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Sky is not the limit, we cover it...
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EDITORIAL

ASSET QUALITY, PROFITABILITY OF BANKS CONTINUE TO DETERIORATE: RBI

While India's financial system remains stable, concerns over banks' asset quality remain, according to the Reserve Bank of India in its latest Financial Stability Report (FSR).

The report said the banking stability indicator (BSI) worsened between September 2016 and March 2017 due to a deterioration in asset quality and profitability.

The indicator represents the five dimensions of soundness, asset-quality, profitability, liquidity and efficiency.

In its previous report, which was released in December 2016, the BSI had similarly flagged the elevated risks to the banking sector (in the March and September 2016 period) due to continuous deterioration in asset quality, low profitability and liquidity.

According to the latest FSR, the macro stress test indicates that under the baseline scenario, gross non-performing assets (GNPAs) of scheduled commercial banks (SCBs) may rise from 9.6 per cent in March 2017 to 10.2 per cent by March 2018. GNPAs were at 9.2 per cent in September 2016.

In the case of a severe stress scenario, the RBI warned that "a severe credit shock is likely to impact capital adequacy and profitability of a significant number of banks."

The share of large borrowers (aggregate fund-based and non-fund based exposure of Rs. 5 crore and more) both in SCBs' total loans portfolio as well as GNPAs came down between September 2016 and March 2017, the report said. Large borrowers accounted for 56 per cent of gross advances and 86.5 per cent of GNPAs of SCBs, whereas the top 100 large exposures accounted for 15.2 per cent of gross advances.

Banks' share in the flow of credit to the commercial sector, which was around 50 per cent in 2015-16, declined sharply to 38 per cent in 2016-17.

In his foreword to the report, Deputy Governor NS Vishwanathan said: "Retrenchment of credit by public sector banks is partly offset by non-banking finance companies (NBFCs), mutual funds and the capital market but they cannot fully substitute for banks in a bank-based financial system like ours. Hence, steps to restore the health of the banks assume urgency."

While the central bank has activated prompt corrective action (PCA) to stem the slide in the banking system, the Deputy Governor underscored that nothing can replace credit discipline and appreciation of the sanctity of commercial contracts in order to ensure a robust financial system.

"Thus, additional focus has to be on strengthening the internal governance framework of financial entities and observance of market discipline.

"This will have a salubrious impact on financial intermediation, whereby assumption and sharing of risks is based on risk capacity and not on herd instinct or accounting and regulatory dispensations," said Vishwanathan.

EXCERPTS FROM AIRRBOF CIRCULARS

Circular # 44:2017 9th June 2017

BIPARTITE MEETING WITH IBA

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 33 dated 7th June, 2017.

"We reproduce hereunder the full text of UFBU Circular No. **UFBU/2017/09** dated 6th June 2017 on the above subject for information of all concerned.

Another round of Bipartite meeting was held between IBA and our UFBU constituent unions yesterday In Mumbai. IBA was represented by Shri R.K. Takkar(MD/CEO, UCO Bank), Chairman of the Negotiating Committee along with Smt.Usha Subramanian(MD/CEO, AB), Shri Prashant Kumar(DMD/CDO, SBI), Shri V.G. Kannan, Chief Executive, IBA, Shri Raj Kumar, Dy.Chief Executive, IBA and Shri K.S. Chauhan, Sr.Vice President, IBA. We were represented by leaders of all our 9 constituent unions.

Common Charter of Demands by the Workmen Unions and Officers' Associations respectively were submitted to the IBA. IBA representatives informed us that they would go through the Charter of Demands and would endeavour to complete the process of negotiations expeditiously within the time frame to reach the Settlement before October, 2017.

From our side, our representatives emphasised the need to hold regular and frequent meetings to negotiate the demands and to complete the Settlement in time.

IBA also submitted list of Management Issues as under:

1. Framework of Compensation Package on Cost to Company and Fixed and Variable Pay concept for Officers/ Workmen.
2. Rationalisation of Special Pay carrying posts.
3. Review of two graduation increments to workmen employees.
4. Transfer and deployment of workmen employees - Para 536 of Sastry Award.
5. Simultaneous conduct of disciplinary and criminal/ judicial proceedings in case of workmen in PSBs.
6. Continuing departmental proceedings post-retirement in case of workmen employees.
7. Premature Retirement of a Workman in Public Interest.
8. Outsourcing any activity as per business needs within RBI guidelines.
9. Review of existing provisions of automatic movement of officers from Scale I to II and from Scale II to III in pay scales without any promotion in those grades.
10. To mark lien on NPS fund of employees to recover loss to the Bank on account of their proved misconduct.

