and allocate resources more optimally. From a supervisory perspective, this will augment the identification of systemic and idiosyncratic risks which will help us build synergy between off-site and on-site supervision teams. We are also following a calibrated supervisory approach to bring in required modularity and scalability, to better focus on risky practices and institutions and to deploy an appropriate range of tools and technology to achieve our supervisory objectives. We are focusing on a sharper and more forward-looking off-site surveillance framework as an aid to our on-site supervision. A Sup-tech initiative is being implemented as a part of the integrated compliance management and tracking system. This will facilitate transparent and efficient monitoring of all pending compliances of supervised entities through a web-based interface, automate the inspection planning process and cyber incident reporting, and ensure seamless collection of data. Thematic studies will be undertaken across banks and other financial sector entities. New elements of supervision will also be introduced from time to time. The proposed Research and
Policy Division and Risk Specialists Division will assist in this process. Appropriately recognising the systemic importance of non-banking financial companies (NBFCs) and their inter-linkages with the financial system, the Reserve Bank has taken necessary steps to ameliorate the concerns relating to their asset quality and liquidity. The amendment to the Reserve Bank of India Act 1934, effective August 1, 2019, has further empowered the Reserve Bank to constructively intervene in the operations of NBFCs. The asset-liability management (ALM) position and other relevant aspects of top 50 NBFCs are being closely monitored, which covers all NBFCs with asset size above ₹5000 crores. The ALM of top 51-100 NBFCs is also being examined by the respective regional offices of the Reserve Bank. In addition to the four pillars of supervision viz. on-site inspection, off-site surveillance, market intelligence and reports of Statutory Auditors (SAs), a fifth pillar of supervision in the form of periodic interaction with all the stakeholders – including statutory auditors, credit rating agencies, credit information companies, mutual funds and banks having large exposures to NBFCs – has been instituted to have a clearer understanding of the emerging risks and developments in the sector so that critical information is available, whenever required. As regards the co-operative banking segment, we have developed a robust stress-testing framework for urban cooperative banks (UCBs). It also acts as an early warning system for co-operative banks with the purpose of timely identification of weak banks for appropriate action. This is a shift from reactive to proactive supervisory approach, intended to ensure surveillance of vulnerabilities in UCBs on an ongoing basis. Moreover, as on December 31, 2019, more than 90 per cent of these banks are now on Core Banking Solution (CBS), although efforts are still required to standardize the solutions and have robust set of internal controls implemented in the CBS for improved outcomes. The CAMELS (Capital, Asset Quality, Management, Earnings, Liquidity and Systems and Control) supervisory rating methodology for UCBs has also been comprehensively revised. We have also taken steps to bring UCBs under the CRILC reporting framework and issued draft guidelines on exposure norms to mitigate credit concentration risk and enhancement in Priority Sector lending targets to further financial inclusion. To improve governance, we have issued guidelines on constitution of Board of Management (BOM) for UCBs with deposit size of Rs. 100 crores and above while making it voluntary for adoption by other smaller UCBs. Further, in order to have appropriate regulatory powers for RBI in respect of co-operative banks, almost on par with those over banking companies, certain amendments in the Banking Regulation Act, 1949 have been proposed.

**Way Forward:**

The changing landscape of the banking industry will unfold in the backdrop of a strong regulatory and supervisory regime with increased intensity and tech-enabled supervision of banks. The challenge before banks is to make the best use of technology and innovation to bring down intermediation costs while protecting their bottom lines. Further, Artificial Intelligence (AI), Machine Learning (ML) and Big Data are becoming central to financial services innovation. They can also help in fraud detection and in identifying better ways of monitoring use of funds by borrowers, track suspicious transactions, etc. by processing large datasets. One of the challenges for policy makers, especially in countries like India, is to ensure that new innovations in banking sector serve
the customer by reducing the cost of financial services and enhancing the range and access to products in a manner that is safe. Advanced analytics and real-time monitoring of emerging cybersecurity risks will be critical in detecting potential threats and enabling pre-emptive action. As the Indian banking sector is propelled forward to a higher orbit, banks would have to strive hard to remain relevant in the changed economic environment by reworking their business strategies, designing products with the customer in mind and focusing on improving the efficiency of their services. The possibilities are enormous. We should be seized of the issues and act in time.

- Economic Survey 2020, PSBs Need A Techtonic Shift:
  State-run banks hobbled by soaring bad loans and poor performance can look forward to have a new life with the help of fintechs to fight back and use tools like GPS to conduct better due diligence on borrowers to play a meaningful role in India’s march towards a $5-trillion economy, the Economic Survey said. With data and analytics taking the center stage in almost all industries, state-run banks can pool all their data into one entity like in the case of GST Network, to improve their analytical capabilities that could provide them an edge over their private peers, it said. Data sciences, machine learning and artificial intelligence could help the banks, which have more than 70% market share, to make a difference to the economy, it said. “PSBs have many important ingredients in place to cater to this new demand,” said the survey. “They have local market insights and relationships based on operating histories spanning many decades. Their geographic footprint is vast. PSBs, however, need significant investments in capabilities to exploit the coming data-rich environment in India. Analytics based on market data are quite capable of providing accurate predictions of corporate distress.”

PSBs have been dragged down by bad loans over the past few years and they compare poorly with their private sector peers in terms of returns to investors. Because of this, their market valuations are also lower leading to losses to the government and wasting of taxpayer money. Public banks accounted for 85% of bank frauds, while their gross non-performing assets exceeded Rs 7.4 lakh crore in FY19; an amount which exceeds government’s entire infrastructure expenditure in the fiscal. Similarly, just by plugging PSBs’ loan losses, which came at Rs 66,000 crore in FY19, the government “could nearly double the nation’s budgetary allocation for education,” it said. Estimates show that every rupee of taxpayer money invested in PSBs in 2019 lost its value by 23 paisa, while for the private sector it created value. While banks are getting merged to create bigger ones, the collaboration on data could be a game changer. “PSBs will be able to enhance efficiency by fulfilling their role of delegated monitors if all the PSBs can pool their data into one entity,” it said. “Private information held by their corporate borrowers leads to contracting problems, because it is costly to assess solvency of a borrower or to monitor her actions after lending has taken place.” The survey
proposes that these banks stick GPS devices on pledged assets to track the location of assets.

Dated: Feb 01, 2020

• Fixing Co-Op Banks, FM Got A Few Frantic Calls From Bengaluru Last Month:

Finance Minister Nirmala Sitharaman turning her attention to the cooperative banking sector may have provided some relief to thousands of depositors in her home state of Karnataka, in specific, as she received quite a few frantic calls from Bengaluru last month after a cooperative bank came under the RBI’s lens. Bengaluru South MP Tejasvi Surya (BJP) called her a few times, about three weeks ago, after the news surfaced that the Reserve Bank of India (RBI) had imposed restrictions on Sri Guru Raghavendra Cooperative Bank in Bengaluru. Thousands of depositors have their savings and deposits in this bank with eight branches. After speaking to the Finance Minister, the MP later put out a note asking depositors not to panic, conveying the Finance Minister’s words of assurance that she will protect the interests of depositors. In line with this assurance, Sitharaman, in her Budget speech, said the Centre planned amendments to the Banking Regulation Act for “for increasing professionalism, enabling access to capital and improving governance and oversight for sound banking through the RBI.” The RBI has imposed restrictions on the Sri Guru Raghavendra Bank’s management, disallowing it from collecting deposits, fresh lending and making investments without its approval. There have, of course, been quite a few cases of poor governance and frauds at cooperative banks in other states which must have weighed on the Finance Ministry to plan necessary fixes to the sector. Sitharaman represents Karnataka in the Rajya Sabha.

Dated: Feb 01, 2020

• Clean, Reliable, Robust Financial Sector Key To Achieve USD 5 Trillion Economy:

Finance Minister Nirmala Sitharaman on Saturday said a clean, reliable and robust financial sector is required for achieving the ambitious target of USD 5 trillion
Presenting the Budget for 2020-21, Sitharaman said robust mechanism is in place to monitor health of all commercial banks and asserted that depositors’ money is absolutely safe. She noted that Rs 3.50 lakh crore capital has been infused in public sector banks in past years, while acknowledging that there is a need for greater private capital in banks. Sitharaman further said the government plans amendment to facilitate separation of government pension trust from Pension Fund Regulatory and Development Authority (PFRDA). She also said the government’s balance holding in IDBI bank will be sold to private retail investors.

**Depositors Get Higher Protection Cover After 27 Years:**

Depositors may heave a sigh of relief as the government has raised the deposit insurance limit five-fold to Rs 5 lakhs after twenty seven years. Demand for raising the deposit insurance limit gained momentum after a run on a large sized multi-state co-operative bank after it came under an RBI administrator for financial irregularities pertaining to loans to real estate firm HDIL. “The Deposit Insurance and Credit Guarantee Corporation (DICGC) has been permitted to increase Deposit Insurance Coverage for a depositor, which is now `one lakh to ` five lakh per depositor” said finance minister Nirmala Sitharaman in her Budget speech to the Parliament, assuring that the house that the deposits with the country’s commercial banks are safe. The rise in the limit may not make a case for a higher insurance premium by the banks, as a majority of the deposits would never reach that stage. “At any point in time, on a conservative estimate, 85 per cent of the banks will never fail” said Satish Marathe, founder of Sahakar Bharati, an industry body for the co-operative sector, which had made a representation to the government to raise the limit to Rs 5 lakh from prevailing Rs one lakh.” So, accordingly, claims are not going to come through and hence there is no case for increasing the premium”. Currently the premium is priced at Rs 10 per Rs 10,000 of deposit covered from April. 92 per cent of the total deposit accounts which is about 28 per cent of all deposits in terms of value as of March, 2019, are fully protected according to the latest data provided in DICGS annual report. The Corporation insures all bank deposits, such as savings, fixed, current as well as recurring deposits. The demand for raising the deposit insurance cover limit has been there for a very long time, with the latest instance that the issue had come up was at the time of the Financial Resolution and Deposit Insurance Bill, which the government had introduced in its previous term in 2017 and then withdrew the following year.

**Single Investment Clearance Window to be set up for Promoting Entrepreneurship:**

The government will create a single investment cell to expedite grant of licenses and promote entrepreneurship. Finance minister Nirmala Sitharaman has also announced 5 new smart cities for promoting entrepreneurship. The smart cities will be
created through a PPP model with states. The move will merge all licenses required to set up business in India into a single hub and expedite the ease of doing business. India’s ranking has jumped from 142 in 2014 to 63 in 2019 on the World Bank’s ‘Doing Business’ survey.


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**Dated:** Feb 01, 2020
PMC Impact? Your Deposits Get 5 Times More Cover:

The government raised the insurance cover for bank depositors five-fold, providing comfort to millions of citizens who still keep their nest egg with the banking system. The move will also help calm depositors who have been disturbed by recent incidents of collapsing financial institutions. The increase that comes after nearly 27 years is estimated to cover nearly 98% of the total number of depositors in the Indian banking system, which includes co-operative banks. “The Deposit Insurance and Credit Guarantee Corporation has been permitted to increase deposit insurance coverage for a depositor, which is now Rs 1 lakh, to Rs 5 lakh per depositor,” said finance minister in her budget speech. “I wish to inform this august house that the robust mechanism is in place to monitor the health of all scheduled commercial banks and that depositors’ money is safe.” FM's move comes after the recent blow-up of Punjab and Maharashtra Co-operative Bank that led to lakhs of people losing their money and leading to a run on many smaller banks. The rise in the limit may not make a case for a higher insurance premium by banks, as a majority of the deposits would never reach that stage. “At any point in time, on a conservative estimate, 85% of the banks will never fail,” said Satish Marathe, founder of Sahakar Bharati, an industry body for the cooperative sector. The insurance premium is priced at Rs 10 per Rs 10,000 of deposit, which covers 92% of the accounts and about 28% of all deposits in terms of value.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking PMC-impact-your-deposits-get-5-times-more-cover/articleshow/73861529.cms

Dated: Feb 02, 2020

Private Banks To Gain Most From Budget's Rs 5 Lakh Cover:

Private sector banks will be the biggest gainers of the government’s decision to hike deposit insurance cover to Rs 5 lakh from Rs 1 lakh in the Union Budget. However, the higher insurance costs, estimated at Rs 28,400 crore, will be borne by the entire banking system. According to Credit Suisse, the estimated increase in deposit insurance premium would be around Rs 28,400 crore ($4 billion) for the system, which is likely to be passed on to banks’ customers. Nearly all of the claims paid by the Deposit Insurance and Credit Guarantee Corporation (DICGC), the RBI arm which insurers deposits, has been in respect of co-operative banks. While private lenders have failed in the past, they were merged with stronger banks, by using moral suasion in some cases. Although co-operative banks have been failing frequently, the deposit cover is unlikely to give them enough leverage to expand their base as most of them are regional. On the other hand, private banks now have a pan-India reach and have often risked a run on the bank following rumours. Meanwhile, public sector banks, including those that
have posted losses for 10 successive quarters and reported a high percentage of NPAs, have never seen a flight of deposits. Even when the RBI placed half of the nationalized banks under prompt corrective action (PCA) framework, depositors never pulled out funds as they were convinced of government support. The DICGC received total premium income of Rs 12,043 crore from banks in 2018-19. The deposit insurance fund stood at Rs 93,750 crore in FY19. It insured deposits of Rs 33.7 lakh crore out of total of Rs 120 lakh crore from 2,098 banks. Despite the cover increasing fivefold, the premium will not go up proportionately because the number of Rs 5-lakh deposits are small relative to the total depositor base. According to ICRA SVP and group head (financial sector ratings) Karthik Srinivasan, the awareness of deposit insurance would not be high. He said the fact that the increase in deposit insurance cover to Rs 5 lakh was announced in the Budget would increase awareness and bank deposits would be seen as safer.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/private-banks-to-gain-most-from-budgets-rs-five-lakh-cover/articleshow/73892182.cms
Dated: Feb 03, 2020

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Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/private-banks-to-gain-most-from-budgets-rs-five-lakh-cover/articleshow/73892182.cms
Dated: Feb 03, 2020
• PNB Seeks IRDAI Forbearance For Paring Stake In Canara HSBC OBC Life:

State-owned Punjab National Bank is seeking IRDAI forbearance on cutting down stake in Canara HSBC OBC Life Insurance, which will come to the lender’s fold after its merger with Oriental Bank of Commerce (OBC), sources said. OBC currently holds 23 per cent stake in Canara HSBC OBC Life Insurance. Besides, another public sector lender Canara Bank has 51 per cent stake and HSBC Insurance (Asia Pacific) Holdings Limited as foreign partner owns 26 per cent. As per the extant guidelines, one promoter cannot hold more than 10 per cent stake in two insurance ventures, sources said. After the merger of OBC, expected in April, PNB will automatically get 23 per cent stake in Canara HSBC OBC Life Insurance also. Already, PNB is a promoter of PNB Metlife Insurance with highest stake of 30 per cent. Founded in 2001, PNB Metlife’s other shareholders include US-based Metlife with 26 per cent, Elpro (21 per cent) and M Pallonji & Company (18 per cent). The sources said PNB has requested the regulator to provide additional time for cutting down or offloading its stake in the life insurance firm that will come to its fold by merger of another lender. In another case, the merger proposal involving Union Bank of India, Andhra Bank and Corporation Bank, Andhra Bank holds 30 per cent stake in IndiaFirst Life Insurance whereas Union Bank holds 23 per cent stake in Star Union Dai-ichi Life Insurance. In this case again the merged entity led-by Union Bank of India will have more than 10 per cent stake in two life insurance companies. In the biggest consolidation exercise in the banking space, the government in August 2019 had announced four major mergers of public sector banks, bringing down their total number to 12 from 27 in 2017, a move aimed at making state-owned lenders global sized banks. United Bank of India and Oriental Bank of Commerce will be merged with Punjab National Bank; Syndicate Bank will be merged with Canara Bank; Allahabad Bank will be amalgamated with Indian Bank; and Andhra Bank and Corporation Bank will be consolidated with Union Bank of India. Keeping proposed merger in mind, Insurance Regulatory and Development Authority of India (IRDAI) last month said group health insurance policies of customers of the public sector banks slated to be merged with other PSBs will continue to be serviced by insurer companies till the end of the policy period. “Upon merger of these PSBs, the underlying group health insurance policies of the customers of the merged banks shall continue to be serviced by the respective insurance companies which issued the policies till the end of the policy period,” the insurance regulator had said in a circular. The insurance companies will make suitable arrangements with the acquiring banks in this regard, it added. IRDAI said the guidelines have been issued in order to protect the interests of the group insurance policyholders of the merged banks.


Dated: Feb 03, 2020

• Tax Outgo Of Merged State-Run Banks, General Insurers To See Substantial Fall:

The Union budget has allowed carry forward of losses and depreciation for state-run banks and general insurance companies that are being merged, a move that would substantially reduce tax outgo of recently merged state banks. Banks are allowed to
carry forward depreciation and net loss in their books for up to eight years, and use them to offset their future profits and pay lower tax. However, as per the current regulations, in the event of a merger they cannot take either depreciation or loss on the books of the merged entity, experts said. Such carry forwards are allowed for firms governed under the Companies Act, but not for banks that are regulated under the Banking Regulation Act, they said. The new budget proposal will change that. “Loss carry overs need to be enabled with the appropriate provisions in the context of mergers, and this proposal He said the move to allow loss carry overs was “very much expected”. “Absent this, the mergers would not have harnessed the full fiscal benefits,” Gupta said. While this is mainly an accounting entry, not allowing carry forward in mergers could pose huge tax burden for PSU banks and insurance companies as many of the entities being merged have substantial depreciation and losses in their books. For instance, if Bank A, which makes a profit of Rs 100 crore, is merged with Bank B that has a net loss of ?50 crore, then as per existing regulations the merged entity needs to pay tax on Rs 100 crore profit. However, once the new provision comes into effect, the new merged entity will have to pay tax only on Rs 50 crore of profit as the loss of Bank B would be absorbed. The amendment will come into effect from assessment year 2020-21. In August last year, the finance ministry had announced merger of 10 public sector banks many with substantial losses into four. “Most banks which were under the Reserve Bank’s prompt corrective action framework had accumulated losses,” CEO of a public sector entity said on condition of anonymity. “This move will help create substantial tax savings for merged banks, which can be pumped into the economy.”Oriental Bank of Commerce and United Bank of India were merged with Punjab National Bank. Now, PNB had posted losses of Rs 9,975 crore for 2018-19 while UBI had losses of Rs 2,316 crore. OBC had closed the year with marginal profits. In another pairing Syndicate Bank was merged with Canara Bank, with the latter posting Rs 2,588 crore losses for FY19. Andhra Bank and Corporation Bank were merged with Union Bank of India. Corporation Bank had reported losses of Rs 6,332 crore for FY19 while Andhra Bank reported losses of Rs 2,786 crore. Allahabad Bank was merged with Indian Bank that recorded Rs 8,333 crore losses for the last fiscal. Depreciation claimed by several banks on certain capital expenditure allows them to report net losses.


Dated: Feb 04, 2020

• Budget Takes Some Heat Off RBI On Growth, Inflation Back In Spotlight:

It is back to inflation targeting for the Reserve Bank of India’s (RBI’s) rate-setting committee, when its six members meet to vote on policy rates this week. Analysts expect a pause in rate cuts from the central bank, and they would be right, considering that the Union budget did precious little to move the needle anywhere for monetary policy. The last reading on headline retail inflation for the central bank was an unflattering 7.35% for December. The mandate for RBI is to keep the headline number within the 2-6% band and the central bank has ostensibly targeted the mid-point of 4% so far. With inflation breaching the upper bound, monetary policy is hard pressed to not ignore it. The Union budget is a key input for monetary policy as the government's finances have a bearing
on growth, inflation and, more importantly, interest rates. The revised estimates for the current year from the budget indicate that the government has refrained from heavy spending. The slippage in fiscal deficit of 0.5% of gross domestic product (GDP) is largely due to lower tax revenue growth, rather than an increase in spending. The increase in spending for FY21, too, is at a modest 13%, with an indication of bringing down the fiscal deficit to 3.5% of GDP. Ergo, some analysts have termed it a contractionary budget. Even so, the government has allocated resources to boost the rural sector, reiterated its commitment to spend on infrastructure and also offered to leave more cash in the hands of the people through lower income-tax rates. The disappointing factor is that all these measures have riders, which the market didn't like. Radhika Rao, senior vice president and economist at DBS Bank India Ltd, said this takes at least some of the heat off the monetary policy on growth. “With fiscal policy taking a growth-supportive role, on the back of monetary policy being ahead of the curve last year, the calibrated policy mix should bode well for growth,” she wrote in a note. Rao expected RBI to remain on an extended pause but keep the stance accommodative. A commitment to fiscal prudence, a realistic assumption about future growth and steps to attract more foreign capital to the bond market are all helpful measures from the budget for the central bank. But it is not as linear as that. Bond yields may have eased after the budget, but the over-reliance on small savings by the government risks keeping interest rates from falling. The borrowing from national small savings fund was revised to ₹2.4 trillion in the budget for the current fiscal year. That is nearly double the previous estimate. For FY21, too, the government is keeping a similar borrowing target. As the government continues to corner household savings, banks won’t be able to cut deposit rates and, hence, lending rates.