As regards the standpoint of IBA that the negotiations relating to Officers would be confined and restricted upto Scale III Officers, we conveyed our strong protest and demand that the Officers' Wage Revision pact should cover upto Scale VII as hitherto.

We also reiterated some of the important issues that need to be focused during the negotiations. It was agreed by IBA that these issues would be addressed during the course of negotiations.

IBA informed us that the data and statistical information required for the discussions are being collected from the Banks and the same would be furnished to the Unions at the earliest.

After further discussions, it was agreed that the next round of discussions would be fixed at the earliest around the end of this month.

UFBU MEETING: Thereafter, a meeting of the UFBU representatives met and discussed the important issues before us viz. pursuing the charter of demands on wage revision, increasing attacks and challenges in the banking sector, etc. It was decided to call for the full-fledged meeting of the UFBU shortly to discuss these issues in detail and to chalk out our programmes."

Circular # 45:2017 12th June 2017

DISCUSSION ON ISSUES CONCERNING REGIONAL RURAL BANKS (RRBS)

We reproduce our letter addressed to the Chief Executive Officer, Indian Banks Association, on the captioned subject for your information & necessary action.

"We would like to introduce ourselves as the largest Trade Union of officers working in RRBs. We are affiliated to All India Bank Officers' Confederation (AIBOC). You shall appreciate that with almost all RRBs taking up Associate Membership of IBA, a formal forum need to be developed to take up issues concerning RRBs. AIBOC leadership also took up the issue of RRBs sponsored by State Bank of India taking up Associate membership of IBA. We are hopeful that SBI sponsored RRBs shall also take up Associate membership of IBA shortly.

We had in the meantime held informal discussion with your officials of Social Banking Dept. to emphasise the need for a structured Meeting with the Trade Union of officers & employees of RRBs to ascertain the issues concerning development of RRBs followed by Meeting of the Chairmen of RRBs where some broad approach can be decided upon.

We can broadly list the issues which deserve discussion with Trade Unions as well as Chairmen of RRBs.

(i) The road map for effective functioning of RRBs in the back drop of launching of Payment and Small Finance Banks.

(ii) Regulatory Aspect of Regional Banks – Handing over Inspection of RRBs U/s 35 of BR Act, 1949 from NABARD to RBI to improve quality of inspection.

(iii) Extension of Internet Banking Facilities to customers of RRBs without any restriction.

(iv) Provision of liberalised Permission for currency chest for RRBs.

(v) Removal of restriction of some Sponsor Banks for opening of new branches at unbanked centres for which license was issued by Reserve Bank of India.

(vi) Permission for opening of Non Banking Offices of RRBs at the respective State capital for clearing and liaison for the RRBs not having any branch/office at the State Capital.

Some other relevant issues can be discussed during the interaction at IBA level. We look forward to receive your early response."

Circular # 46:2017 21st June 2017

PREPARATORY MEET OF RRBS – 16TH JUNE, 2017 – AN ATTEMPT TO DILUTE THE IMPORTANCE OF RRBS AND ITS LIKELY DISINVESTMENT

You may be aware that under the auspices of NABARD preparatory Meet of select Chairmen of RRBs and the Executives of Sponsor Banks took place on 16th June, 2017. NABARD further followed up the matter by a letter dated 20th June, 2017 advising all the participants to forward the issues raised in the Panel discussion held on 16.06.2017 latest by forenoon of 22nd June, 2017. The preparatory Meeting was presided over by Smt. Anjuly Chib Duggal and was participated by Chairman and Senior officials of NABARD.

It is gathered that the participants were divided into four groups summary of which is as follows:

Group I

Role of RRBs in the Next Decade:

Moderator : Shri S.C Kalia; Ex-ED, Union Bank

Group Members : Shri K. Sethi, Bank of India
Shri S. Ganeshan, SBI
Shri Ravi Kumar, PKGB
Shri Sanjaya Nand, AGVB
Shri Mithilesh Srivastava, BGVB

Changing Rural Landscape:

- Declining share of Agriculture in GDP
- Fragmentation of Landholding
  — Agriculture becoming unremunerative and risky
- Shift in Consumption pattern and life style - housing, FMCG, mobile, transportation
- Migration of villagers

Need for Restructuring of RRBs:

- Brick and Mortar not sustainable
- Need for hybrid/outlet model viz. USB etc.
- Shift in sectoral demand/Shift from KCC to more of high tech and high value agriculture. Allied activities need to be taken up in a bigger way. Need for newer customized products
- Stiff competition from MFIs, payment and small banks; Alliance model may be worked out
- Leverage exposure to initiatives, ex. E-NAM, Producer Organizations, Food Parks etc.