Dated: Feb 04, 2020

• Bank Frauds Declining Sharply Annually:

Bank frauds have sharply come down on an annual basis to Rs 5,244 crore in the first three quarters of this fiscal on account of improved detection and reporting, Minister of State for Finance Anurag Thakur said in Rajya Sabha on Tuesday. Bank frauds reduced significantly from Rs 3,548 crore in the 2016-17 fiscal to Rs 1,084 crore in 2017-18 fiscal. Frauds rose slightly to Rs 1,893 crore in 2018-19 but started declining again to Rs 5,244 crore in the first three quarters of 2019-20 fiscal, he said during Question Hour. “Bank frauds, which stood at 0.58 per cent during 2009-14, have come down to 0.16 percent in the last two and half years. In the first six months of this year, frauds were only 0.04 per cent. This has happened because our government has taken right steps towards fraud reporting and detection,” Thakur said in the Upper House. A declining trend in bank frauds is observed in respect of public sector banks (PSBs) as well with the amount involved by year of occurrence of fraud reducing sharply, he said. It reduced from Rs 35,578 crore in 2,043 cases in 2016-17 to Rs 12,234 crore in 1,949 cases in 2017-18, increasing slightly to Rs 15,575 crore in 1,250 cases in 2018-19, and declining again to Rs 3,781 crore in 436 cases in the first three quarters of 2019-20 fiscal, he added. To check frauds, the minister said, “We came out with a framework for improved detection and monitoring. We also reviewed the quality...
of assets, cleaned up the bank balance, and recapitalized banks.” To a supplementary query by Congress member Motilal Vora if the government has arrested anyone involved in fraud, the minister said, “The member has shown right concern. But frauds took place in cases of loan that were sanctioned during that time (2009-14).” “Loans were taken at that time and frauds were of that time. When our government came to power, we brought the Fugitive Economic Offenders Act for attaching assets of offenders who ran away and stayed abroad,” he said. The government also came out with the Insolvency and Bankruptcy Code (IBC) through which about Rs 4 lakh crore has been recovered so far, he added. Responding to another member Narendra Jadhav (Nominated)'s query why the government has not created a separate agency for monitoring banking frauds, the minister said, “We need to note the year of occurrence and we started reporting now. We have made many changes in the banking sector and reforms will continue in future.” To Shiv Sena member Anil Desai's query whether reports of National Financial Services Authority match with declining trend of frauds shared by the government, the minister reiterated the government has taken various steps to bring in more accountability and transparency in the system. “At the same time, we look at various reports of regulators and other authorities also,” he said. He also mentioned that regulator RBI in its Financial Stability Report of December 2019 has observed that the systematic and comprehensive checking, including of legacy stock of non-performing assets (NPAs) of PSBs for frauds under the framework has helped unearth frauds perpetrated over a number of years. With regard to frauds with banks on account of digital transactions, the RBI has informed that it does not collect data on frauds under the category Digital Transaction, while making available data on fraud as reported by Scheduled Commercial Banks (SCBs) and select Financial Institutions (FIs) for amount involving Rs 1 lakh and above, he added.

Dated: Feb 04, 2020

**Maharashtra Co-Op Bank pitches for branch merger of PMC Bank:**

Maharashtra State Co-operative (MSC) Bank has written to Union Finance Minister Nirmala Sitharaman seeking merger of branches of PMC Bank, in case of a takeover of the troubled lender, a top official said on Tuesday. Any progress on such a scheme can only happen once the exact extent of the fraud and the liabilities arising are ascertained through a forensic audit, MSC Bank Chairman Vidyadhar Anaskar made it clear. For the branch merger as opposed to bank merger idea, he explained that MSC Bank is an apex bank for cooperatives and Punjab and Maharashtra Cooperative Bank's multi-state presence makes it difficult to execute such a deal. “We have written to the Finance Minister, suggesting a branch merger and not a bank merger,” Anaskar told reporters here. He said under the proposed scheme, apex banks in Gujarat and other states where PMC has a presence will take over its branches to make it easier for the transaction to go through. It can be noted that over Rs 11,000 crore in depositor money has been stuck after the RBI decided to put PMC Bank under instructions in September last year, and appointed an administrator on it after discovering mismanagement. The bank has been found to have given over Rs 6,700 crore loans to a single company
- realty player HDIL - through allegedly fraudulent means and also hid the stress from the Reserve Bank of India by creating to separate books of accounts. The police has pegged the extent of fraud at PMC Bank at Rs 4,700 crore, while other agencies, including the Enforcement Directorate, are also investigating the matter. A few months ago, NCP leader and Maharashtra minister Jayant Patil had publicly suggested the idea of merging PMC Bank with MSC Bank. Anaskar said before any progress on the matter, it is essential to ascertain the extent of the fraud at the lender which can only be done after the RBI’s forensic audit in the matter. He, however, also said the RBI may not be averse to a branch merger that the bank is suggesting and such a transaction will not require any changes in laws. In support of his argument, Anaskar reminisced over six years ago, there was a similar proposal for a branch merger of the troubled Rupee Cooperative bank and the RBI was amenable to the idea. Meanwhile, the MSC Bank also announced that it has sent two separate proposals to the RBI for merging Rupee and City Cooperative Bank with itself, which will require it to allocate over Rs 1,300 crore of capital. Both the proposals have been presented jointly with the target banks and after ratification by the cooperatives department of Maharashtra government. It will have to allocate Rs 980 crore for the Rupee merger, while the City bank scheme will require it to allocate nearly Rs 300 crore. The genesis of both the proposals is the bank’s desire to de-risk beyond the sugar industry by serving the retail segment, Anaskar said, adding that merging the two urban cooperatives banks with itself will give it a retail heft both in distribution and assets. The total assets of both the banks are Rs 1,400 crore, which will give MSC Bank a good foothold in the retail category, he said, adding that to start with the entire portfolio will be considered as a loss. Both the proposals involve a support from the Deposit Insurance and Credit Guarantee Corporation, wherein the deposit holders in both the troubled banks will be paid upfront and the bank will subsequently pay-off the DICGC. Over a third of the depositors’ stuck money is released upfront by the DICGC as liquidity support to make a merger possible and then repaid back by the bank once asset recoveries start, he said. Anaskar exuded confidence that the RBI will give it a go-ahead on both the mergers in about four months’ time, despite its own record of having stuck with a mismanagement three years ago. He said MSC Bank has a total capital adequacy of over 16 per cent, including core buffers at over 14 per cent, and will be able to take care of a merger like this. At present, the bank is returning excess capital to the district banks which are its members, Anaskar said. Rupee has five lakh depositors, while City has over 80,000 depositors.

Dated: Feb 04, 2020

- Nearly 6,900 Cases Of Online Banking Frauds Registered In 2017-18:

Nearly 6,900 cases of online banking frauds were registered in the country in 2017-18, the Lok Sabha was informed on Tuesday. Union Minister of State for Home G Kishan Reddy said with the rapid increase in use of cyber space, the number of cybercrimes is also increasing. “As per data maintained by the National Crime Records Bureau, 3,466 and 3,353 cases of online frauds were registered in 2017 and 2018, respectively,” he said replying to a written question. Reddy said in order to prevent online frauds and protect users, the Ministry of Home
Affairs has taken several steps, including formation of an Inter-Ministerial Committee on Phone Fraud (IMCPF). It has members of stakeholder organisations such as the Ministry of Electronics and Information Technology (MeitY), Department of Financial Services, Department of Telecommunication, Reserve Bank of India and law enforcement agencies.

Dated: Feb 04, 2020

• **Oriental Bank of Commerce requests FinMin to give new name for merged entity: CEO:**

Oriental Bank of Commerce has requested the finance ministry to give a new name for the entity that will be created after it merges with Punjab National Bank (PNB) and Union Bank of India (UBI), a top official said on Tuesday. “This is an amalgamation of equals,” the bank’s Chief Executive Officer and Managing Director Mukesh Kumar Jain told PTI in an interview here. “We have requested Finance Minister Nirmala Sitharaman that the name of the new bank to be created after amalgamation is either different from the three banks or it should reflect the old identity of the three banks, so that a sense of equal participation appeared in the name,” he added. On August 30 last year, Sitharaman had announced the merger of OBC, PNB and UBI as part of a streamlining process where the government decreases the number of banks it runs to a dozen. Mergers of two more sets of banks were also announced as part of the process. The only precedent for such a process is the three-way merger of Bank of Baroda, Vijaya Bank and Dena Bank, where the merged entity has been named Bank of Baroda, the largest among the three. If the bank formed after amalgamation is not given a separate name, people would feel that OBC and UBI merged into PNB, Jain said. Jain said the process of amalgamation might begin soon and hoped for the new name of the merged entity to be included in the notification merging the three banks. He said OBC has 2,400 branches, 2,600 automated teller machines and 22,000 employees and added that the bank is already organising customer outreach, especially for the requirements of the small businesses and corporate segments, considering that there is a heavy demand for loans in the last quarter. The pace of business growth at OBC is at 11 per cent currently, which is higher than the industry average of 6-7 per cent, he said. Currently, the bank’s overall business stands at Rs 4.02 lakh crore and it is targeting to take it up to Rs 4.25 lakh crore by March 31.

Dated: Feb 04, 2020

• **Yes Bank Ropes In Anshu Jain, Former Chief Of Deutsche Bank, To Raise Funds:**

Yes Bank, the fourth largest private bank of the India, is doing all it takes to raise capital. In its continuous efforts to raise funds, Yes Bank has given a mandate to Anshu Jain to raise the funds for the bank, sources close to the development told ETBFSI. Anshu Jain is a former co-CEO of Deutsche Bank, currently the president of Cantor Fitzgerald, an investment bank and brokerage firm. This development has come after Yes Bank has received approval from the board to raise $2 billion. Cantor Fitzgerald is a New York-based 85-year-old global financial services
firm having its 32 offices across USA, Europe, Middle East and Asia Pacific. Prior to joining Cantor, Jain was heading the German giant Deutsche Bank as a co-CEO for three years. He was the highest-paid CEO at the bank and resigned in 2015, after being associated with the bank for a total of 20 years. Yes Bank is going through a tough time due to rise in NPAs, and bank need capital to make high provisioning against bad loans. Also, the bank needs to be compliant with RBIs norms to maintain the capital adequacy ratio. Yes Bank has been struggling to raise funds and share prices are down by 13% in last one month. Recently India Ratings have downgraded the ratings of Yes, Bank. India Ratings said that it will be challenging for Yes Bank to raise sizeable capital. The rating agency said raising sizeable capital in the near-term. Earlier, the Board of the Yes bank rejected the offer of Erwin Singh Braich to invest $500 mn in the bank. Born in India, Jain did his schooling from Jaipur and Delhi and worked as a derivative analyst at UBS. After that he joined Merrill Lynch in New York and also had stints with a few other financial institutions. Cantor Fitzgerald also made headlines due to a 9/11 attack that happened in New York City. Cantor lost many of its employees in the plane crash. But the firm rose from the ashes and reached new heights after Jain's arrival.


Dated: Feb 05, 2020

• Cabinet Clears Amendment To Banking Laws To Strengthen Cooperative Banks:

In order to protect interest of depositors, the Union Cabinet on Wednesday approved amendment to Banking Regulation Act to strengthen cooperative banks and avoid PMC Bank like crisis. There are 1,540 cooperative banks with depositor base of 8.60 crore having total savings of about Rs 5 lakh crore. The proposed law seeks to enforce banking regulation guidelines of the RBI in cooperative banks, while administrative issues will still be guided by Registrar of Cooperative, Information and Broadcasting Minister Prakash Javadekar said while briefing media about the Cabinet decisions. Observing that the changes will help strengthen financial stability, he said qualifications would be set for appointing CEO of cooperative banks and the RBI permission would be sought before appointment as followed in case of commercial banks. Audit would be as per the RBI guidelines and the central bank can also supersede the board if any cooperative bank is under stress, he said. Cooperative bank will be given time to comply with the RBI guidelines in phased manner, he added. The cabinet approval is in line with the Budget announcement made by Finance Minister Nirmala Sitharaman on Saturday. “To strengthen the Cooperative Banks, amendments to the Banking Regulation Act are proposed for increasing professionalism, enabling access to capital and improving governance and oversight for sound banking through the RBI,” she had said in the Budget 2020-21. The decision assumes significance in the wake of a scam in the Punjab and Maharashtra Cooperative (PMC) Bank affecting lakhs of customers who are facing difficulties in withdrawing their money due to restrictions imposed by the Reserve Bank of India. Javadekar further said this is the second important measure taken by the government to protect the interest of depositors within a week. Sitharaman proposed in the Budget to raise the insurance cover on saving deposits five times to Rs 5
lakh. “I wish to inform this august House that robust mechanism is in place to monitor the health of all Scheduled Commercial Banks and that depositors’ money is safe. “Further, the Deposit Insurance and Credit Guarantee Corporation (DICGC) has been permitted to increase Deposit Insurance Coverage for a depositor, which is now Rs 1 lakh to Rs 5 lakh per depositor,” she said in Budget 2020-21. At present, bank depositors get an insurance cover of Rs 1 lakh on their amount by the Deposit Insurance and credit Guarantee Corporation if a bank fails. However, deposits maintained with different banks are not clubbed.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/cabinet-clears-amendment-to-banking-laws-to-strengthen-cooperative-banks/articleshow/73961713.cms
Dated: Feb 05, 2020

• 49% Of Gen-Z Borrowers Below Prime:
   Almost half the generation-Z- born after 1995- borrowers, are below prime in terms of their credit worthiness according to a study by credit bureau Transunion Cibil. But lenders to are conservative while extending credit products to this group of borrowers. Of the 49 per cent of the gen-Z borrowers who are below prime, while 27 per cent of them are near prime, 22 per cent of them are in the sub-prime category, the study noted. Moreover the loans arm or to meet consumption demand rather than buying an asset. “For Indian Gen Z consumers, originations (the rate at which new accounts are being opened) are growing fastest in the consumption lending categories” the report said. According to Transunion Cibil ranking, subprime borrows are assigned a score between 300 and 680, near prime between 681-730, prime between 731-770, prime plus between 771-790, and super prime between 791-900. Higher scores are indicative of lower risk. Looking at year-over-year growth in originations in 2019, credit cards grew 150%, consumer durables 113%, and personal loans 95%. Personal loans and credit cards are often used to finance living expenses and make smaller-ticket purchases. “In the personalloans space especially, the prevalence of non-banking financial companies (NBFCs) and the rapid growth of FinTech lenders has accelerated the availability and ease of application for this particular credit product” the report said. But lenders are conservative. Only 6 per cent of the Gen-Z are credit active in India compared to 66 per cent in USA and 63 per cent in Canada. “In emerging markets, lenders may be more conservative with extending traditional credit products to Gen Z, as those consumers may not yet have the credit histories and track records those lenders use to assess and manage risk,” said Abhay Kelkar, vice president of research and consulting for TransUnion CIBIL. “We have seen that the use of expanded data sets and advanced analytic techniques can help lenders better understand the risk profiles of these younger borrowers and identify ways to engage them in a mutually profitable manner” Although India had the smallest percentage of credit active Gen Z consumers of all the countries studied, even among older Indian generations, credit participation is relatively low, as just 10% of the total adult population is credit active, the report said.

Dated: Feb 05, 2020
• **RBI Asks PNB To Harmonize Provisions For Bad Loans With OBC & UBI:**

The Reserve Bank of India (RBI) has asked Punjab National Bank (PNB) to harmonize its provisions for bad loans with those of Oriental Bank of Commerce (OBC) and United Bank of India (UBI) the banks that it is acquiring before the process of merger gets started. In a letter in December the central bank asked the Delhi based lender to provide for common loans on a worse case basis, CEO Mallikarjuna Rao said. “RBI has written to us seeking harmonization of loans of all the three banks. For us the impact is just Rs 800 crore but we are yet to take into account the impact for the other two banks. The RBI has asked us to take into account the worst-case scenario for these loans which means if a loan is classified as substandard by one bank it has to be classified in the same way for the other two,” Rao said. In late August finance minister Nirmala Sitharaman announced the amalgamation of 10 public sector banks into four big banks. As part of this plan PNB is supposed to acquire OBC and UBI which would create the country's second largest bank both in terms of business and branch network. Rao said the pre amalgamation process is ongoing at the bank and as many as 34 committees have been formed which are headed by different general managers from all three banks. PNB has also hired consultancy firm EY (Ernst & Young) to help in the amalgamation process. “We are waiting for the government notification after which the share swap ratio will have to be put in the public domain. There are some legal issues which will also be have to be completed after the notification is issued,” Rao said. Capgemini has been hired to integrate the three bank's IT operations while Deloitte has been engaged to calculate the share swap ratio. PNB is on Financle stage 10 system while the other two banks are on stage 7 which will have to be integrated, Rao said. There are also 500 branches which are overlapping and which will have to be adjusted especially in Punjab, Haryana and Uttar Pradesh. PNB reported a loss of Rs 492 crore in the quarter ended December 2019 compared to a Rs 246 crore profit a year earlier mainly because provisioning for bad loans increased. Provisions for bad loans increased to Rs 4,445 crore from Rs 2,566 crore a year-ago.


Dated: Feb 07, 2020

• **DBS Bank, Indostar In Talks To Invest In Lakshmi Vilas Bank:**

Singapore’s DBS Bank and non-bank lender Indostar Capital, which recently raised money from Brookfield private equity, are being billed as potential suitors of the fund-starved Lakshmi Vilas Bank (LVB) that had failed to secure the regulator's nod last year for a merger with a home-grown financier. Three people familiar with the talks involving the beleaguered lender said that the interested parties have met the Reserve Bank of India (RBI), which must bless the deal to ensure financial viability of the cash-strapped bank. LVB is the only private-sector lender facing operational curbs from the banking regulator. “The talks are at an exploratory stage and there could be other interested investors as well. Some of them have met the RBI recently because this bank needs capital urgently, and blessings from the central bank are necessary to secure any transaction. A deal may take some more time,” said an industry executive aware of the discussions. Both DBS and Indostar...
declined to comment. LVB’s interim CEO S Sundar described the talks as ‘rumours’. The bank’s capital adequacy ratio at the end of September 2019 was 5.56%, lower than the minimum required 8%. The bank is placed under the RBI’s prompt corrective action (PCA) framework. Inclusion within the PCA means LVB has to cut lending, not open branches and skip dividends. It needs at least ₹1,000 crore immediately to meet the minimum capital requirements. “There are many investors that want a banking play in India and LVB, because of its established business, is a good option but ultimately the call is with the RBI. The central bank is also mindful of the fact that the bank is running out of capital and a strong investor is needed. We may see some action before the end of the fiscal,” said a second person familiar with the negotiations. In October, RBI had rejected Indiabulls Housing Finance’s takeover bid of the bank, which has since been seeking another investor. “DBS is a stronger suitor than Indostar because it is capital rich, has banking experience and is serious about expanding operations in India. Indostar has approached the bank with proposals earlier and it remains to be seen if there is any substance this time,” said the third person cited above.

Dated: Feb 07, 2020

• LIC Looks To Offload IDBI Stake Ahead Of RBI Timeline:

Life Insurance Corp (LIC) is looking to sell down its 51% stake in IDBI Bank well ahead of the RBI mandated 12 year time line as it believes that the valuation of the lender could rise with the government's sale of stake leading to a possible entry of a private equity investors. In an interaction with the media after presenting key parameters of the life insurer as of January 31 chairman MR Kumar also touched upon the insurance behemoth’s plans for its stake in the debt laden IDBI Bank. “The Reserve Bank of India has given us a timeline of 12 years to bring our stakes down in IDBI Bank. However, we don’t want to wait this long since we will be listing before that,” Kumar said. Loss making IDBI Bank has been picked as the first public sector lender in which the government will divest its stake, finance minister Nirmala Sitharaman announced in her budget speech last week. LIC owns 51% in the lender after acquiring shares from the government in January last year. The government still owns 47% stake which it plans to divest in the secondary market. Kumar said that once the government divests its stake in the bank it will make it easier for LIC to find better valuations. “We are also waiting for government to divest its stake in IDBI. This we expect will bring private equity players into the bank which will help us get more on the script. Currently we don't have any float amount,” Kumar said. IDBI is also among the five public sector banks under RBI restrictions under the so called prompt corrective action (PCA) framework with a loss of Rs 3,459 crore in the quarter ended September as it increased provisions for NPAs. Gross NPAs were at 29.43%. Kumar expressed hope that the bank will be out of PCA soon. “Once the bank is put out of PCA, there will be a positive impact on profitability. We expect the RBI to bring the bank out of PCA at the end of this quarter because it below the threshold limits on all parameters except profitability,” he said. LIC has collected Rs 500 crore through new business premiums collected through the bank this fiscal. “Our objective was Rs.2000
crore, but we will finish the year with around Rs.1000 crore which would still be the biggest sales through bank insurance in LIC history,” Kumar said. LIC follows the October to September financial year.

Dated: Feb 08, 2020

• Not Many NBFCs May Use SARFAESI Act To Recover Loan:

Not many non-bank lenders are expected to use the SARFAESI Act provisions to recover debt despite the Union budget making this route accessible to more such lenders due to time-consuming administrative hurdles as well as high loan ticket limit, industry insiders said. The budget has proposed to ease the eligibility criteria for non-banking financial companies (NBFCs) for debt recovery under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act 2002 to asset size of Rs 100 crore, down from Rs 500 crore, and loan size of at least Rs 50 lakh against existing Rs 1 crore. The Act allows lenders to auction properties of defaulters to recover their dues. “The reason for not too many NBFCs currently opting for the SARFAESI route lies in the administrative roadblocks in bringing such cases to a successful, time-bound closure,” said YS Chakravarti, managing director at Shriram City Union Finance. Many NBFCs were unable to dispose of immovable property of defaulter borrowers fast enough even after filing the case under Sarfaesi and receiving a favourable outcome because it typically takes long time to get permission from the revenue department to auction or otherwise sell the collateral, Chakravarti claimed. The delay in recovering dues acts as a major deterrent to NBFCs contemplating action through the Sarfaesi route, he said. “It is important that NBFCs are provided the necessary support from the other relevant sections of the administrative machinery,” Chakravarti said. NBFC have in the past shown preference to either arrive at a settlement with the defaulting borrowers or take the National Company Law Tribunal (NCLT) route for loan recovery. Another problem is the loan limit under the provision is still too steep. Kailash Baheti, chief financial officer at Magma Fincorp, said more than 80% cases in the firm’s NBFC book are below Rs 50 lakh bracket. “Hence, the government could have considered a lower threshold of, say, Rs 5 lakh,” he said. “However, we assume that this is a process as the government may not like flooding of cases to SARFAESI without adequate support infrastructure. We hope that the limit shall be progressively reduced.” Baheti, however, said recovery procedure under SARFAESI takes just about one year while a civil suit for recovery takes three to five years. Hemant Kanoria, chairman of SREI Infrastructure Finance, said the budget provision will allow more number of NBFCs to take this route for asset recovery. “But, yes, there remains scope for further liberalizing the eligibility criteria for NBFCs,” he said. Anita Baid, senior manager at Vinod Kothari Consultants, said the option to use Sarfaesi is only where there is a security interest. “Using the Sarfaesi option also predicates a substantial time to recovery, as there is a 90 days' time for a debt to turn non-performing; there is a mandatory 60 days' notice before any repossession action; and there is a mandatory 30 days' time before sale,” she said.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/not-many-nbfcs-may-use-sarfaesi-act-to-recover-loan/articleshow/74012648.cms
Dated: Feb 07, 2020
• **PSU Banks May See Higher Profits, Must Tap Market:**

The PSU banks may see enhanced profits with write-back of some of the loans provisions in their balance sheets on account of the IBC resolutions and they must now tap the market themselves instead of looking for recapitalization, Chief Economic Advisor Krishnamurthy Subramanian has said. “The Budget’s decision not to recapitalize the PSU banks is a good move and signals that all the banks are adequately capitalized at this point. The judgement on Essar Steel provides greater clarity on the IBC. State Bank of India profits were boosted by Essar Steel IBC resolution. Some of those accounts which have been fully written down by banks, when they get resolved, there will be a write-back on account of the resolutions. And this will enhance their profitability and also have an impact on their growth capital. That’s one aspect the government clearly believes that these banks are adequately capitalized. “So having all the while supported the banks when they needed support, now government wants them to stand on their own, enhance the governance and tap into the market,” Subramanian told IANS.

State Bank of India reported a 41 per cent year-on-year (y-o-y) rise in its net profit during the December quarter to Rs 5,583 crore, which was driven by healthy income from retail loans and an Rs 11,000-crore recovery from Essar Steel, following its sale to ArcelorMittal. Finance Minister Nirmala Sitharaman said in the Budget that government so far has infused Rs 3.5 crore capital into public sector banks (PSBs) to help them maintain regulatory capital requirements and finance growth plans. In the last Budget, the government had infused Rs 70,000 crore. “We have infused Rs 3.5 crore capital into PSU banks. A few among them will be encouraged to move capital market for fundraising purposes”, she said in her Budget Speech. Finance Secretary Rajeev Kumar had earlier said banks have to tap the market and government would start gradually lowering its stake from the state lenders. In some of the state run banks, government stake nearly touches 100 per cent. Recently Punjab National Bank got board approval to raise Rs 1,000 crore from market through bonds. The IDBI Bank also proposes to raise Rs 1,500 crore from bonds to fund growth. Among all four anchor banks, the Punjab National Bank was given Rs 16,091 crore, Union Bank of India Rs 11,768 crore, Canara Bank Rs 6,571 crore and Indian Bank Rs 2,534 crore. Merging entities, like the Allahabad Bank, was provided Rs 2,153 crore, while the United Bank of India got 1,666 crore and Andhra Bank Rs 200 crore. Besides, the Bank of Baroda got a capital infusion of Rs 7,000 crore, Indian Overseas Bank Rs 4,360 crore, UCO Bank Rs 2142 crore, Punjab & Sind Bank 787 crore and Central Bank of India Rs 3,353 crore. State Bank of India has already initiated the process of diluting stake in its subsidiary SBI Cards and Payment Services Ltd., and UTI Asset Management Co. Ltd. via planned initial public offerings. It is looking to sell 50 lakh shares representing 1.01 per cent stake in the National Stock Exchange. Life Insurance Corporation of India-controlled IDBI Bank too received additional capital of Rs 4,557 crore through the first supplementary demand for grants approved by the Parliament last month.

*Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/psu-banks-may-see-higher-profits-must-tap-market-cea-krishnamurthy-subramanian/articleshow/74039562.cms*

*Dated: Feb 09, 2020*
• **Govt May Notify Merger Of 10 PSBs To 4 Lenders This Week:**

The government is likely to notify the merger of 10 public sector banks to create four big lenders later this week, as they have completed the groundwork for the same, two people familiar with the development said. After it is notified, the respective bank boards will meet to give their customary final approval and fix the all-important swap ratio for the mergers. “We are expecting the government to notify the merger this week,” United Bank of India managing director Ashok Kumar Pradhan said. The banks will need to follow regulatory formalities to protect the interest of minority shareholders. “Valuation of each of the merging banks has been done on the basis of half-yearly results of the current fiscal year as well as on the future guidance,” one person familiar with the matter said. Each bank had its own valuers and harmonization of valuation for the merging partners has also been done. The government announced the mega merger on August 30 last year. Punjab National Bank, Oriental Bank of Commerce and United Bank of India will be amalgamated to create the country’s second-largest lender in terms of business size and branch network. PNB is the anchor bank for this merger. Likewise, Union Bank of India is anchoring the merger of itself with Andhra Bank and Corporation Bank. In other two-way mergers, Canara Bank and Syndicate Bank will become one, while Indian bank and Allahabad bank will be clubbed. All the mergers are likely to come into effect from April this year. The non-anchor lenders in the mega merger exercise had requested the government for a name to capture the bank’s national identity after merger. In future, it’s the brand which makes the people move,” Pradhan said. ET reported earlier that Indian Bank was likely to retain its name after the merger with Allahabad Bank given its pan-India appeal. The government may follow the same logic for the Union Bank of India-led merger.

**Source:** https://economictimes.indiatimes.com/industry/banking/finance/banking/govt-may-notify-merger-of-10-psbs-to-4-lenders-this-week/articleshow/74048415.cms

**Dated:** Feb 10, 2020

• **UAE Banks Headed For India To Recover Rs 50,000 Crore:**

At least 9 banks from the UAE are in the process of initiating legal action against Indian defaulters to recover around Rs 50,000 crore, after New Delhi made the rulings of Emirati courts in civil cases enforceable here. While most of the cases
involve corporate loans taken by Dubai or Abu Dhabi-based subsidiaries of Indian companies, action is also being planned against individuals, two people with direct knowledge of the matter said. These banks include UAE-based Emirates NBD, Mashreq Bank and Abu Dhabi Commercial Bank. A few other lenders such as Doha Bank, National Bank of Oman and National Bank of Bahrain, that have exposure to Indian entities or citizens through their branches in Dubai or Abu Dhabi, also have either already moved courts in the UAE or are in the process of doing so in the coming weeks, the people said. “Most of the cases are of corporate loans and that is also the priority for the banks as the amounts involved are huge. But some banks also have retail loan exposure to India,” said one of the people. Most of the loans were taken in the past 10 to 15 years. The Indian government on January 17 issued a notification allowing the decrees of certain UAE courts in civil cases to be enforceable in India. This means a UAE bank, if it has a court order in its favour against a defaulter who has fled to India or no more has operations in the Emirates, can seek to enforce it here like any local lender to recover the money. “Earlier UAE-based banks had no recourse to enforce judgements directly to recover their corporate or retail loans given to Indians in the UAE, but now they can take action in India. So, now UAE banks can initiate execution proceedings in India after they take a decree from a UAE court and may also explore initiating proceedings under the IBC (India’s Insolvency and Bankruptcy Code),” said Ajay Monga, a partner at law firm SNG & Partners. According to the people in the know, these banks have approached Indian law firms to assist them in completing the legal process here, such as serving notices on the defaulters or approaching the National Company Law Tribunal (NCLT), which deals with IBC cases. Emails sent to Emirates NBD, Abu Dhabi Commercial Bank, Doha Bank, Mashreq Bank, National Bank of Oman and National Bank of Bahrain did not elicit any response till press time Friday. “The banks could first issue notices and see the response of the defaulter,” said a senior lawyer advising one of the banks in a Rs 300 crore corporate loan default. “The banks could also approach the NCLT or even invoke personal guarantees,” he said. Besides, they could look at filing criminal cases in India against the individuals involved. In its notification, the Ministry of Law and Justice said the UAE would be a reciprocating territory under section 44A of Civil Procedure Code. The section essentially says that any decree passed by the superior courts of any “reciprocating territory” may be executed in India, as if it has been passed by Indian courts. Similarly, the UAE will allow the rulings of Indian courts in civil cases. The government notification allows the ruling of two UAE-based federal courts and five other courts to be enforceable in India. “This notification ends confusion as to whether UAE is a reciprocating territory or not. Earlier, the bilateral agreement between the two nations to provide for the recognition of foreign judgements was not acceptable by Indian courts for want of a notification,” said Ateev Mathur, a partner at law firm SNG & Partners. According to people in the know, while corporate loans form a large chunk of UAE’s exposure, even retail loans are quite substantial. “The average ticket size of retail loans is around Rs 2 crore. Many Indians had taken loans and it seems with sole purpose of not returning it,” said one of the people. Many individuals had given personal guarantees to UAE banks before taking the loans. These personal guarantees could be invoked & criminal cases filed against the individuals, said legal experts.
Banks Get No Respite As Q3 Slippages Rise:

Indian banks, which reported healthy growth numbers in recent quarters, continue to be plagued by high slippages, especially from the corporate loan book. Top banks, including State Bank of India, Axis Bank, Bank of Baroda, Punjab National Bank and Bank of India all reported a sharp rise in slippages in the December quarter, signaling that trouble is still brewing on the asset quality front. State Bank of India saw its slippages new bad loans almost double sequentially to Rs 16,525 crore. It had reported slippages of Rs 8,800 crore in the September quarter. Its slippage ratio rose to 2.94% from 0.87% on an annual basis. Likewise, Axis Bank recognized slippages of Rs 6,214 crore in the December quarter, compared with Rs 4,983 crore in the second quarter and Rs 3,746 crore in year-earlier quarter. Kotak Mahindra Bank put new additions in bad loans at Rs 1,062 crore in the third quarter. “Progressively, every quarter you see new bullets and these are in the realm of unknown. You don’t expect these bullets to be shot but they are and it’s not a sectoral problem, it’s an entity level problem,” said Dipak Gupta, joint MD, Kotak Mahindra Bank. “The approach is I must move cautiously. Once you see the road ahead is clear, then you can move fast.” Following a three-way merger, Bank of Baroda’s slippages rose sharply to Rs 10,387 crore for the December quarter after it absorbed Dena Bank and Vijaya Bank. Another state-run lender, Punjab National Bank, also reported elevated fresh bad loans at Rs 7,400 crore but said that lumpy corporate stress formation is largely behind it. Banking sector experts feel that while the stress formation is visible, fresh additions in bad loans have been factored in. “This quarter, banks have reported lumpy slippages, especially from the corporate sector, but the silver lining is that these are largely from known accounts like DHFL, CCD, Cox & Kings etc., so the assumption is that slippages could peak soon,” said Rajiv Mehta, analyst, Yes Securities. A recent India Ratings report said the proportion of stressed corporate assets declined to 17.9% of total bank credit at end-September 2019 versus 19.3% in the same period last year. This fall was primarily on account of write-offs of about 1.8% of total bank credit, improvements in credit profiles of accounts amounting to 0.4% of total bank credit and the base effect on account of 8.8% annual credit growth. But despite data indicating that asset quality issues have
moderated, fresh additions have continued. “These have been partially offset by the impact of additions of about 2.4% to stressed assets from both corporates and non-banking financial companies,” the report noted. “While we believe the majority of stressed corporates have undergone rapid credit migration in the last few years, the aversion of bankers to take on additional risk could result in more slippages than estimated.”

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/banks-get-no-respite-as-q3-slippages-rise/articleshow/74053792.cms
Dated: Feb 10, 2020

**Bad Loans of Public Sector Banks Fall to Rs 7.27 Lakh Crore at end of Sept 2019:**

Finance Minister Nirmala Sitharaman on Monday said public sector banks’ (PSBs) bad loans came down to Rs 7.27 lakh crore at the end of September 2019, on host of measures taken by the government to improve financial health of the banks in the country. “The government has instituted comprehensive reforms in PSBs to improve, governance, underwriting, monitoring and recovery, and has leveraged technology in all aspects of banking, resulting in reduction in their NPAs,” Sitharaman said in written reply to a question in the Lok Sabha. She said bad loans of PSBs stood at Rs 7.27 lakh crore at the end of September 2019, down from Rs 8.96 lakh crore at the end of March 2018. “Record recovery of Rs 2.03 lakh crore over the one-and-half year period ending September 2019, 12 out of 18 PSBs reporting profit in the first half of the current financial year, and the highest provision coverage ratio in seven-and-half years,” she said. She said the Banking Trend Report published by the Reserve Bank of India (RBI) in December observed that the health of the banking sector hinges on a turnaround in macroeconomic conditions. “The government has taken significant steps towards speeding up the insolvency resolution process under the Insolvency and Bankruptcy Code (IBC) and easing of credit, particularly for the stressed real estate and non-banking financial companies (NBFCs) sectors, and that the impact of critical measures taken to boost investment present green shoots for growth in the second half of 2019-20 and 2020-21.” Further, the RBI’s Financial Stability Report stated that the capital adequacy ratio of scheduled commercial

**Bank Unions Call For Three-Day Nationwide Strike From March 11:**

After the two-day strike on January 31 and February 1 by the Bank Unions, Bank Employees Federation of India (BEFI) and the All India Bank Employees’ Association (AIBEA) informed that a three-day nationwide bank strike will be observed from March 11 to 13. The strike has been called after talks over wage revision failed to initiate with the Indian Banks’ Association (IBA). This would be the third bank strike this month, after the first one was observed along with Bharat Bandh on January 8. The strike has been timed ahead of the second Saturday of March, when banks observe a holiday, this could affect work for five consecutive days including Sunday. Unions want wage revision settlement at 20% hike on pay slip components with adequate loading thereof while IBA said it is ready for upto 19% hike including performance linked incentive.

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banks has improved significantly from 14.3 per cent in March 2019 to 15.1 per cent in September 2019 following recapitalisation of state-owned banks. PSBs’ provision coverage ratio has risen to 61.5 per cent from 60.5 per cent over the same period implying increased resilience of the banking sector, and their net non-performing assets ratio has declined reflecting increased provisioning, she said. When asked about the bank’s confidence in extending loans, she said sporadic credit default events and incidents of frauds have contributed to reluctance in lending by banks. She, however, added that a number of steps have been taken to address these and other matters concerning lending by banks. She said the measures initiated include maintenance of overall positive liquidity through open market operations by the RBI, liquidity support through various means to the NBFC sector in which there have been instances of credit defaults, and enabling of financial support for stalled housing and real estate projects. “Mechanism for resolution of stress in NBFCs has been created by empowering RBI to take action in this regard through amendments...and bringing NBFCs with an asset size of Rs 500 crore and above within the ambit of resolution under IBC,” Sitharaman said. To address concerns due to frauds contributing to reluctance in lending, she said the Prevention of Corruption Act has been amended to prohibit conduct of inquiry or investigation of offences relatable to decision taken by public servant in discharge of functions, without previous approval of the authority competent to remove him. The Advisory Board for Banking and Financial Frauds has been set up for distinguishing between commercial failure and criminal action cases of suspected frauds over Rs 50 crore, before initiation of investigation by the Central Bureau of Investigation. Besides, the government has taken steps to facilitate and incentivise lending through successive cuts in lending rates, linking of loans for micro, small and medium enterprises (MSMEs) to an external benchmark rate, and relief to banks’ cash reserve ratio requirement, among others. “With regard to governance norms for banks, it is stated that the government has recently introduced comprehensive reforms in PSBs, taking into account global best practices, for empowering bank boards, strengthening the board committee system, improving the effectiveness of non-official directors and building a leadership pipeline,” the minister said. She also said that specific reforms include empowerment of boards to recruit chief risk officers from the market at market-linked compensation, mandate to boards to provide non-official directors necessary training, and to undertake annual peer evaluation of their performance.