Strengthening of RRBs:

- Consolidation of RRBs into sustainable and viable size
- Framing a long term Capitalization Policy and Ownership structure
- Converting competition into Advantage - ART: Alliance, Relationship, Technology
- Common Technology Platform for all RRBs
- NABARD OFFICIAL as GM in every RRB

Challenges and Opportunities:

- Size
- Geography
- Less diversified
- Technology

Questions?

Group II

Corporate Governance and Management of Emerging Roles in RRBs:

GROUP MEMBERS

Mentor : Shri Raj Chatterjee

Members : Shri Ravindra Bhanderey
Shri R. K. Gupta
Shri C. B. Sawant
Shri Sanjay Kumar
Shri N. Ravichandran
Shri I. M. Utreja

Governance Architecture:

Present Architecture

- DFS, RBI, NABARD, Sponsor Banks, State Govt.

Suggestion

- As GOI., Sponsor Banks and State Govt., are well represented in the Board, they should play a significant role in framing the Governance Architecture within the broad guidelines framed by DFS, RBI and NABARD.

Constitution:

Present Constitution

- One Each from RBI, NABARD
- Two from Sponsor Banks
- Two from State Govt.
- Two Independent Directors, apart from Chairman
- Two independent Directors should be Reputed Professional

Proposed Constitution

- One each from RBI, NABARD
- Sponsor Bank One Professional/Experienced and Another Senior Executive from Head Office (equal or lesser rank of Chairman)
- Two from State Govt. from State Administration, Not from District Administration
- Two independent Directors should be Reputed Professional

Accountability:

1. More loaded towards Chairman and Bank Management
2. Board should frame clear policies, robust implementation process and compliance systems to monitor.

Selection:

Present

- Chairman and GMs from Sponsor Banks

Suggestions

- Chairman need not be only from Sponsor Bank. Selection can be more broad-based.
- GMs can be both from Sponsor Banks and Homegrown.

Reorganisation:

- Smaller and weaker, not viable can be consolidated
- Banks that are functioning well should be allowed continue
- Bigger States should be permitted to have multiple RRBs However, there are divergent views on inevitability consolidation, like one State-one RRB.

Shareholding:

- Going public can be considered at fair value
- Strategic divestment to select Institutional Investors can be considered

Way Forward for RRBs:

- Financially Strong RRBs
- Able to Face the Competition
- Right Personnel; Right Technology; Enough Capital

Group III

Effective Technology Management & FI:

Group Moderator : Mr. Subodh Koushik, Advisor, PNB
Facilitator : Mr. Niraj Kumar Verma, GM,NABARD
Mr. Ravi Krishnan, M. K. (Kerala Gramin Bank)
Mr. D.P. Gupta (Baroda UP Gramin Bank)
Mr. M.P. Singh (Sarva Haryana Gramin Bank)
Mr. Akhilesh Garg (Punjab National Bank)
Mr. B. S. Sekhawat (Central Bank of India)
Mr. Parvindar Pal Singh (United Bank of India)

Issues:

- Upgrading the CBS
- Regulatory Restriction –BHIM & UPI
- CRM and Enterprise Wide Data Warehouse for meaningful MIS and regulatory Reporting
- Asset verification through BC: Use of Technology

Issues Contd.:

- UIDAI/NPCI Fee
- Direct Merchant Acquisition
- Cyber Security and Fraud Risk Management
- Connectivity In Remote Areas
- Credit Card Issuance

Suggested Solutions:

- The Core banking has to be upgraded with changing time & emerging demand on system.
- Sharing Resources through sponsor bank/IT subsidiary for Risk Management, Cyber Security, CRM & Innovation, Resource Pooling and Utilization
- Geotagging & Use of Whatsapp etc. : Regulatory Approval
- Taking up the issue with RBI and UIDAI- Time bound Approvals
- Govt. to consider Subsidization for Merchant Acquiring

Suggested Solutions Contd.:

- Credit History through Aadhaar base
- Use of Robust Tools for IT Management
- Establishment of Enterprise wide Data Warehouse & its use for MIS, CRM & Regulatory Reporting.
- Use of Mobile Banking & Internet less Mobile banking.
- Co-branded Credit cards with Sponsor Banks.