• Bank and Tilden Park Capital Management Seek RBI’s Blessings:

US fund house Tilden Park Capital Management has sounded out the Reserve Bank of India (RBI) for buying a sizeable stake in Lakshmi Vilas Bank (LVB), an old private sector lender which is scouting for investors to shore up capital. An official of the New York-headquartered asset manager and senior members of LVB management recently met RBI to explore the possibility. Tilden was introduced to
LVB by Cantor Fitzgerald, the New York-based financial services firm where former Deutsche Bank co-CEO Anshu Jain is part of the top leadership team. In any ‘control transaction’, where the investor plans to acquire a substantial even if not a majority interest, the regulator as well as the investee bank have to do a detailed check of the background and credentials of the investor. In such cases, RBI may even consult the regulator of the overseas investor’s home country. Any investment of 5% or more in a private bank requires prior approval of RBI. There is regulatory precedence of allowing a strategic investor to acquire a large stake in a private bank with the condition that it has to dilute holding to 15% over a period of time following a lock-in term. According to regulatory circles, after RBI disallowed the merger of LVB with Indiabulls Housing Finance, the bank wants to make sure that the regulator approves the investor. It is understood that talks with Tilden are at a preliminary stage and key issues such as pricing or fund infusion have not been discussed. LVB is operating under regulatory restrictions laid down in RBI’s prompt corrective action (PCA) framework. The bank, with an asset size of Rs 31,500 crore, will need at least Rs 1,000-1,500 crore of immediate fund infusion with its capital adequacy level at 5.56% at the end of September against the minimum 8% required under regulations. It suffered a loss of Rs 357 crore after providing Rs 312 crore for bad loans in the quarter ended September. DBS of Singapore, which is keen to expand its presence in India, has also shown interest in the Indian bank. “LVB’s 560-odd branches is an attraction for the Singapore bank. DBS, which functions as a subsidiary of the Singapore parent, is believed to have approached Indian authorities on the matter,” said an industry source. ET’s email queries to Tilden went unanswered till the time of going to press while LVB CEO S Sundar could not be reached. A DBS spokesperson said: “As a matter of policy, we do not comment on such matters.” The LVB stock has declined 69% to Rs 18 in the past one year. During the period, entities belonging to Capri Group led by Rajesh Sharma have bought more than 4.6% of LVB shares from the open market. Last year, Capri had expressed interest to infuse capital in the bank, but this was not pursued by the board which had initiated talks with Indiabulls.

Dated: Feb 11, 2020

• Think Tank Urges SC To Stop Trial Of WhatsApp Pay:

The Centre for Accountability and Systemic Change (CASC), a think tank that had filed a public interest litigation before the Supreme Court last year against WhatsApp Pay, has sought an immediate rollback of the messaging app’s pilot project. In an interim application filed on Monday, CASC has urged the apex court to stop WhatsApp’s trial with 1 million users, direct the Reserve Bank of India (RBI) to put on record the permission granted
for the trial and disclose all communication between WhatsApp, the National Payments Corporation of India (NPCI) and itself. WhatsApp Pay is designed to run on the Unified Payments Interface developed by NPCI. UPI allows users to pay others or do business transactions through their bank accounts. WhatsApp Pay has been running a pilot with 1 million users for nearly two years. It has yet to receive permission to do a full rollout with all its 400 million Indian users because it has not yet completed storing all data within the country's borders. CASC said that, according to RBI's affidavit to Supreme Court in November, WhatsApp had not yet fully complied with the rules. “It is submitted that 1 million Indians cannot be reduced to guinea pigs. Their sensitive personal data, including financial data cannot be stored outside India in contravention to the RBI Circular,” the application stated. WhatsApp and RBI did not respond to emails until press time on Monday. This latest plea by CASC comes after reports emerged last week that NPCI had allowed WhatsApp to increase the size of the pilot project to 10 million customers. “It is submitted that in any case, there cannot be any blanket permission for trials, and same should be restricted by duration, number of banks involved and monetary limits. WhatsApp on many occasions has claimed compliance with RBI data localization norms, even though RBI's affidavit clearly proves that it is not the case,” the application stated. According to CASC's lawsuit last year, WhatsApp should not be granted permission for a full-fledged rollout of its payment service until the Facebook-owned instant messaging platform completes localizing the data and appoints a grievance officer in India.

Dated: Feb 11, 2020

• **Crisis-Hit Cooperative Bank Looks To Raise Rs 300 Crore In Fresh Capital:**

The Sri Guru Raghavendra Sahakara Bank, the beleaguered cooperative bank in Bengaluru that is under the RBI's watch, has sought the regulator's approval to raise about Rs 300 crore in fresh capital to achieve a speedy turnaround. The bank's management has proposed a slew of measures to the RBI as part of a roadmap to shore up its finances, while offering to keep the fresh capital in separate suspense and escrow accounts until they are converted into shares. The bank is waiting for the regulator's directions, sources privy to the developments told ET. The bank with eight branches, founded in Basavanagudi in the city two decades ago, has not been carrying out regular banking transactions for the past one month. The RBI has imposed a set of restrictions on the bank since January 10 after its inspection team found slippages in its loan book and increase in non-performing assets (NPAs). The restrictions include refraining from accepting fresh deposits, sanctioning or renewing new loans and making any investments without the regulator's approval. Customers can withdraw only up to Rs 35,000 from their accounts. The restrictions will be in force for a period of six months or until further review. The bank's president K Ramakrishna declined to comment on the grounds that the communication between the bank and the RBI was confidential. An email query to the RBI remained unanswered as of press time. The management, sources said, is in talks with some large depositors requesting them to participate in its capital-raising efforts. If the RBI approves its plans, the bank will keep a part of their deposits in a separate suspense account, and pay interest until it is converted into shares, said sources. The
bank’s management is also approaching hundreds of other citizens requesting them to become shareholders by investing about Rs 1 crore each. It has told the RBI that these funds will be kept in an escrow account until they are converted into loans on the RBI’s approval. It is also pursuing plans to sell NPA accounts to willing financial institutions, along with the collateral, to overcome short-term capital issues. The bank is staring at non-performing assets of about Rs 375 crore from around 65 major borrowers, the amount it is now struggling to recoup. The RBI, sources added, has permitted the bank to file police complaints against the defaulters. Apart from approaching the police, the bank will also invoke provisions of the law (Sarfaesi Act) to sell off the collateral pledged by the borrowers to recover the dues. The bank has filed a police complaint against its past CEO M Vasudeva Maiya accusing him of sanctioning loans, in several cases without following due procedure.

Dated: Feb 11, 2020

• For The Rupee, RBI Intervention Is A Bigger Force Than Coronavirus:

India’s exchange rate may be showing signs of getting infected by the coronavirus outbreak, but in reality, the illness it suffers from is called intervention. The rupee has weakened around 0.2% since the outbreak of the epidemic in China last month. Its Asian peers have performed much worse, with the Singapore dollar, the Malaysian ringgit and even the Thai baht losing more than 2%. The Chinese yuan has been the worst hit, since the country is the vortex of the crisis.

If we take a longer-term trend, the picture changes. Since July last year, the Indian currency has dropped more than 3%, while many of its Asian peers have been much better off. The rupee becomes one of the worst performers among Asian currencies if we take a six-month trend. This is because of a single participant in the market—the Reserve Bank of India (RBI). The central bank has been incessantly buying dollars, soaking up whatever foreign inflow entered Indian shores. It has swallowed $15.5 billion from the spot forex market between July and November, and currency dealers believe it hasn’t stopped yet. RBI even intervened in the forward dollar market, purchasing contracts that allow it to buy greenbacks at a future date. The accompanying chart shows the extent of central bank intervention.

Ironically, RBI has made it easy for dollars to come into the country. In the pursuit of inclusion in global bond indices, the central bank has invited foreign investors to take a larger bite of Indian bonds. But while RBI is opening up and welcoming foreign inflows, it is also doing everything it can to prevent the rupee from appreciating. The central bank has its reasons for its death grip on the exchange rate. India’s economic growth is estimated to fall to a multi-decade low on a nominal basis in FY20. A country’s exchange rate derives strength from its economic growth and therefore, the rupee’s weakness is warranted. Since dollar inflows seldom follow only the growth factor, RBI seems it fit to absorb them, as a slowing economy has little capacity to do so. Dollars when left alone tend to chase fewer assets, which in its worst form creates a bubble. Another reason for RBI to keep a grip on the rupee is competitiveness. The real effective exchange rate, based on a trade-weighted index of 36 currencies, shows the rupee is overvalued by a stark 17% as of December, although economists say the overvaluation is mild once the Chinese yuan is taken out of the mix.
“The RBI’s view seems to be that the rupee’s fair value is somewhere in the region of 71-72 per dollar. The rupee has to be relatively weak for a competitive advantage vis-à-vis trading partners and leaving it to the forces of the market is not appropriate,” said an economist, asking not to be named. The rupee ended at 71.29 to a dollar on Tuesday.

Dated: Feb 12, 2020

• **RBI’s CRR Step Won’t Make Your Loan Cheaper:**

The central bank’s recent measures to lower interest rates for consumers and small businesses are unlikely to benefit them and instead deliver some collateral gains to corporate borrowers, whose interest rates are still set on the marginal cost of the bank’s funds. This is because from 1 October, all retail and small business loans have moved to the new external benchmark-based lending rate it’s the repo rate for almost all banks from the earlier Marginal Cost of funds-based Lending Rate (MCLR) framework. While MCLR is based on a bank’s incremental cost of funds, loans that are linked to external benchmarks such as the repo rate change only when there is a movement in the benchmark. While the Reserve Bank of India’s ₹1 trillion credit window and exemptions from setting aside money as Cash Reserve Ratio (CRR) will lower the cost of funds for banks, it won’t reduce interest rates for loans that are linked to the repo rate, according to chief executives of Union Bank of India and Punjab National Bank (PNB). The lower cost of funds will allow banks to only pass on the benefits to borrowers whose interest rates are based on MCLR, they told reporters on the sidelines of separate press conferences to announce their December quarter earnings last week.

“In case of MCLR, the cost of deposits will change and for external benchmark, the repo has to change. See, the risk premium for external benchmark does not change easily,” said Rajkiran Rai G., chief executive of Union Bank of India. The repo rate loans have two components to it, a benchmark and a spread. Rai explained that under RBI’s norms, the spread cannot be changed frequently and since the repo rate has not changed since October, a change in lending rate is not possible. “The CRR benefit will not have much impact on the interest rates and it will be more on the MCLR side, not on the external benchmark side. Actually, most of the housing and small business loans are happening on the external benchmark rate; so, the CRR reduction is not going to have an impact on those loans unless the repo rate changes,” said Rai. In its 4 September notification, RBI said banks are free to decide the spread over the external benchmark, however, credit risk premium may undergo a change only when a borrower’s credit assessment undergoes a substantial change. It also said that other components of spread, including operating cost, could be altered once in three years. According to S.S. Mallikarjuna Rao, chief executive of Punjab National Bank, the lender will not
be able to pass on benefits to retail loans as those are already linked to the repo rate. However, Rao said the bank can think of using another benchmark in the months ahead, like the treasury bills or government securities for pricing its loans. Although RBI provided banks the option to choose from a host of external rates, almost all banks chose the repo rate and the liquid nature of other benchmarks might have made PNB think of adding another rate to the kitty. RBI regulations do not permit banks to use multiple benchmarks for a single category of loans. The central bank's efforts were aimed at reviving wilting credit growth owing to a mix of lack of demand and corporate deleveraging in a sluggish economy. Non-food credit declined to 7.14% in the fortnight ended 17 January compared to 7.51% in the previous fortnight.

Dated: Feb 13, 2020

- **SBI MD Arijit Basu Bats For Greater Oversight On Banks, Sans Overreach By Probe Agencies:**

  There is a need for greater oversight on banks, but overreach by probe agencies must be avoided, SBI Managing Director Arijit Basu said on Thursday. “...when you are working with public money you need to be overseen and you have to have a Central Vigilance Commission or a Central Bureau of Investigation, but there should not be overreach. I think the government also in the recent past has taken a lot of measures to assure the bankers,” Basu said. With a view to protect prudent decision making of bankers, the government last month took a slew of decisions, including doing away with personal responsibilities of MD and CEO of public sector banks (PSBs) for compliance in dealing with large value frauds committed by bank officials. Considering the complexities involved in the commercial decisions of managers in public sector firms, the Central Vigilance Commission set up the Advisory Board for Banking and Financial Frauds (ABBFF) for a mandatory first level examination on suspected frauds in excess of Rs 50 crore, involving public servants of GM rank and above, before investigations begin. In order to boost staff morale and reduce scope for harassment, Finance Minister Nirmala Sitharaman had also directed PSB heads to clear long-pending vigilance cases against their officials for alleged malpractices. The banks should form a panel headed by a general manager (GM) and it should either take decision to pursue the case with a timeline or close the file of long-pending vigilance cases, she had instructed. Talking about the current levels of non-performing assets (NPAs), Basu said banks should have been cautious in some cases. “There are two aspects to the reasons as to why this (non-performing assets) happened. One of them is rooted in the economy of the country...the other cause was the fact that when this was being done, there were certain accounts in certain cases where the banks should also have been much more cautious,” he said.

The gross non-performing asset ratio of commercial banks is seen rising to 9.9 per cent by September 2020 from 9.3 per cent as on September 2019, according to the baseline scenario in a macro-stress test conducted by the Reserve Bank of India. Basu also said the worst is behind the banking sector in terms of NPAs. “In a major way, the Insolvency and Bankruptcy Code has really helped us see that the ecosystem gets cleaned up. The legacy accounts, which were there, most of them have been addressed,” Basu said at
the Times Now Summit. He further said the retail credit growth of SBI is seen at around 18 per cent.

Dated: Feb 13, 2020

• PSBs Hit By Fraud Cases Of Rs 1.17 Lakh Crore In April-December:

A total of 8,926 cases of fraud involving Rs 1.17 lakh crore hit 18 public sector banks during the first three quarters (April-December) of the current fiscal, a reply to an RTI query has revealed. The country's largest lender State Bank of India (SBI) was the biggest hit by frauds, RTI activist Chandrasekhar Gaur told on Thursday quoting an official of the RBI who furnished replies to the RTI application. SBI reported 4,769 cases of banking frauds worth Rs 30,300 crore during the nine-month period ended December 2019. This is about 26 per cent of the Rs 1,17,463.73 crore, which is the total amount of reported cases of banking frauds in PSBs during this period, he said. In Punjab National Bank, 294 cases of banking fraud were reported during this period, with Rs 14,928.62 crore involved in it. During the period, 250 cases involving a total amount of Rs 11,166.19 crore were reported in Bank of Baroda. A total of 860 cases of fraud worth Rs 6,781.57 crore were reported in Allahabad Bank during this period, while 161 cases of fraud worth Rs 6,626.12 crore in Bank of India, it said. As many as 292 cases of fraud worth Rs 5,604.55 crore detected in Union Bank of India, 151 cases worth Rs 5,556.64 crore in Indian Overseas Bank and 282 cases worth Rs 4,899.27 crore in Oriental Bank of Commerce were reported. Besides, 1,867 cases involving total amount of Rs 31,600.76 crore were reported in Canara Bank, UCO Bank, Syndicate Bank, Corporation Bank, Bank of Maharashtra, Central Bank of India, Andhra Bank, United Bank of India, Indian Bank and Punjab and Sind Bank, it added. The RBI has not given specific details of the nature of banking fraud cases and the losses suffered by banks or their customers due to these frauds.

Dated: Feb 13, 2020

• SBI MD Shri Arijit Basu Bats For Greater Oversight On Banks, Sans Overreach By Probe Agencies:

There is a need for greater oversight on banks, but overreach by probe agencies must be avoided, SBI Managing Director Arijit Basu said on Thursday:”...when you are working with public money you need to be overseen and you have to have a Central Vigilance Commission or a Central Bureau of Investigation, but there should not be overreach. I think the government also in the recent past has taken a lot of measures to assure the bankers,” Basu said. With a view to protect prudent decision making of bankers, the government last month took a slew of decisions, including doing away with personal responsibilities of MD and CEO of public sector banks (PSBs) for compliance in dealing with large value frauds committed by bank officials. Considering the complexities involved in the commercial decisions of managers in public sector firms, the Central Vigilance Commission set up the Advisory Board for Banking and Financial Frauds (ABBFF) for a mandatory first level examination on suspected frauds in excess of Rs 50 crore,
involving public servants of GM rank and above, before investigations begin. In order to boost staff morale and reduce scope for harassment, Finance Minister Nirmala Sitharaman had also directed PSB heads to clear long-pending vigilance cases against their officials for alleged malpractices. The banks should form a panel headed by a general manager (GM) and it should either take decision to pursue the case with a timeline or close the file of long-pending vigilance cases, she had instructed. Talking about the current levels of non-performing assets (NPAs), Basu said banks should have been cautious in some cases. “There are two aspects to the reasons as to why this (non-performing assets) happened. One of them is rooted in the economy of the country...the other cause was the fact that when this was being done, there were certain accounts in certain cases where the banks should also have been much more cautious,” he said. The gross non-performing asset ratio of commercial banks is seen rising to 9.9 per cent by September 2020 from 9.3 per cent as on September 2019, according to the baseline scenario in a macro-stress test conducted by the Reserve Bank of India. Basu also said the worst is behind the banking sector in terms of NPAs. “In a major way, the Insolvency and Bankruptcy Code has really helped us see that the ecosystem gets cleaned up. The legacy accounts, which were there, most of them have been addressed,” Basu said at the Times Now Summit. He further said the retail credit growth of SBI is seen at around 18 per cent.

• **Indian Banks’ Loans Rise Over 7% In Two Weeks To January 31:**

Indian banks’ loans rose 7.1% in the two weeks to Jan. 31 from a year earlier, while deposits increased 9.9%, the Reserve Bank of India’s (RBI) weekly statistical supplement showed on Friday. Outstanding loans rose 989.26 billion rupees ($13.86 billion) to 101.03 trillion rupees in the fortnight to Jan. 31. Non-food credit rose 1.02 trillion rupees to 100.24 trillion rupees, while food credit fell 32.02 billion rupees to 788.99 billion rupees. Bank deposits rose 1.98 trillion rupees to 133.24 trillion rupees.

*Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/indian-banks-loans-rise-over-7-in-two-weeks-to-january-31-rbi/articleshow/74136923.cms*

*Dated: Feb 14, 2020*

• **SBI Not Approached By Any Telco To Finance AGR Dues, Says Chairman:**

It is incumbent on the telcos to find money and will be safe to presume that they would have made some arrangements for it by now, SBI chairman Rajnish Kumar said on Friday. He also said that the bank will be passing on all the benefits of the cash reserve ratio (CRR) reliefs on small ticket loans to the borrowers and a decision on the same will be done before April 1. The comments on telecom companies come on a day when the Supreme Court made it clear that they will have to cough up the Rs 1.47 lakh crore in adjusted gross revenue (AGR) dues and also questioned why contempt proceedings should not be initiated against those who are coming in way of implementing its order. “It is now for the telecom companies to decide how will they find the money or what course of action they will take,” Kumar told reporters on the sidelines of the annual NTLF here. “They (telcos) would have made
their arrangements is what I presume,” Kumar said, adding that it has not been approached by any of the telecom company. The payments to be made by the companies include Rs 53,000 crore by Vodafone Idea, Rs 35,500 crore by Bharti Airtel and Rs 14,000 crore by the now defunct Tata Teleservices. Kumar said the bank has a Rs 29,000 crore exposure to the telecom sector and another up to Rs 14,000 crore in non-fund based exposure which will devolve only if there is a non-payment of dues. Its gross non-performing assets include Rs 9,000 crore from the telecom sector, he said, adding that it has been provided for in full and the bank has decided not to set aside money against standard assets there. On the CRR benefit pass through, he said the next review of the external benchmark-linked rates is scheduled to take place in April 1, but an announcement will be made before that as well. The bank, at present, is calculating what exactly will be the benefit of the RBI’s move announced on February 6 and the quantum of the benefit to the end customer will be soon arrived at. Meanwhile, on the troubles of Yes Bank, Kumar said SBI also had to contend with “mess” because of its corporate lending like the private sector lender, but could absorb the impact because of its size while the smaller sized Yes Bank suffered. The impact on both the banks was “more or less the same”, he said. He claimed SBI is the biggest e-commerce player at present through its digital banking offering ‘Yono’ if one were to exclude pure-play players in the segment. The bank has done over Rs 14,000 crore of personal loans through the app and the interest and fees earned through it will help it recover the Rs 800 crore investment in the app, he said. It is on boarding an average of 70,000 users per day on Yono and will be hitting the 20 million mark soon, even before it celebrates the second anniversary of the offering, Kumar said. Taking potshots at new-age digital players, Kumar said a bank’s valuation goes up when it reports profits, while it is losses that drive the valuations for new age entities.

Dated: Feb 14, 2020

• With AGR Ruling, Banks Fear Surge In Bad Loans:

Bankers fear a possible collapse of Vodafone Idea will increase bad loans and spark a rerun of the crisis that gripped the banking sector a few years ago. Bank stocks slumped on Friday after the Supreme Court refused to give relief to telecom companies on adjusted gross revenues (AGR) dues, putting at risk the nearly Rs 30,000 crore loans to Vodafone Idea, which has repeatedly been saying that its survival will be under threat if the government does not give any relief on payment of past dues. Vodafone Idea needs to pay Rs 53,000 crore to the telecom department (DoT) on AGR dues and there are fears that the company may not be able to pay the full amount. On Friday, Vodafone Idea shares plunged 23% to Rs 3.44. Bankers say the Vodafone Idea account is a standard one as of now and the telco is paying its dues, but lenders, including State Bank of India, have a large exposure through loans and guarantees. These guarantees could come into play if the government invokes them. Brokerage house Macquarie estimates Vodafone Idea debt at Rs 1.26 lakh crore, of which Rs 90,700 crore is in the form of deferred payment liabilities and guarantees towards spectrum charges payable over 16 years. Banks which are struggling with non-performing assets (NPAs) of Reliance...
Communications and Aircel — two other telcos which are at different stages of resolution at bankruptcy courts — may now have to think of alternatives if Vodafone Idea is unable to pay. “I think now they (telcos) have to talk to the government and if it is an order from the honourable Supreme Court, then they will have to comply. We have to talk to them to understand what their plans are and they would have plans, because this is something they might have expected also. So after this order, we will ask them what are their plans to comply with the order, and whatever is the situation we are capable of handling it,” SBI chairman Rajnish Kumar told reporters on the sidelines of an event in Bengaluru. SBI’s funded exposure to telecom companies is at Rs 29,000 crore, but its largest exposure is to Vodafone Idea with Rs 11,200 crore. Private sector banks led by IndusInd Bank (Rs 5,000 crore) and ICICI Bank (Rs 1,700 crore) are the other major lenders to the beleaguered firm. Among public sector banks, Punjab National Bank has — at Rs 1,000 crore — the second highest exposure to the telco. SBI has only provided for Rs 9,000 crore of NPAs from the telecom sector and not provided for loans which are being repaid on time such as the Vodafone Idea account, Kumar said. IDFC First Bank made a 50% provision for its Rs 1,622 crore exposure to this account. “The bank has a legacy exposure of Rs 3,244 crore to this identified telecom company, of which Rs 2,000 crore is in the form of non-convertible debentures and Rs 1,244 crore is in the form of non-funded exposure (bank guarantees) for spectrum,” the bank said in its third quarter financial statement on February 4. “There has been no payment default so far from this telecom company. However, considering the financial stress in the telecom companies related to payments due to the government, the bank has taken provisioning of 50% of total exposure towards this identified telecom company which is in financial stress,” it added. ICICI Bank has also added Vodafone Idea to the below-investment grade, or BB, book but without any provisions. Telecom makes about 1.8% of ICICI Bank’s loans. “This is now an issue. It could become a bigger problem going forward especially if the company goes belly up and is dragged to the NCLT.
The bank guarantees if invoked will lead to a huge provision impact for banks,” a senior public sector bank executive said. Bankers are hoping that the Supreme Court allows companies to pay just the principal amount immediately. “The principal amount will be between Rs 7,000 crore and Rs 10,000 crore. It is the compounded interest of the 14 years which is the problem. Hopefully telecom companies will get more time to pay the whole amount if they pay the principal, that is the only hope,” said a senior private sector bank executive.

Dated: Feb 15, 2020

• ATM Operators Seek Higher Fees On Withdrawals:

India’s ATM operators’ association has written to the Reserve Bank of India (RBI) seeking a hike in the interchange fee paid by customers on cash withdrawals, saying their businesses will “bleed.” This could significantly impact the rollout of new ATMs in a country already battling low teller machine penetration. The contention of these operators is that the RBI’s increased compliance standards on security and maintenance have increased the cost of running the teller machines without a corresponding increase in the revenues these companies make through fees accrued. The current interchange fee has been set by RBI at Rs 15 per transaction with a cap of five free transactions per customer, which the Confederation of ATM industry, or CATMi, feels is not enough for sustenance of daily operations. “The continued bleeding is not only impacting the viability of ATM businesses but has significantly slowed down new rollouts both by banks and white label ATM operators,” said the February 13 letter addressed to a senior RBI executive. “In the meanwhile, RBI has been relentless in demanding implementation of various compliance/control measures such as rollout of EMVs, etc, which is further impacting sustainability of industry players.” A high-level committee set up by the RBI earlier in 2019 to recommend ways to increase ATM penetration in the country had submitted its findings to the central bank in December. The primary recommendation of the six-member committee was to hike the interchange fee, sources with direct knowledge of the matter told ET. For urban areas where the population is more than 1 million, the ATM committee has recommended an interchange fee of Rs 17 on financial and Rs 7 on non-financial transactions. It has also suggested capping free ATM withdrawals to three. For rural and semi-urban areas where the population is less than 1 million, the committee has recommended an interchange fee of Rs 18 for financial and Rs 8 for non-financial transactions, while free transactions could be six. The RBI committee was headed by Indian Banks’ Association chief VG Kannan and included NPCI chairman DilipAsbe, two senior CATMi representatives, SBI chief general manager GK Nair and HDFC liabilities head G Sampath Kumar. Meanwhile, sources told ET that deliberation on the scope of implementation of these recommendations is yet to get underway at the central bank level even as the industry is widely expecting a positive follow up on the committee report.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/atm-operators-seek-higher-fees-on-withdrawals/articleshow/74144096.cms
Dated: Feb 15, 2020
• **YONO Largest Consumer Platform After E-Commerce Companies, Says SBI Chief:**

SBI’s digital banking platform YONO is the largest consumer platform outside of the ecommerce companies in India, according to its chairman, Rajnish Kumar. “Today, outside the ecommerce players, we are the largest ecommerce platform,” Kumar said at the Nasscom Technology and Leadership Conference in Mumbai on Friday. “I have more than 100 partners and they are growing. Today, I do a huge number of redirections to Amazon, IRCTC, Flipkart. I track this actively every day.” YONO, an acronym for “You only need one”, has launched shopping festivals and offerings such as cardless cash withdrawal at SBI ATMs. “Everybody wants to be part of the journey and we have big plans around it. Every day, we get about 70,000 new registered users. In less than 24 months, I am now close to 20 million registered users,” Kumar said, adding the bank is already seeing returns on its Rs 800 crore investment in the platform. “We have built a balance sheet of about Rs 14,000 crore personal loans, which is paying us back almost the entire cost of building the platform,” Kumar said. On how the bank is faring amid competition from digital payments companies, Kumar said, “We have fared very well. My advantage is that they have to look for customers; I already have customers.”


Dated: Feb 15, 2020

• **Govt Closely Monitoring Agriculture Credit Given By Banks:**

Finance Minister Nirmala Sitharaman on Saturday said the government is monitoring farm credit given by banks in rural areas, adding that she expects to meet the increased target of Rs 15 lakh crore for the next fiscal. The government in Budget 2020-21 has raised the farm loan disbursal target by 11 per cent to Rs 15 lakh crore for the next fiscal and allocated Rs 1.6 lakh crore to implement various plans in agriculture and allied sectors as it chases the goal of doubling farmers income by 2022. The government has allocated Rs 75,000 crore for the PM-KISAN scheme for the next fiscal, which is same as the budget estimate for this fiscal but higher than revised estimate of Rs 54,370 crore. “Credit limit has been expanded. I am sure it is based on local ground level requirement...we expect the demand to grow and credit requirements to also meet up with it. I am actually closely monitoring banks and their extension of credit facility particularly to rural areas. So I think we’ll be able to meet that,” she told reporters after addressing the central board of RBI here. The farm credit target for the current fiscal has been set at Rs 13.5 lakh crore. Normally, farm loans attract an interest rate of 9 per cent. But the government is providing 2 per cent interest subsidy to ensure farmers get short-term farm loan of up to Rs 3 lakh at an effective rate of 7 per cent per annum. With regard to proposed mega consolidation of public sector banks, the finance minister said there was no discussion on the issue at the RBI board meeting on Saturday. “I don’t see any reason to go back or any reason which is particularly causing any delay for any notification...you will hear on it as it when it comes,” she said. Last year in August, the government announced merger of 10 public sector banks into four. United Bank of India and Oriental Bank of Commerce are to be merged with Punjab National Bank, making the proposed entity the second largest public sector bank (PSB) from April...
1 this year. It was also decided to merge Syndicate Bank with Canara Bank, and Allahabad Bank with Indian Bank. Similarly, Andhra Bank and Corporation Bank are to be consolidated with Union Bank of India. In April 2019, Bank of Baroda, in the first three-way merger exercise, amalgamated Vijaya Bank and Dena Bank with itself. SBI had merged five of its associate banks -- State Bank of Patiala, State Bank of Bikaner and Jaipur, State Bank of Mysore, State Bank of Travancore and State Bank of Hyderabad as well as Bharatiya Mahila Bank with itself effective April 2017.


Dated: Feb 15, 2020

• **SBI Says It’s Prepared For The Worst:**

State Bank of India chairman Rajnish Kumar on Friday said the bank was prepared for the worst following the Supreme Court order asking telecom companies to immediately pay adjusted gross revenue (AGR) dues to the government. SBI has Rs 29,000-crore loan exposure to telecom, the largest among Indian banks. Shares of SBI fell 8%, while other lenders with large exposure to telcos like Yes Bank and IndusInd Bank also dropped up to 5% on Friday. Analysts fear that the SC order could lead to a Vodafone Idea shutdown. “It may result in Rs 1.2-lakh-crore debt default, large-scale job losses and subscriber churn,” said Motilal Oswal in a report. Addressing reporters on the sidelines of the Nasscom Software summit here, Kumar said: “Our exposure to them is Rs 29,000 crore. After this order we will ask them what their plans are to comply with the order and whatever is the situation, we are capable of handling it.” He added that he expected the telcos to have identified “a course of action” as the order was known for some time. So far, SBI has provided only for non-performing assets (NPAs) in its telecom loans. “We had NPAs of about Rs 9,000 crore and there is recovery expected there. On the standard assets, we did not feel the need to provide,” said Kumar. Besides the loans, SBI has an additional Rs 14,000 crore of non-fund exposure, which includes guarantees to the government, where the telcos have not defaulted. “It is now for the telecom companies to decide how to find the money or what course of action they will take,” said Kumar. Analysts had earlier expected that the government would provide relief to the telcos. The Centre is counting on Rs 90,000 crore of spectrum dues from Vodafone, which in turn owes banks Rs 30,000 crore. Given that the promoter’s investment in the company is Rs 15,000 crore there is a likelihood that Vodafone and Aditya Birla group will walk away. In December last year, Aditya Birla Group chairman Kumar Mangalam Birla had said that Vodafone Idea may have to shut down if there is no relief in the statutory dues. If Vodafone shuts shop, it is seen to benefit Reliance Jio and Airtel. “Bharti is relatively well placed considering Rs 18,800-crore cash on books and its ability to raise requisite capital. In the absence of any government support, we see this market heading towards a duopoly, which is likely to boost Bharti’s market share,” said Sandip Agarwal of Edelweiss Research. Last month, India Ratings had downgraded Vodafone India from ‘IND BBB-’ from ‘IND BBB’ and retained on rating watch with negative implications. “The downgrade reflects the crystallisation of adjusted gross revenue related liabilities for Vodafone Idea after the Supreme Court’s adverse ruling on January 16, 2020, dismissing the review petition filed by telcos. The SC ruling provides clarity on the
liabilities that are payable by Vodafone Idea to the department of telecommunications, which was earlier contingent upon the outcome of the review petition,” said Priyanka Bansal, senior analyst with India Ratings after the January 16 decision.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/telco-distress-call-sbi-says-its-prepared-for-the-worst/articleshow/74145646.cms

Dated: Feb 15, 2020

• Govt To Infuse Rs 1,300 Cr In Exim Bank Next Fiscal:

The government has decided to pump Rs 1,300 crore into state-owned Export-Import Bank of India (Exim Bank) to fund its business growth. Last year, the government doubled its authorised capital from Rs 10,000 crore to Rs 20,000 crore. “The (Rs 1,300 crore) provision is for Exim Bank as equity support/ subscription to increase the paid up capital of the bank to the level of its authorized capital,” as per the Budget documents presented in Parliament earlier this month. This is Rs 350 crore higher than provision made by the government for the current fiscal. The government earmarked Rs 950 crore capital infusion for the bank. Exim Bank is the principal export credit agency in India and the infusion will give an impetus to new initiatives such as supporting Indian textile industries, likely changes in the Concessional Finance Scheme, likelihood of new letters of credit in future in view of the country’s active foreign policy and strategic intent. Established in 1982, Exim Bank is the apex financial institution for financing, facilitating and promoting the country’s international trade. The bank primarily lends for exports from India, including supporting overseas buyers and Indian suppliers for export of developmental and infrastructure projects, equipment, goods and services from India.


Dated: Feb 16, 2020

• Resolutions Via IBC See A Big Fall In Third Quarter:

Realization by financial creditors through the Insolvency and Bankruptcy Code (IBC) has fallen drastically in the fiscal third quarter, resurfacing industry concerns over slowing recoveries that are increasingly prompting lenders seek out-of-court settlements. Data from the Insolvency and Bankruptcy Board of India (IBBI) showed that financial creditors realized just 12% of their claims in the quarter-ended December, down from 34% in the quarter-ended September. The statistics are published each quarter. During the quarter-ended December, a total of 30 cases were resolved with realization ranging from just 5% on Rs 218 crore of claims for Ambey Iron to 90% on Rs 13 crore of claims. Two large cases, namely EMC where Rs 6,150 crore of claims were admitted and Ushdev International where Rs 3,293 crore of claims were admitted, yielded just 9% and 6%, respectively, pulling down the total for the quarter. Bankers say realizations through the IBC are falling as the companies under review are mostly service linked, with lower chances of recovery. “Some of these companies don’t have the potential because they are service companies or EPC type companies. Manufacturing companies which are continuing as a going concern have a higher recovery potential but many of them have already completed the process,” said Pallav Mohapatra, CEO at Central Bank of India. Bankers said falling recoveries
from the IBC and delays in resolution have pushed them to seek solutions out of the courts. “It has been noted that if a promoter is involved in the company which is a going concern and has some intellectual property (IP) to offer and is ready to put some skin in the game then we are better off in doing some one-time settlement or restructuring. Realisation in these cases is lower through the NCLT route and banks will increasingly look to settle them out of court,” Mohapatra said. The high number of cases going into liquidation is also a concern. Until December, 58% of all closed cases (780 out of 1,351) were settled via liquidation. However, the data show that there is now finally some urgency in admitting cases. A total of 561 cases were admitted during the quarter, the second highest number since data are available and following the 565 admitted in the quarter ended September. “In the last two quarters, there has been a sense of urgency in courts taking up cases, particularly with regards to financial creditors. Additional benches put up across the country have helped. This has resulted in a lot of backlog of admissions being cleared in the last two quarters,” said KP Sreejith, managing partner, IndiaLaw LLP. However, the slow pace of resolution continues to be a deterrent. Out of 1,961 ongoing admitted cases, 635 cases have passed 270 days since admission, while another 247 cases have crossed 180 days since admission.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/resolutions-via-ibc-see-a-big-fall-in-third-quarter/articleshow/74166885.cms
Dated: Feb 17, 2020

• **Bank Of England Has Some Lessons For Reserve Bank Of India On How To Revive Growth:**

First it was the Federal Reserve. Then the European Central Bank. Now, India’s monetary authority may look to the Bank of England for ideas to revive growth, economists say. The Reserve Bank of India could possibly draw inspiration from BOE’s Funding for Lending Scheme to jump start loan growth in the economy that’s set for its weakest expansion in 11 years, said A Prasanna, chief economist at ICICI Securities Primary Dealership Ltd. in Mumbai. The central bank has so far taken a leaf each from the Fed and the ECB’s books to manage bond yields using unconventional tools, as galloping inflation keeps it from cutting interest rates. In December, the RBI announced a Fed-style ‘Operation Twist’ buying long-dated bonds and selling the shorter tenor ones. This week, it will start long-term repo operations to inject $14 billion into the financial system, inspired by the ECB’s use of long-term loans to banks. Both measures are aimed at pulling down corporate borrowing costs that are benchmarked to the sovereign bond curve, analysts say. “It makes sense that the RBI is looking at tools that have been tested by other central banks,” said Rishi Mishra, an analyst at trading firm Futures First in Gurugram, near New Delhi. “As long as they apply it
correctly in the Indian context, it should yield results.” Under the FLS, Prasanna said, the BOE accepted eligible collateral from banks and building societies at a haircut and swapped it for nine-month Treasury bills that could be rolled over for up to four years. The operation lowered funding costs for banks and increased net lending to the non-financial sector, he said. The RBI’s five rate cuts last year failed to spur credit demand, mainly because banks grappling with bad loans failed to fully pass on the reductions. The weighted average lending rate on new rupee loans sanctioned by banks declined by 69 basis points while those on outstanding rupee loans fell by 13 basis points during February-December – less than the 135 basis points of cuts by the RBI during that period. “It is because the banking and financial system plumbing is blocked in India, conventional interest rate signals are not gaining any traction,” said ICICI’s Prasanna. “RBI’s actions like Operation Twist and LTROs are intended to break this logjam.” Despite the glut, loan growth is languishing near two-year lows, forcing the central bank to experiment with more uncommon methods to boost credit while keeping borrowing costs low. That is not an easy task because India’s huge public debt overhang crowds out private investment. Governor Shaktikanta Das told reporters earlier this month that the central bank has more tools than the regular repurchase rate at its disposal. That meant he would take more steps to ensure that policy transmission is effective. That makes lessons from the developed nations’ central banks all the more valuable for the RBI. “Some 15 years ago, one couldn’t think of this,” said TaimurBaig, chief economist at DBS Bank in Singapore. “But as India is part of the G-20, we are seeing it increasingly adopt lessons from other central banks.”

Dated: Feb 17, 2020

- **Visa Says OTP Not Needed For ‘Routine’ Transactions:**

Global card network provider Visa aims to phase out the two factor authentication (2FA) process on routine card transactions during digital checkouts and replace the scrutiny layer with a risk based prompt, where transactions deemed unusual or risky by banks would be vetted through a One Time Password (OTP) check. For this, Visa plans to hold discussions with domestic regulators, and its banking partners on how over time the 2FA norms can be relaxed and brought in line with global best practices, a top company executive told ET. This has been highlighted in the California-based network operator’s multi-prong security roadmap for its Asia Pacific markets for enhancing resilience of digital payments. “We think 2FA is important but what we think is even better is using 2FA in a risk-based manner,” said Joe Cunningham, head of risk, Asia Pacific, Visa. “The real growth of our industry is happening through the ecommerce space. To give consumers a wonderful experience some friction needs to be removed.” Typically, transactions through debit and credit cards on these platforms are authenticated through two security layer process known as the 2FA. The first clearance happens once the consumer reconciles card details for which the card CVV and expiry date is sought. The second step of authentication happens through a password based vetting typically through an OTP, which Visa feels is not necessary for all transactions as most of them are “routine.” The alternative proposed is a risk based monitoring of transactions through
a data vetting standard called EMV 3D secure, which have been adopted in several countries over the recent years, including Singapore and Australia. “If you take a risk-based approach, the vast majority of transactions will go through seamlessly as most are low risk and are typically low value and from an IP address you know very well,” said Cunningham. “We should allow these transactions to flow more fluidly and encourage the adoption of digital payments and ecommerce; only in cases where our clients (banks) deem these transactions to be a prior risk then a prompt is required for an extra factor authentication.”


Dated: Feb 18, 2020

• India’s Media Space Set To Raise Awareness With ‘UPI Chalega’ Campaign:

India’s Unified Payments Interface (UPI) is all set to get its ‘Mutual Fund Sahi Hai’ moment. Awareness campaigns and adoption drives for popular payments interface is set to flood India’s media space as regulators and government bodies such as the National Payments Corporation of India (NPCI), MeitY and Ministry of Home Affairs (MHA) will collaborate with industry players to bring about a behavioural change in how Indians transact and make UPI a household name. NPCI, in association with leading banks and payment companies, has hired global advertising agency Ogilvy and Mathers for a nationwide campaign to drive adoption of the popular fund transfer interface. The UPI, which is a real time fund transfer interface, has significantly scaled since its launch in August 2016 when 92,000 transactions worth Rs 3.1 crore were processed on the NPCI operated platform to over 1.3 billion transactions worth Rs 2.16 trillion in January 2020. “The ‘UPI Chalta Hai’ campaign is aimed to guide users towards the right usage of UPI and help create a habitual change, use of UPI in their daily life,” NPCI said in a note shared with ET. “The campaign also focuses on safety aspects while transacting on UPI enabled apps.” In the process a microsite UPIChalega.com has also been setup where users can access information about live banks and third-party apps on the interface as well as social feeds among other information on safety and redressal mechanisms in case of frauds. “This is possibly the first time that banking, payments and fintech players are coming together with NPCI to promote safe usage of UPI via a massive multi-media campaign that aims to provoke interest as well as educate in an engaging manner,” said KarthiMarshan, chairman of the Financial Literacy and Awareness Campaign Committee and chief marketing officer, Kotak Mahindra Group. Meanwhile, Data Security Council of India (DSCI) in partnership with Google India and MeitY early last year launched a multilingual awareness campaign called the Digital Payments Abhiyan to promote financial safety on internet. Leading industry players such as HDFC Bank, SBI, Visa, Paytm, MasterCard and NABARD are part of the outreach programme which till January has made 21 million unique impressions, a DSCI spokesperson said. “The campaign is supported in seven different languages with collaborations from leading industry participants,” the spokesperson said. “We plan on making 43 million impressions for the by the end of February in abid to promote healthy internet behaviour and drastically reduce cases of consumer frauds which will help drive UPI adoption even further,” the spokesperson said.
IDBI Bank, UCO Bank, Central Bank Seek RBI Nod To Exit PCA Framework:

IDBI Bank, UCO Bank, and Central Bank of India have approached the Reserve Bank of India (RBI), seeking permission to exit the prompt corrective action (PCA) framework, according to a report in the Financial Express on Thursday. “It’s possible that one bank may be brought out of PCA by the end of this month,” the report said, citing a source.

The three banks were placed under the PCA framework, which puts partial restrictions on loan disbursements, after a massive asset quality deterioration, losses in the books and lower capital levels. The Life Insurance Corporation of India-owned IDBI Bank has met all but one of the criteria for coming out of PCA, the report said, adding that the bank’s return on assets (ROA) was negative at -7.63% for the quarter ended December 2019, while the RBI’s PCA framework requires the ROA to be above 0.25%. But the bank’s net non-performing assets (NPAs) remained at 5.25% in the December quarter below the 6% threshold set by RBI, while capital adequacy ratio moved to 12.56% after LIC pumped in over ₹30,000 crore into the bank to take a majority stake. The RBI threshold of capital adequacy ratio is 11.5%. The bank’s Tier-1 capital is also comfortable at 10.16%, which is above the RBI requirement of 8%. Asset quality of UCO Bank and Central Bank of India, however, remained weak during the December quarter. While Central Bank of India reported net NPAs at 9.26%, UCO Bank posted net NPAs at 6.34% in the December quarter. Similarly, ROA for UCO Bank and Central Bank of India remained below RBI’s requirement of 0.25% at -1.52% and 0.19%, respectively. However, in terms of capital adequacy, Central Bank of India remained above RBI’s requirement of 11.5% with a CAR of 12.83%. The CAR for UCO Bank remained at 10.27% in the third quarter of FY20.

Efforts Of Banks Under PCA Framework Are Being Monitored:

Reserve Bank of India Governor Shaktikanta Das has said four banks under the Prompt Corrective Action (PCA) framework are taking efforts and they are being monitored. 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. “We would like them to improve their performance and come out of PCA as quickly as possible. We are engaged with the banks. We are monitoring it. They are taking efforts. Banks are required to take several actions to come out of the PCA, and that is being monitored,” Das told PTI in an interview. Recently, the government announced capital infusion of Rs 11,521 crore into these four banks, with IOB getting the highest amount of Rs 4,360 crore. Central Bank of India got Rs 3,353 crore, UCO Bank Rs 2,142 crore and United Bank of India Rs 1,666 crore. Besides, LIC-controlled IDBI Bank too received additional capital of Rs 4,557 crore through the first supplementary demands for grants approved by Parliament in December. Last year, the RBI removed five banks — Bank of India, Bank of Maharashtra, Oriental Bank of Commerce, Allahabad Bank and Corporation Bank —
from the PCA framework in two phases after capital support from the government that resulted in improvement in their financial parameters. The capital infusion helped these lenders meet requisite capital thresholds and reduce their net NPA levels to below 6 per cent. Out of the 11 banks put under the PCA framework last year, Dena Bank ceased to exist as a separate entity after its merger with Bank of Baroda in April, while IDBI Bank has been acquired by LIC. With regard to the proposed mega merger of public sector banks announced by the government, the governor said, the RBI has advised the lenders to take special measures to ensure that the normal activities do not face any disruption. “The normal activity in terms of loan sanction in terms of recoveries and other activities are affected because of the merger process. So, and we are monitoring that, we will monitor that,” he said. Last year in August, the government announced the consolidation of ten public sector banks (PSBs) into four mega state-owned lenders. As per the plan, United Bank of India and Oriental Bank of Commerce would merge with Punjab National Bank, making the proposed entity the second largest public sector bank (PSB). It was decided to merge Syndicate Bank with Canara Bank, while Allahabad Bank with Indian Bank. Similarly, Andhra Bank and Corporation Bank are to be consolidated with Union Bank of India. In April 2019, Bank of Baroda in a first three-way merger exercise amalgamated Vijaya Bank and Dena Bank with itself. The SBI had merged five of its associate banks - State Bank of Patiala, State Bank of Bikaner and Jaipur, State Bank of Mysore, State Bank of Travancore and State Bank of Hyderabad and also BharatiyaMahila Bank with itself effective April 2017.

Dated: Feb 22, 2020

• Mega Bank Consolidation, Meeting April 1 Deadline Appears Challenging:

With the deadline of April 1 fast approaching for the mega merger of ten public sector banks, there seems to be more odd in the way of meeting the target date as a series of regulatory approvals and clearances are still pending, bank officials said. Even after Cabinet approval to the proposed mega merger plan, officials said, fixation of share swap ratio, shareholders consent and other regulatory approvals are expected to take at least 30-45 days. It is believed that the Prime Minister’s Office (PMO) has sought details from these lenders about their financial projections for the next three to five years. Details in respect of NPAs, capital requirement, credit growth and cost savings on account of the mergers have been asked for, officials said. So, chances of the merger becoming a reality beginning next fiscal year seems little unrealistic at the moment, a senior public sector bank official said. Besides, regulatory nods, the Scheme of Amalgamation has to be laid before Parliament for 30 days for the perusal of the members. The second-half of the Budget session is scheduled to start on March 2. Last year in August, the government announced the consolidation of ten public sector banks (PSBs) into four mega state-owned lenders. As per the plan, United Bank of India and Oriental Bank of Commerce would merge with Punjab National Bank, making the proposed entity the second largest public sector bank. It was decided to merge Syndicate Bank with Canara Bank, while Allahabad Bank with Indian Bank. Similarly,
Andhra Bank and Corporation Bank are to be consolidated with Union Bank of India. According to a senior banker, information technology integration of Vijaya Bank and Dena Bank with Bank of Baroda is still in process even after 10 months of merger. In addition, the HR issues still continue to hamper business, causing inconvenience to customers. Moreover, the mega merger would create greater disturbance in the banking system and will affect the operation especially loan sanction as there will be chaos initially for few months, the official added. Bank unions are also opposing the move saying merger is not a solution to the banking sector problem and slowdown in economy. Rather than consolidation, there is a need for expansion, All India Bank Employees’ Association (AIBEA) general secretary C H Venkatachalam said. The past merger carried out by banks are yet to show results and the proposed massive consolidation exercise will be catastrophic for the banking system at this point of time when the economy is in a downturn, he stated. Terming the government decision on consolidation as illegal, All India Bank Officers’ Confederation general secretary Soumya Datta claimed that the decision was taken in the absence of full board. There was no representation from officers and staff in the board of any of these ten banks so decision is illegal, he further claimed. According to a senior official of Oriental Bank of Commerce, the grouping of banks in the consolidation plans does not appear to be logical as it would lead to large scale closure of branches than expansion of banking services. For example, the official said the merger of Syndicate Bank with Canara Bank would lead to large scale closure of branches as both are Karnataka-based and have strong presence in South India. The merger of Oriental Bank of Commerce with Punjab National Bank and Andhra Bank with Union Bank of India will have similar issues, the official said. As regards IT platform, the official said, although the software system is same, versions are different. So the technology upgradation will take a minimum of nine months to two years, depending on the size of the banks. However, Finance Minister Nirmala Sitharaman earlier this month said that she saw no reason to go back on the government’s mega merger plan for banks. “I don’t see any reason to go back or any reason (which is) particularly causing any delay in the notification. You will hear on it as and when a decision is made,” she had said. In December last year, RBI had opined that the country could create some global banking majors if the ongoing mergers of state-owned banks achieve desired impacts of creating stronger and well-capitalised lenders of global scale. “The merger of PSBs is likely to transform the face of our banking sector with the emergence of stronger, well-capitalised banks aided by cutting-edge technology and state-of-the-art payment systems. Our banks have the potential to become global banking leaders,” the Reserve Bank of India said in its annual report on ‘trends & progress of banking 2018-19.’

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/mega-bank-consolidation-meeting-april-1-deadline-appears-challenging/articleshow/74265244.cms
Dated: Feb 23, 2020

**SBI’s Risk Head Anil Kishora Is Top Favourite For CEO Post At Troubled LVB:**

State Bank of India’s chief risk officer Anil Kishora is the frontrunner to take over as CEO of the troubled Lakshmi Vilas Bank (LVB) after the Reserve Bank of India cleared his name for the post earlier this month, four
people familiar with the matter said. Kishora, who has spent 38 years at SBI, retires from the bank in May. It is unclear whether he will join the bank immediately or wait to complete his full term at SBI. “The bank has got a RBI clearance but it is yet to make a formal offer to Kishora, who himself is in two minds whether to take up this offer or not. These procedural issues could delay the appointment of the new CEO,” said one of the persons cited above. Kishora did not respond to calls and messages on his phone. LVB is headless since its then CEO Parthasarathi Mukherjee quit abruptly in late August. Later, the bank’s planned merger with the cash rich Indiabulls Housing Finance also failed to pass the central bank’s muster. Currently, the bank’s CFO S Sundar, is in charge as interim CEO. “Kishora was among three names sent to the RBI for approval and the central bank has approved his name. We are hoping to complete this process by the end of March or early April,” said a second person aware of the developments in the bank. Besides a CEO, the bank is also looking to fill the position of an executive director that has been vacant since NS Venkatesh quit to head Association of Mutual Funds in India (AMFI) in October 2017. “Three names have been sent to RBI for the ED position. They are former Canara Bank chief general manager SS Bhat, senior Kotak Mahindra Bank executive Murali Krishna and former State Bank of Mauritius executive Siby Sebastian. These names were sent in early December and we expect the RBI to come back to us by this month,” said the second person cited above. The search for top executives for the Chennai-based bank is on even as it is in desperate need for capital due to a persistent rise in NPAs in the past one year. Results released earlier this month showed the bank made ₹334 crore loss in the quarter ended December 2019 mainly due to the Rs 290 crore provisions it had to make for NPAs in the quarter. Gross NPAs have increased to 23.27 per cent from 13.95 per cent a year ago. More importantly, the bank’s capital adequacy ratio, a measure of the bank’s financial strength, has deteriorated to 3.46 per cent in December 2019 from 5.56 per cent in September 2019 and 6.46 per cent in June 2019. It is the lowest among private sector banks that have reported numbers so far and much lower than the minimum 8 per cent required.


Dated: Feb 24, 2020

• **US Firm Hughes Fears Closure Over Unpaid Fees, Banking Services Across India Could Be Hit:**

US satellite broadband provider Hughes Network Systems may have to shut its Indian operations due to unpaid levies owed to the government, which could put thousands of banking services at risk, a company letter seen by Reuters showed. The Supreme Court late last year ordered a number of telecom companies, including Hughes and larger firms like Vodafone, to pay billions of dollars owed to the government. Hughes’ India unit provides services to defence, education and banking sectors in the country and told the telecom ministry in a letter dated February 20 that it faces bankruptcy as it can’t pay the Rs 600 crore ($84 million) it owes. The closure of the company could disrupt connectivity at more than 70,000 banking locations and many critical satellite networks in the Indian navy, army and railways, Hughes’ India President Partho Banerjee said in the letter, which was seen by Reuters. “We are
facing a huge demand... which by no means is serviceable by us and is in fact pushing our company towards bankruptcy & closure,” Banerjee wrote in the letter. “This is an SOS request,” he added. The company says the government’s telecoms department had made an incorrect calculation of the dues more than a decade ago which has ballooned to $84 million with interest and penalties. Hughes, when approached by Reuters for comment, would not comment on the substance of the letter but said in a statement it “remains committed to India” and would continue to provide services to its customers. India’s telecoms ministry did not respond to a request for comment. Vodafone Idea, which owes $3.9 billion in dues, interest and penalties, has already warned of a potential exit, putting at risk 13,000 employees and billions of dollars in bank loans. India’s claim for unpaid dues followed a dispute with companies over how adjusted gross revenue, a percentage of which companies need to pay to the government as fee, was calculated. While the $84 million Hughes owes is significantly smaller than the sums owed by larger peers, a company document from December showed it was still more than three times its net worth in India. “This, if not resolved, will make the operation unviable thus rendering many customers like banks, other enterprises and critical government networks without any connectivity,” the company said in a separate December letter to the government. Hughes, which is part of U.S.-based satellite group Echostar Corp, said in December 2018 it had been chosen to provide high-performance satellite broadband system for India’s naval communications network. The company also provides communication services to more than 30 public and private banks in India, according to its website.


Dated: Feb 24, 2020

• **Slowing Credit Offtake One Of The Major Challenges For Banks:**

Reserve Bank Governor Shaktikanta Das on Monday said slowing credit growth is one of the major challenges that banks are facing currently. Loan growth in the system is hovering around 7 per cent. “Slowing credit offtake is one of the challenges that banks are facing,” Das said at the Mint annual banking conclave here. He also asked banks to be prudent in lending and highlighted that the quality of appraisal is important. He said that the RBI proposes to take thematic studies across financial institutions. “Top 50 NBFCs are monitored very closely,” he pointed out. Speaking about NBFCs, he said that credit flow to small NBFCs have improved over the last one year. “Flow of credit has stabilized and is showing steady improvement,” Das said. Credit flow to realty sector needs to improve, he added. He mentioned that the issue of governance in public and private sector banks is of utmost importance and the management of banks have a critical role to play in improving the governance. He noted that the regulations are in compliance with Basel III guidelines.


Dated: Feb 24, 2020

• **RBI’s New Moto ‘Cash Is King, But Digital Is Divine’:**

With ‘cash is king, but digital is divine’ moto, the Reserve Bank on Monday said its endeavour will be to make digital payments
a divine experience for the users after being buoyed by over Rs 3.5 lakh crore reduction in the notes in circulation (NIC) post demonetisation. In its assessment of the progress of digitisation from cash to electronic, the RBI said while there is no accurate measure of cash payments in the country, the progress of various digital payments can be measured accurately. Overall, the digital payments in the country have witnessed a growth (CAGR) of 61 per cent and 19 per cent in terms of volume and value, respectively over the past five years, demonstrating a steep shift towards digital payments. “Cash still rules but is increasingly seen as a way to store value as an economic asset rather than to make payments,” it said.

It further said NIC increased at an average rate of 14 per cent between October 2014 and October 2016. Assuming the same growth rate, NIC would have been Rs 26,04,953 crore in October 2019. “NIC, however, was Rs 22,31,090 crore, indicating that digitalisation and reduction in cash usage helped reduce NIC by over Rs 3.5 lakh crore,” the central bank said. Notes in circulation is currency in circulation (CIC) minus coins in circulation. The study further said that it is assumed that having high CIC relative to GDP indicates that cash is highly preferred as a payment instrument. Based on this assumption, India continues to have a strong bias for cash payments. Demonetisation and an active growth in GDP brought down the cash in circulation as a percentage of GDP to 8.7 per cent in 2016-17,” it said. “This increased to 10.70 per cent in 2017-18 and to 11.2 per cent in 2018-19 which, however, is less than the pre-demonetisation level of 12.1 per cent in 2015-16. The rate of increase is lower indicating a perceptible shift away from cash,” it said. The RBI said a large population of the country historically lacked access to personal bank accounts and credit lines. Digital payment methods have played a large role in helping them manage their personal finances leading to their being financially included. “Speed, convenience and competition are shaping the future of payments. Our endeavour is to make digital (payments) a divine experience to the users - Cash is King, but Digital is Divine,” the study said. India’s growing use of retail digital payments, along with the radical reconstruction of its cash economy, indicates a shift in its relationship with cash. This is evidenced by the steep growth observed in the retail digital payments. Increasing acceptance and convenience of digital payments vis-a-vis cash is also reflected in decrease in average value per digital payment transaction,” the RBI said. The government had demonetised the prevailing high value denomination notes of Rs 500 and Rs 1000 in November 2016 with an aim to check blackmoney and move towards less cash economy.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rbis-new-moto-cash-is-king-but-digital-is-divine/articleshow/74288195.cms
Dated: Feb 24, 2020

- **No Role In Management-Staff Disputes, RBI To Gujarat:**

The Reserve Bank of India on Tuesday told the Gujarat High Court that it has no role to play in disputes between concerned banks and their employees. The RBI was responding to a PIL seeking the HC’s direction to the central bank to direct banks to take action against their employees for joining union-led strikes as it caused great financial damage to the nation and adversely affected consumers. The RBI told the division bench of Chief Justice Vikram Nath and Justice AJ Shastri that it had no role to play in disputes...
between banks and their staff, and the issue was not policy-related where it can intervene. It further told court that each bank had its service rules and the RBI had no control over the staff of these lenders. The matter was adjourned after the lawyer for the employees’ union said a meeting was scheduled with banks to resolve the matter. The PIL has been filed by seven industry outfits, including Gujarat Traders Federation, and the chambers of commerce and industry of Rajkot, Bhavnagar, Gondal, Sorath, and Central Gujarat, as well as Ahmedabad Automobile Dealers Association. The PIL sought the court’s direction to the RBI “to issue circular or directions to banks to take strict action against employees who go on frequent strikes”. The PIL contended that bank consumers, trade and industry suffered due to the tussle between government and bank employees which led to such strikes. “The employees of banks can achieve their demands of wage revision, etc. as per the provisions of the law and not by declaring strikes, which cause great financial damage to the nation as a whole and the public at large,” they said. The petitioners were referring to the strikes called by bank union on January 31 and February 1, followed by a three-day strike from March 11-13, and indefinite strike from April 1, mainly over their demand for wage revision.

Dated: Feb 25, 2020

• RBI Lifts Ban, Allows Bandhan Bank To Open Branches:

The Reserve Bank of India Tuesday allowed Bandhan Bank to open branches without its prior approval, lifting a ban imposed on the lender for failing to reduce promoter ownership below the mandated 40%. Bandhan Bank’s current promoter holding at 61% is still above the regulatory ceiling. However, RBI has removed the restriction “considering the efforts made by the bank to comply with the said licensing condition”, the Kolkata-based bank said in a regulatory filing to stock exchanges. The easing of curbs has come within a month of RBI allowing Kotak Mahindra Bank’s founder Uday Kotak to own a higher 26% stake than the earlier regulatory stipulated of 15%. Bandhan Financial Holdings Ltd is the holding company and promoter of the Bandhan Bank. Its holding was diluted to 61% from 82% after the acquisition of Gruh Finance last year. RBI first came down heavily on Bandhan Bank on September 28, 2018, including a freeze on its founder-cum managing director Chandra Shekhar Ghosh’s salary at the September 2018 level. The removal of the restriction has a condition attached: at least a quarter of the new banking outlets to be opened in a financial year must serve unbanked rural centres. After the RBI bar on free branch opening, the bank opened as many as 72 branches with prior RBI’s approval.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-lifts-ban-allows-bandhan-bank-to-open-branches/articleshow/74308171.cms
Dated: Feb 26, 2020

• RBI’s Gradual Shift From Transparency To Forbearance Towards Stressed Sectors:

In November 2013, the then central bank Governor Raghuram Rajan had warned banks against dressing up loans, likening the practice with “putting lipstick on a pig” (that) “will not make a princess.” His stance marked the beginning of the end of
forbearance. Rajan’s successor Urjit Patel, too, continued with the tradition of nixing proposals that kicked the can down the road. But the new RBI regime under Shaktikanta Das has been different. It has already allowed banks to extend the MSME loan recast scheme and allowed restructuring of loans to the real estate sector. “The RBI announcement of forbearance towards stressed sectors signifies a gradual shift away from the regulator’s earlier efforts to enhance the quality and transparency of asset classification in the Indian banking system,” said Saswata Guha, director, financial institutions, Fitch Ratings. “There is a risk that such regulatory forbearance will perpetuate moral hazard, as it follows aggressive lending growth and risk-taking in certain sectors.” Indian banks have a poor track record with restructuring. The RBI’s asset quality reviews in FY16 and FY18 found that a dominant share of loans restructured after FY12 degraded into non-performing loans (NPLs), according to a Fitch analysis. “You are encouraging bad behaviour by supporting it and demoralising the ones with good behaviour; this is akin to farm loan waiver that leads to bad credit behaviour,” said Kuntal Sur, partner – financial risk & regulation, PwC. “This is nothing but kicking the can down the road, this should not be encouraged.” The concept of regulatory forbearance arose when the RBI allowed project loans to retain their standard asset classification on extension of their repayment schedule in May 1999. This was extended to treatment of restructured accounts in March 2001 under the Corporate Debt Restructuring (CDR) mechanism, for restructuring of debt without the need for an asset quality downgrade if the restructuring plan met certain conditions. For years, asset quality forbearance was used more as a tool for avoiding recognition of defaults and less for their effective resolution. In 2008-09, after the global financial crisis, the RBI agreed to forbear on certain kinds of stressed loan restructuring, hoping that this was a temporary need pending stronger growth. Unfortunately, for a variety of reasons, the stress has not been temporary, and growth in these sectors has proved elusive. This regulatory forbearance was made available to all types of loan restructuring except commercial real estate exposures, capital market exposures and personal and consumer loans. Since 2008, RBI relaxed norms for restructured loans several times and allowed lower provisioning for select categories of loans. Its regulatory relaxations prevented a rise of nearly Rs 90,000 crore in NPAs. These relaxations include allowing unsecured loans to microfinance companies to be restructured in 2011, and allowing second restructuring of loans on a case-to-case basis. State electricity boards and the aviation sector are two notable examples wherein loans were restructured for a second time, but were not classified as non-performing assets. But, in May 2013, the RBI announced the decision to withdraw forbearance on asset classification effective April 1, 2015. Shortly after this, the RBI began its Asset Quality Review (AQR) exercise to determine the “real” stock of the bad loan problem. After the RBI undertook the AQR that led to recognition as NPA of several loans, which banks had then considered to be standard assets, NPAs went up from 4.62% in 2014-15 to 7.79% in 2015-16, and were as high as 10.41% by December 2017. However, in the wake of mounting NPAs, the RBI allowed asset classification benefits for certain types of restructuring schemes. These included Strategic Debt Restructuring (SDR), Flexible Structuring of Project Loans and the Scheme for Sustainable Structuring of Stressed Assets (S4A). A revival in GDP
growth rate is key to the Indian economy, which has slowed to an 11-year-low of 4.5% in the September quarter. Bank of America’s India Activity Indicator slipped to 3.1% in December from 4.5% in November. The Index of Industrial Production for December shrunk to 0.3% while retail inflation rose to 7.59% in January. “It is not surprising in the current weak operating environment and is in line with a recent trend to weaken asset recognition standards,” said Guha of Fitch. “These extensions are only likely to defer asset-quality pressures unless there is a sustained improvement in macroeconomic conditions. Most of these sectors have had above-average lending growth in the last few years, either directly or indirectly via non-banks, and could be at risk were the economy to slow. Moreover, these measures are unlikely to support sustainable credit growth until capitalisation improves meaningfully across banks, in particular among state-owned banks, which account for nearly two thirds of the sector’s assets.”

The MSME sector accounts for over 28% of GDP, more than 40% of exports, while employing approximately 110 million people. The outstanding banking sector credit to MSMEs was Rs 15.11 lakh crore while its gross NPAs were 5.8% of the total credit. Likewise, the real estate sector has been in trouble for quite some time and is the primary reason behind the sustained nonbank lending crisis. “In extreme situations, the economic value of not taking any action is too high,” says Sur. “If you look at the government’s perspective, we are in a slow growth phase; if you allow further defaults, the negative impact could bring down the growth further.” Some believe that difficult times warrant some degree of forbearance, some hand-holding to performing and otherwise viable units in tiding over temporary difficulties. But even RBI data shows that restructuring has been often used by banks for ‘evergreening’ problem accounts, thereby just postponing the recognition of a problem. “Forbearance may be a reasonable but risky regulatory strategy when there is some hope that growth will pick up soon and the system will recover on its own,” Rajan had said in July 2016. “Everyone – banker, promoter, investors, and government officials – often use such a strategy because it kicks the problem down the road, hopefully for someone else to deal with. The downside is that when growth does not pick up, the bad loan problem is bigger, and dealing with it is more difficult.” Central bankers on many occasions in the past have said that restructuring schemes were required because India did not have an effective bankruptcy law in place. In 2016, the Insolvency and Bankruptcy Code, 2016 (IBC), which is a comprehensive bankruptcy code, was enacted and notified. The Code envisages timely resolution of borrower defaults through collective decision making by the creditors. But, the success of the law is yet to be proven. “The general approach of bankers to stress in large assets has been one of avoiding the de jure recognition of non-performance of such accounts,” NS Vishwanathan, RBI deputy governor, had said earlier. “This is why we have a history of a large number of cases of failed restructuring as the schemes were used for avoiding a downgrade rather than resolving the asset. Prolonging the true asset quality recognition suited both the bankers and borrowers.” As per the latest data from the Insolvency and Bankruptcy Board of India, 58% of all closed cases under bankruptcy to date were via liquidation while only 14% of cases were resolved with an average haircut of nearly 57% on admitted claims. “Good practices should be encouraged so that there
is incentive toward credit discipline. What is the guarantee if the economy goes from bad to worse, these loans will be repaid,” says Sur. “Banks have taken excessive risk in the past which is why we are seeing encouragement of bad behavior.” While many say that the RBI move is intended to improve monetary transmission, provide credit support to fields that have multiplier effects within the wider economy, the regulator should also bring in rules to reward those with better credit discipline. The regulator is also aware of the risks that the relaxations bring in, but places the onus on banks to ensure that their books don’t have a hole. “Sector-specific pockets of stress need policy attention,” Governor Das said at a conference this week. “At the same time, proper due diligence and risk pricing in lending are of prime importance so that the health of the banking sector is not compromised while ensuring adequate flow of credit to productive sectors of the economy. Timely mitigation measures like faster resolution, better recovery, etc, need to be continued to bring down gross non-performing assets.”

**Bank ATMs Start Dispensing More Of Rs 500 Notes Instead Of Rs 2,000:**

Banks have started dispensing more of Rs 500 notes than Rs 2,000 denomination notes, a move seen as gradual phasing out of the high denomination currency note. The Reserve Bank of India (RBI) in an RTI response last year had said that the central bank had stopped printing Rs 2,000 denomination currency notes. Although there has been no dictate from the finance ministry, banks on their own have decided to fill their ATMs with smaller denomination notes for the convenience of customers, sources said. Some banks have already started recalibration of their ATMs and other banks will also follow the suit, sources said. State-owned Indian Bank has already announced that its has decided to stop using Rs 2,000 notes in their ATMs. When asked if the finance ministry has asked banks not to push Rs 2,000 notes through ATMs, Union minister Nirmala Sitharaman said the ministry has not issued any instruction to banks in this regard. “As far as I know, no such instruction has been given,” the finance minister said on the sidelines of an event here. Getting change for a Rs 2,000 note has become an issue and due to that some banks have stopped using Rs 2,000 notes in their ATMs, sources said. According to the RBI’s RTI reply, 3,542.991 million notes of Rs 2,000 denomination were printed during 2016-17. However, 2017-18 saw a substantial reduction in printing and only 111.507 million notes were produced, which further reduced to 46.690 million notes in 2018-19. This indicates that while these high denomination notes would continue to be a legal tender but will be phased out eventually. The move is seen as an attempt to prevent hoarding of the high-value currency and thus, curb black money. The government

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**Source:** https://economictimes.indiatimes.com/industry/banking/finance/banking/rbis-gradual-shift-from-transparency-to-forbearance-towards-stressed-sectors/articleshow/74310581.cms

**Dated:** Feb 26, 2020
had in November 2016 demonetised Rs 1,000 and Rs 500 denominations notes. Replying to a question in Parliament, minister of state for finance Anurag Singh Thakur in December said there is no proposal to withdraw Rs 2,000 denomination notes. “This is the real worry (about demonetisation) which has surfaced now. I think that you should not worry about it,” Thakur told the Rajya Sabha while replying to a question whether the government was planning to withdraw Rs 2,000 notes in future. According to the reply, notes in circulation (NIC) as on November 4, 2016, were Rs 17,74,187 crore which have now increased to Rs 22,35,648 crore as on December 2, 2019. The NIC had grown at an average growth rate of 14.51 per cent year on year wise since October 2014 till October 2016. At this rate, NIC would have increased to Rs 25,40,253 crore as on December 2, 2019.


Dated: Feb 26, 2020

• No Uncertainty On Bank Merger; Going On As Per Schedule:

With the April 1 deadline for mega merger of 10 state-run banks into four fast approaching, Finance Minister Nirmala Sitharaman on Wednesday asserted that there is no uncertainty about the consolidation process which is going on as per the schedule. Last year in August, the government announced the consolidation of 10 public sector banks into four mega state-owned lenders effective April 1. United Bank of India and Oriental Bank of Commerce would be merged with Punjab National Bank, making the proposed entity the second largest public sector bank. It was decided to merge Syndicate Bank with Canara Bank, while Allahabad Bank with Indian Bank. Similarly, Andhra Bank and Corporation Bank are to be consolidated with Union Bank of India. “There are no uncertainty about bank merger ... I must thank all the banks because through their boards they have taken that call. There is absolutely no uncertainty,” she said when asked if the government is reconsidering the proposed merger exercise. “We are also conscious of extra load on them in terms of the kind of demands that I put on them. I have asked them to reach out to 400 districts, I have asked them to reach out to MSME, restructure their loan. So there is a lot of core banking work which they are undertaking. I must be conscious of that also. “So the merger and the decision taken by respective banks board are all well taken. We are going as per schedule on that. There is no uncertainty on that. I am on course. There need not be speculation,” she said after unveiling EASE 3.0, the Public Sector Bank (PSB) Reforms Agenda 2020-21 for smart, tech-enabled banking, and the PSB EASE Reforms Annual Report 2019-20.

Many people voiced concern about meeting the deadline for want of many regulatory approvals. However, the government may relax those approvals. Even after Cabinet approval to the proposed mega merger plan, officials said, fixation of share swap ratio, shareholders consent and other regulatory approvals are expected to take at least 30-45 days. It is believed that the Prime Minister’s Office (PMO) has sought details from these lenders about their financial projections for the next three to five years. Details in respect of NPAs, capital requirement, credit growth and cost savings on account of the mergers have been asked for, officials said. So, chances of the merger becoming a reality beginning next fiscal year seems little unrealistic at the moment, a senior public sector bank official said. Besides, regulatory nods, the
Scheme of Amalgamati has to be laid before Parliament for 30 days for the perusal of the members. The second-half of the Budget session is scheduled to start on March 2.

EASE 3.0 seeks to enhance ease of banking in all customer experiences, using technology, alternate data and analytics. Dial-a-loan for doorstep loan facilitation, Credit@click for end-to-end digitalised lending, on-the-spot EASE Banking Outlets at well-frequented places like malls and stations, palm banking, digitalised branch experience, analytics-based instant credit offers, cash-flow-based credit and tech-enabled agriculture lending are part of a wide array of tech-enabled ease enhancements that PSBs would effect during FY2020-21. PSB Reforms EASE Agenda is a common reform agenda for PSBs aimed at institutionalizing clean and smart banking. It was launched in January 2018, and the subsequent edition of the programme - EASE 2.0 built on the foundation laid in EASE 1.0 and furthered the progress on reforms. Reform Action Points in EASE 2.0 aimed at making the reforms journey irreversible, strengthening processes and systems, and driving outcomes. Public Sector Banks have shown significant improvement in the Action Points of the EASE Reforms Agenda since its introduction. Following the completion of recognition of legacy stress as NPA, PSBs have returned to profitability with sound financial health and institutionalised systems to prevent the recurrence of past weaknesses. The improved financial health of PSBs reflects in many parameters including Gross NPAs reduced from Rs 8.96 lakh crore (14.6 per cent) in March-2018 to Rs 7.17 lakh crore (11.3 per cent) in December-2019 and a sharp decline in fraud occurrence from 0.65 per cent of advances during FY10-FY14 to 0.20 per cent in FY18-FY20; due to fraud prevention reforms and proactive checking of legacy NPA. Besides, there was a record recovery of Rs 2.04 lakh crore in the first nine months of 2019-20 driven by newly setup dedicated stressed account management verticals in PSBs that have recovered Rs 1.21 lakh crore in the same period and the highest provision coverage ratio of 77.5 per cent in nearly eight years. After unveiling EASE 3.0, the Finance Minister along with MSME Minister Nitin Gadkari held meeting with the heads of public sector banks on the MSME sector. The meeting reviewed loan restructuring, she said, adding that banks have been instructed to clear the pending cases by March 15. As many as 5.28 lakh accounts have been benefited out of 5.53 lakh cases eligible for restructuring and the remaining cases would be cleared by March 15, she said.

Later addressing an awards function here, Gadkari said the meeting discussed four key issues including how lenders can support micro, small and medium enterprises and quick implementation of restructuring of the debt scheme for units facing difficulties. He said the issue of quick disbursement of loans by banks to MSME units under various government schemes was also taken up in the meeting. “I am confident that MSMEs will certainly be facilitated through cooperation by banks,” Gadkari said.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/no-uncertainty-on-merger-going-on-as-per-schedule-fm-nirmala-sitharaman/articleshow/74324274.cms

Dated: Feb 27, 2020

• **India Post Payments Bank Crosses 2 Cr Customer Mark:**

India Post Payments Bank (IPPB) has garnered over two crore customers in less than two years of being operational. According to a statement, IPPB had reached the landmark of one crore customers in August last year - its first year of operations.
"The next 1 crore customers have been acquired and on-boarded in just five months. On an average, IPPB has been opening or maintaining a run rate of 33 lakh accounts per quarter," a statement said. The success of IPPB's business model underlines the government's intent in creating an interoperable banking infrastructure for the public good contributing toward changing the financial inclusion landscape in India, Communications Minister Ravi Shankar Prasad was quoted as saying in the statement. "Since its launch, IPPB has enabled more than 1.36 lakh post offices and 1.9 lakh dakiyas (postmen) to provide a complete suite of banking services at the doorstep of the customer providing access to any Aadhaar linked bank account, leading to an increase in rural banking infrastructure by almost 2.5 times," he added. With the launch of Aadhaar Enabled Payment System (AePS) Services in September 2019, IPPB has now become the single largest platform in the country for providing interoperable banking services to the customers of any bank, the statement said. With AePS services, any person with a bank account linked to Aadhaar can perform basic banking services such as cash withdrawals and balance enquiry irrespective of the bank they hold their account with. To avail these services, a customer with an Aadhaar-linked account can simply authenticate his or her identity with fingerprint scan and Aadhaar authentication to complete a transaction. The statement noted that IPPB has implemented one of the largest-ever digital financial literacy programme by investing over one crore man-hours in training and certifying more than 250,000 postal assistants, postmen and GDS as banking service providers. The bank has also digitised all the post office counters through a simple QR Code to accept electronic payments and also enabled direct payments into various post office saving schemes and purchase of postal products, it added.

Dated: Feb 27, 2020

**Bank Credit Growth Continues To Be Tepid:**

Bank credit growth continues to be tepid as the slowdown continue to grip the economy. The latest numbers released by the Reserve Bank of India show that loans grew by just 6.3 per cent year-on-year during the latest fortnight ended February 14. The fiscal year is expected to end with a credit growth of 6-7 per cent, which will be the lowest in 58 years. Total bank credit amounted to Rs 100.4 lakh crore, up 6.3 per cent (year-on-year), according to the latest figures released by the Reserve Bank of India. Incrementally credit was contracting until September. Several government initiatives pushed the growth rate in the positive zone subquently. But it has failed to see the double digit growth of the past several years. A shift of large borrowers such as non-banking financial companies (NBFCs) and housing finance companies (HFCs) to the banking system for their funding requirements, had boosted bank credit growth in FY2019. However, factors such as muted economic growth, lower working capital requirements, as well as risk aversion among lenders, have compressed the incremental credit growth in FY2020, according to ratings firm Icra in a recent note. Icra has fore cast FY’20 growth at 6.5 to 7 per cent. Incremental net domestic credit this fiscal up to December 2019 is just a fifth of what it was a year ago according to ratings form Crisil. Lending to the retail segment
and non-banking financial companies (NBFCs) showed good growth, while credit to corporates (ex-NBFC) and micro, small, and medium enterprises (MSME) declined. Crisil has estimated that credit growth may touch 6 per cent this fiscal. But it adds that the prolonged slowdown in bank lending may be bottoming out this fiscal, with gross credit offtake set to rise 8-9% on-year in fiscal 2021, a good 200-300 basis points (bps) over the likely growth of ~6% this fiscal, it said in a research note released earlier this week. As for this fiscal, some growth momentum is expected in the fourth quarter, after a subdued three quarters – due to traditional fiscal year ending growth, it said. A gradual pick-up in economic activity, continuing demand for retail loans, and strong growth in lending by private sector banks should drive the uptick. Recent policy moves announced in the Union Budget, and by the Reserve Bank of India (RBI) are also expected to provide spur. RBI's move to exempt banks from cash reserve ratio (CRR) requirement for incremental credit to certain sectors for up to five years, will also support lending, Crisil said.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/bank-credit-growth-continues-to-be-tepid/articleshow/74341138.cms
Dated: Feb 27, 2020

• **UCO Bank Calls Back Bonds To Reduce Cost Of Funds:**

State-owned UCO Bank is looking to reduce its cost of funding and boost profitability as it aims to exit Reserve Bank of India’s crippling prompt corrective action (PCA) programme after March. The lender has decided to exercise the call option on upper tier 2 bonds worth Rs 500 crore to help ease the operational curbs imposed by the regulator. Another Rs 800 crore worth of lower tier 2 bonds are coming up for maturity on March 8. These should help the bank reduce its interest outgo. “We are exercising the call option to reduce the cost of funding. The market interest rate has come down given the availability of ample liquidity in the system. The long-term repo also has a softening impact on interest rates,” said Uco Bank managing director AK Goel. The upper tier 2 bonds do not qualify as Basell III capital and, therefore, there is no advantage of holding them now. The 15-year bonds were issued on March 25, 2010 at 8.90% rate. If the bank were not to exercise the call option, it would have to pay investors 50 basis points higher interest rate as per the terms of the bonds. The call option date is fixed for March 25. The upper tier 2 instruments have a minimum maturity of 15 years and RBI allows calling back the bonds only after 10-years. Uco had raised Rs 1,000 crore worth of Basel III compliant bonds in this fiscal. The bank expects its net non-performing assets ratio to fall below 6% at the end of March from 6.34% three months ago, which would allow the lender to exit the ambit of the PCA curbs. It was put under PCA in 2017. Uco reported a net loss of Rs 960 crore for the December quarter, marginally less than its net loss in the year-ago period, but its operating profit, which is calculated before provisions and contingencies, trebled to Rs 1,211 crore against Rs 381 crore in the year-ago period.

Dated: Feb 27, 2020

• **Low Transaction Charges Don’t Promote Digital Payments:**

The opportunity to grow digital payments in India is enormous, with just about 10% of the total merchant community in the network, but tinkering with fees associated with electronic
transactions could slow the adoption rather than promoting it, said Mastercard CEO Ajay Banga. There is no empirical evidence that either a low merchant discount rate (MDR) or the absence of it promotes digital transactions. On the contrary, any such move takes away the incentive for intermediaries, who are vital for acquiring customers, Banga said in a telephonic interview. He was speaking to ET two days after the announcement that he would be elevated to the position of executive chairman. MDR is the fee charged by banks and payments companies from merchants or shop owners for providing them payment settlement infrastructure, or point-of-sale (PoS) machines. “Wherever in the world MDR has been reduced to the levels where it makes it uneconomical for the acquirer or issuer to participate in the natural business of electronic payments, you tend to lose the momentum. It’s a balancing act,” he said. The government has been tinkering with the fee paid for electronic transactions using debit cards. Recently, it scrapped MDR charges on payments made using the RuPay card, which is issued by the National Payments Corp of India. Low MDR charges take away the incentive that is essential for companies that get customers on board. These companies then do not find it meaningful to remain in business, Banga pointed out. “We need to find a way to ensure economic sustenance for this model,” he said. “My view is that commercial sustainability in these decisions is very important. There are a lot of studies to show that this is the right way to think about it.” Banga said there is an immense opportunity to promote digital payments in India with just about 5 million of the total 65 million merchants currently in the network, he said. “Don’t know the right number (cash to digital) for India, but I do expect digital payments in India to grow substantially than (in) the past 10 years,” Banga said. “About 5-6 million merchants accept card payments in India, which is way more than what it used to be four years ago when just 1 million merchants accepted cards. But the scope is huge. There are nearly 65 million merchants in India.” Banga also praised the banking regulator for proactively pushing digital payments and being receptive to suggestions. “I think the RBI (Reserve Bank of India) has been very fair and transparent. I don’t have a lot of advice for them, it is one of the best regulators in the world,” he said. “We have been telling them (the RBI) our views on data predictability. We are also talking to them to enable payment directory from your bank account using our facility called ‘pay-by-account’. They are open to discussing how to enable that. The RBI is very constructive,” Banga said.


Dated: Feb 28, 2020

- After RBI’s Ruling On Troubled Builders Dues, Rs 20k-Crore Realty Loans In For A Rejig:

Real estate loans worth Rs 20,000 crore may come up for restructuring after new Reserve Bank of India rules that allowed banks and housing finance companies to defer the classification of troubled builder loans as bad for one year giving the industry more time to restructure its loans. This measure, coupled with the set-up of Rs 25,000 crore real estate alternative investment fund, should help ease the asset quality pain at least in the near term. “We have received several requests from real estate developers to restructure their loans, we should expect to standardise a bulk of these loans in cases where the projects have been delayed for reasons beyond the control of promoters,” said a
banker involved in couple of restructuring proposals. Data analysed by Propstack real estate and financial data intelligence provider estimates that moratorium period for Rs 41,884 cr of loan sanctions were coming to an end in 2020. Data also showed that loan sanctions worth Rs 49,360 crore have either moratorium expiring or tenure expiring in 2020. This is against Rs 34,017 crore worth of loans in 2019. “Developers have to start principal repayment post the moratorium period and without this announcement, we would definitely have seen a surge in non-performing loans in the developer loan segment as many developers whose projects are either stuck or delayed would not have been able to make the principal and interest repayments,” said Sandeep Reddy, co-founder, Propstack. The measure is expected to boost the real estate sector struggling with high inventory, poor prices and incomplete projects. Data suggests that nearly 174,000 homes are stuck in seven big India cities. Buyers displayed aversion towards under-construction projects with share of completed properties in overall sales going up to 25% in 2019 as compared to 11% in 2014. “There are several real estate companies that are facing bankruptcy proceedings as one of their projects is stuck, the RBI regulation along with a recent NCLAT decision on treating one special purpose vehicle as a separate company is set to help the sector. Banks can now look to restructure the loan when a real estate company fails on the payment, and in most cases the sector is facing stress too, which is causing this repayment issues for them,” said Babu Sivaprakasam, partner at Economic Laws Practice.

Dated: Feb 28, 2020

• Full Digitalization Of Banking Sector, How This Can Be Achieved:

When I moved to Bombay 35 years ago, the waiting period for a landline phone was three years. Now, with one call or over an app, a mobile phone, a landline and high-speed broadband with TV connectivity can become operational in less than three minutes. A similar transformation took place in the capital markets in the 1990s. Electronic stock exchanges, stock depositories and payment system overtook the physical stock trading system, manual stock-keeping and paper-based settlements, ensuring transparency, reach and exponential growth in trading volumes. Consequently, India’s capital markets are now one of the largest in the world in terms of volume. Banking, too, can become a frictionless experience. With the right leadership and regulatory support, a completely electronic banking experience of ‘Anybank, Anywhere, Anytime’ is not out of reach. In the future, the customer could open an account at any bank, and a central banking depository (CBD) could maintain a ‘universal bank account’ (UBA) of customers. It would keep records of all banking transactions of
an account-holder, eliminating the need for multiple account-keeping at multiple banks. This would provide interoperability, where customers can change banks while retaining the same account number. A common central know-your-customer (KYC) agency would not just be a repository of data submitted by banks, but it will also be authorised to carry out various levels of KYC checks on an account-holder. This would ensure a seamless on-boarding of account holders for banking services, and easy switch from one bank to another. With a KYC certificate and a CBD number, one could walk into any bank to open an account. Banks will be able to retrieve the data from the server of CBD with no incremental data entry. After ensuring a uniform KYC process, this will also avoid multiplicity of KYC across different banks and other such agencies. To bring down costs and improve efficiency, various banking channels could also be shared. A shared white-labelled ATM and business correspondent network already enable customers to make cash deposits and withdrawals, and Aadhaar-enabled Payment System (AePS) payments through an outsourced network. A white-labelled branch network could carry out banking services and retail operations of various banks in a non-discriminatory manner quite like the VFS Global application centres that provide visa application services for multiple countries under the same roof. These could also provide last-mile reach to digital banks. A banking settlement/clearing agency could conduct interbank settlements of fund positions based on transactions in the UBA. Rating agencies could also access transaction flows in accounts to strengthen their assessment of individuals. Quoting the depository number, one can perform a transaction on the specific bank's online platform. Banks could then focus on enhancing their product suites and enriching their digital platforms for fund transfer, lending, payments and wealth management. This system will not only significantly bring down the cost of banking transactions, but also remodel banking. A buy-in of the regulators to make the required regulatory framework available could be a starting point. ‘Anybank, Anywhere, Anytime’ would, indeed, require a lot of ground-up model development and a big leap of faith.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/full-digitalisation-of-banking-sector-how-this-can-be-achieved/articleshow/74408411.cms
Dated: Feb 28, 2020

- **Three-Day Bank Strike From March 11 Deferred:**

  The proposed three-day bank strike in the country called by various unions from March 11 has been deferred following ‘positive’ developments at the bipartite meeting held in Mumbai on Saturday, an AIBEA statement said here. The strike had been called by the constituents of United Forum of Bank Unions (UFBU), the umbrella body of the trade unions in the banking sector. All India Bank Employees’ Association (AIBEA) statement said that in the bipartite meeting, which was held between the unions and Indian Banks Association (IBA), discussions were held in respect of offer of increase in pay slip cost to 15 per cent, demand for five-day banking among others. The statement added that IBA has agreed to discuss all other issues raised by the unions. Bank unions had observed a two-day strike from January 31 after talks over wage revision failed to make headway with the IBA.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/three-day-bank-strike-from-march-11-deferred/articleshow/74418143.cms
Dated: Feb 29, 2020
TOP BANKING DEVELOPMENTS

• WhatsApp Pay Gets NPCI Nod To Expand UPI Project To 10 Million Users:

Facebook-owned instant messaging platform WhatsApp has received permission from the National Payments Corporation of India (NPCI) to expand its pilot United Payment Interface (UPI) services to 10 million users, according to Nandan Nilekani, the architect of unique identity database Aadhaar and UPI. Nilekani was speaking at an IIT Industry Conclave event on Friday. WhatsApp's payment feature, called WhatsApp Pay, is designed to run on UPI developed by the NPCI which allows users to pay others or do business transactions through their bank accounts. WhatsApp has been running a pilot for one million users and has struggled to get a full-fledged licence since the rollout of the project in 2018. On Friday, a media report said that NPCI has allowed WhatsApp to increase that to 10 million customers, citing an unnamed official from the RBI. NPCI and WhatsApp declined to comment. WhatsApp has over 400 million users in India, which is its largest market. WhatsApp Pay will compete with Google Pay, PhonePe and Paytm. Nilekani said six countries have asked to study the UPI system. He said Google has asked the US Federal Reserve to adopt the UPI model that it plans for FedNow, an interbank settlement system. Recently, Facebook said it expects to roll out WhatsApp Pay in a number of countries, in the next six months. CEO Mark Zuckerberg said commerce and payments are areas that will be important for private social platforms such as WhatsApp and Messenger.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/whatsapp-pay-gets-npci-nod-to-expand-upi-project-to-10-million-users/articleshow/74020316.cms
Dated: Feb 08, 2020

• HDFC Bank, Mastercard, SAP Concor Join Hands To Manage Spending In Corporate Sector:

HDFC Bank, Mastercard and SAP Concur have joined hands for spending management services for the corporate sector. HDFC Bank will offer a corporate credit card for business travellers, providing a one-stop solution for payment and expense management during business trips, said a release on Tuesday. “The corporate credit card will enable seamless integration of all business-related spend into SAP Concur offerings, enhancing employee experience, increasing visibility, saving money, and improving corporate efficiency,” it said. The card is supported by Mastercard. SAP Concur is a travel, expense, and invoice management solutions provider. Parag Rao, country head (payments business and marketing) of HDFC Bank, said, “Corporates can gain greater insights and control, while ensuring regulatory and tax compliance through this solution. Together with SAP Concur solutions, we aim to reinvent the way Indian corporates experience business travel.” Mankiran Chowhan, managing director (Indian subcontinent), SAP Concur, said that by automating and integrating travel, expense, and invoice management, the company is helping customers build an intelligent spend management platform. “This enables them to uncover valuable spend data, simplify processes, and make smart decisions. Using our joint solution,
organisations can make strategic decisions based on insights unique to their business and gain a consolidated view of their budget, drive control on how employees spend money, automate payments to speed up processing, and ensure compliance and data accuracy,” Chowhan said. Porush Singh, division president (South Asia), Mastercard, said the new corporate card solutions allow access to enhanced features for traveller convenience and increased protection against fraud including in-built proprietary tools. “It will help to capture and consolidate accurate financial reporting to enable deep analysis for greater cost savings,” Singh said.

Dated: Feb 18, 2020

• Acko Partners With HDB Financial Services:

Acko General Insurance, has announced a partnership with HDB Financial Services, a Non-Banking Financial Company (NBFC). HDB Financial Services (HDBFS) offers Aabhar cards (EMI cards) to its customers when they avail sales finance from general trade stores/ large format retail etc. The insurance covers are in-built features of the Aabhar card. Acko will be powering the Aabhar card holder with micro insurance cover which will provide a range of benefits including Vector borne disease cover, loan protector and hospital cash allowance to HDB customers, according to a release. This collaboration will offer HDBFS customers insurance covers at no additional cost with EMI cards such as the HDB Blue and Platinum Aabhar cards. Claims can be filed through Acko’s website. Speaking on the partnership, Rakesh Kumar, product head - HDB Financial Services, said, “The HDB-Acko partnership is a great step towards boosting the overall customer experience.” Ashwin Ramaswamy, business head - partnerships at Acko said, “This partnership springs from a shared commitment towards a consumer-first approach, from both the brands. Between Acko’s insurtech expertise and HDB’s digital EMI capabilities, we will deliver an insurance cover that is simple, quick and will protect consumers in their time of need.” Acko’s General Insurance Company was founded in 2016 by Varun Dua, a fin-tech serial entrepreneur, Acko provides innovative products with personalized pricing based on customer behaviour and data analytics.

Dated: Feb 26, 2020

• HDFC Bank Launches Co-Branded Credit Card With IndiGo:

HDFC Bank on Thursday joined hands with the country’s largest airline IndiGo to launch a co-branded credit card, which will effectively work like a loyalty programme for the carrier. Labelled Ka-ching, the card will offer many benefits like complimentary air tickets, lounge access, 5 per cent cashback or reward points on Indigo bookings, and 3 per cent cashback on dining, grocery and entertainment, the companies said. With over 14 million active cards, HDFC Bank is by far the largest credit card issuer in the country, and hopes to sell 1 million Ka-ching cards over the next three years. Parag Rao, head of the cards business at the bank, told that around 20 per cent of its total cards are co-branded, and such cards see around 30 per cent more spending. The bank also has similar tie-ups with Walmart and Times
Group. It also had a similar card with the now-defunct Jet Airways. Rao said travel and hospitality contribute 12-13 per cent of total spend on the bank’s credit cards. About the delinquency rate in the cards business, Rao said like the parent HDFC Bank, which has the best asset quality with under 1.5 per cent bad loan levels, cards business also has the lowest NPA levels. He, however, did not quantify it in percentage. IndiGo Chief Commercial Officer William Boulter said this is the first such tie-up for the airline and expressed hope that Ka-ching card will help it increase customer satisfaction. The premium variant of the card offers complimentary air tickets worth Rs 1,500-3,000, apart from host of other benefits, and can be redeemed against its tickets, Boulter said. He said customers can also earn 10-15 per cent rewards on dining, shopping, transport, medical bill spends with featured partners, apart from priority check-in, seat choice, and complimentary meals.

The card is being launched in partnership with Mastercard, which is the largest issuer for HDFC Bank, Rao said. Porush Singh of Mastercard said Ka-ching card comes with the highest safety standards. He said co-branded cards constitute as much as 30 per cent of total cards in company’s home market in the US.

Dated: Feb 28, 2020

TOP BANKING APPOINTMENTS

• HDFC Bank Appoints Anjani Rathor Chief Digital Officer:

Largest private sector lender HDFC Bank on Sunday announced the appointment of Anjani Rathor as its chief digital officer. Rathor joins from telco Bharti Airtel, where he used to serve as the chief infiltration officer of the consumer sector. The role of CDO has been vacant since incumbent Nitin Chugh left the job. It can be noted that the lender has been facing a slew of challenges on its online banking in recent past. HDFC Bank managing director Aditya Puri said Rathor’s credentials and leadership abilities make it a good addition to its leadership team. Rathor studied aerospace engineering at IIT Kharagpur and holds a post graduate diploma in management from IIM-Calcutta, a bank statement said.

Dated: Feb 09, 2020

• Axis Bank Appoints Shri Puneet Sharma As CFO:

Axis Bank on Thursday said its board has approved appointment of Puneet Sharma as Chief Financial Officer (CFO). His appointment will be effective from March 6, the private sector lender said in a regulatory filing. Sharma replaces Jairam Sridharan, who has resigned as the group executive and CFO of the bank, with effect from the close of business hours on March 5, it said. Prior to joining Axis Bank, Sharma spent 12 years at Tata Capital as a senior management functionary and was the group
CFO since 2014 accountable for financial
control, financial planning & accounting
and taxation amongst other deliverables, the
statement said.

Source: https://economictimes.indiatimes.com/
industry/banking/finance/banking/axis-bank-appoints-
puneet-sharma-as-cfo/articleshow/7432857.cms
Dated: Feb 27, 2020

• **IndusInd Bank Names Shri SumantKathpalia As CEO:**

Private sector lender IndusInd Bank on
Thursday announced the appointment of
Sumanth Kathpalia as the CEO succeeding
RomeshSobti who turned around a sinking
bank a decade ago with a band of colleagues
from ABN Amro. Kathpalia, a long-term
colleague of Sobti takes over at a time when
the stock is at a yearly low and investors
worry about its bad loans. Kathpalia is the
head of consumer loans at the Hindujas-
promoted lender and will take over in
March once Sobti retires after being at
the helm for over a decade. “The bank has
received a communication from the RBI
today, approving the appointment of Mr.
SumantKathpalia, who currently heads
the bank’s consumer banking business, as
its Managing Director & CEO for 3 years,
with effect from March 24, 2020, post
the retirement of Mr. RomeshSobti, the
current MD & CEO,” the bank said in a
communication. The 55-year-old Kathpalia
has also been with the bank since 2008 and
is credited with building consumer loans
portfolio from scratch, as part of a strategy
to expand the loan book adopted by the
bank. He is also credited with diversifying
the bank’s book with new products like
loans against property, personal loans and
credit cards, besides its main vehicle finance
business. Based in New Delhi at present,
Kathpalia used to head the consumer loans
vertical at ABN Amro Bank, and had joined
with Sobti and others who had joined
Indusind Bank in 2008. He is a chartered
accountant by qualification. In his previous
roles, he has worked with Citibank and Bank
of America. He has had a vast and varied
experience in consumer banking, project
management, credit cards, bancassurance,
wealth management and consumer finance.
Last year in November, the bank had said
it has finalised a candidate to succeed Sobti
and submitted an application to RBI seeking
approval. “We have been occupied with the
succession planning for years, there have
been no assumptions on extensions,” Sobti
had told ET in an interview in November.
“You give the potential candidate a wider
role and the organisation starts sensing that.
The parallel run would be for 3-4 months not
for 12-18 months.”

Source: https://economictimes.indiatimes.com/
industry/banking/finance/banking/ indusind-
bank-names-sumant-kathpalia-as-ceo/
articleshow/74340835.cms
Dated: Feb 27, 2020
• **Slowdown In Bank Lending May Bottom Out This Fiscal (CRISIL):**

CRISIL Ratings stated a slowdown in bank lending may be bottoming out this fiscal, while gross credit off take may rise 8-9% year-on-year in fiscal 2021 backed by retail demand. Bank loan may grow at about 6% this fiscal, the rating firm said. “A gradual pick-up in economic activity, continuing demand for retail loans, and strong growth in lending by private sector banks should drive the uptick,” it said in a note published on Tuesday. Crisil’s senior director Krishnan Sitaraman said that structural shifts such as favourable demographics, rising propensity to leverage for personal consumption, increase in availability of financing, and reasonable risk-adjusted returns for lenders, would continue to support retail lending. Its share of total bank credit is expected to rise around 400 bps to 28 per cent between March 2019 and March 2021.

The corporate lending (excluding lending to NBFCs) is expected to remain subdued in fiscal 2020 and thereafter, may witness a slight uptick. Crisil projected a modest 2-3 per cent rise in this segment, leading to a fall in its share in total bank credit to 48 per cent at the end of March 2021 from 51 per cent three summers back. “Low capacity utilisation in the economy would keep private investments muted in the near to medium term, and the government’s mega-push to infrastructure will translate into credit growth only gradually,” Crisil said. As for this fiscal, it is expecting some growth momentum in the fourth quarter, after a subdued first three quarters. RBI’s move to exempt banks from cash reserve ratio (CRR) requirement for incremental credit to certain sectors for up to five years, may support lending. Incremental net domestic credit this fiscal up to December 2019 is just a fifth of what it was a year ago. Lending to the retail segment and non-banking financial companies (NBFCs) showed good growth, while credit to corporates (ex-NBFC) and micro, small, and medium enterprises (MSME) declined. “Retail credit should continue to grow at a healthy clip of about 16 per cent next year, supported by sustained demand for unsecured loans, muted business growth for non-banks as well as steady levels of pool purchases,” the rating firm said. Securitization transactions through the direct assignment route have surged almost 40 per cent to Rs 59,000 crore in the first half of fiscal 2020, compared with Rs 42,700 crore a year ago.

*Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/ slowdown-in-bank-lending-may-be-bottom-out-this-fiscal-crisil/articleshow/74304864.cms*

*Dated: Feb 26, 2020*
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