Group IV

RRB- Asset Quality-Product Diversification and Risk Management

Business Mix:

- Own found 6.42%
- Borrowing 11.32% : 0.80%
- Deposits 74.10% : 4.90%
- Loans 49% : 6.00%
- Investments 40%: 2.80%..............NIM 2.1%
- Other assets including Cash and CRR 11%
- Agri and SME loans account for 85% of loans. (43% of TA): the ROI will come down
- Priority sector dominates.
- Deposits 2.84% CA, 47.21% SB, 49.94% TD. (TD ROI 7.5%)
- ROA 0.48%
- ROA (PT) 0.34
- ROE 5.29%

- Average ROI: 9.0%
- NPA Gross: 6.81%
- Loans on which income is recognized: 93.19
- Interest Income = 93.19*9%: 8.39
- Provisioning: 0.50
- Interest income: 7.89
- Yield on loans= 7.89
- Impact of NPA= 0.612+0.50= 1.112

Conclusions: Asset Quality:

- Default has reason beyond distress. Waiver vitiates atmosphere
- Waiver – from the farmers perspective is not sufficient as it does not cover full loss but merely the bank loan
- Waiver impacts other loans as well
- NPA norms are rigid and do not recognise business cycle realities temporary cash flow events
- Crop insurance is not as effective as it should be.
- There are no price risk management tools
- Mudra loans are also effected. 50% guarantee is not enough

Suggestions

- Waiver should cover full loss
- Crop insurance should be made more effective
- NPA norms should have discretionary leeway for small loans, msme loans
- Infrastructure and market access issues if sorted will improve asset quality

Diversification:

- RRBs focus on agri is due to historical reasons. Is being slowly changed
- Priority norms are wide enough
- Mudra guarantee is only 50%. This could be enhanced
- Produce Pledge loans are being encouraged
- Agri credit could be reduced in terms of %.
- Affordable housing is a product that can be taken up
- Forex was suggested by one but will have more regulatory implications
- Investment also needs diversification. Deposits are not attractive. Other investments are there but not enough expertise. Non- SLR cap to be increased. Heavy dependence on sponsor banks- needs to reduce.
- Training is important.
- Branch staff not well experienced and therefore
  - Productisation of new areas is important
  - Score card based appraisal should be used so that branch will feel comfortable
  - Centralised sanction - application to be collected by branches- centralised sanction- branch distribution may *be* followed
  - Process simplification will help in diversification

Risk:

- Presently there is no risk management but only compliance
- NPA norms being very inflexible causes credit risk.
- ALM is perfunctory
- Operational risk is evident- Information Security need more attention and specialist skills-other operational risk is also seen. Currently it is not getting focus- need to be emphasised. CRAR for op risk may be considered so as to emphasis its importance.

- Capital will be a constraint in future as the current earnings are insufficient for future needs.
- CRAR should be 15% on par with SSFB. This should be initially part of recap of RRB.
- Doubtful if RRB shares will be attractive for IPO.
- Credit Risk- Involve BC's for recovery- focused attention on recovery- NPA data should come from system.
- Recently SEBI has announced commodity derivatives for agri. This could be taken up for developing bank-market related instruments.

It seems from the aforesaid information that an attempt is being made to dilute the functioning of RRBs and disinvest its equity in the private hands in the guise of development of RRBs.

We are very concerned from the above approach as the greatest stake holders in the RRBs i.e. the Trade Union of officers and employees have not been taken into confidence or consulted. We are lodging our strong protest in the matter which we separately circulate.

Circular # 47:2017 21st June 2017

PREPARATORY MEET OF RRBS – PANEL DISCUSSION – 16TH JUNE 2017

We reproduce our letter addressed to the Chairman, National Bank for Agriculture & Rural Development on the captioned subject for your information & necessary action.

"We are really taken aback to understand that under the auspices of NABARD the captioned meet took place on 16th June, 2017 and several related matters were discussed. Subsequently NABARD vide letter dated 20th June, 2017 advised all participants to forward the issues raised regarding the norms prescribed by RBI and several regulatory & other norms for RRBs vis-à-vis the same norms in PSBs/Cooperatives/ Urban Coop Banks and SFBs.

You shall appreciate that the greatest stake holders in RRBs are the officers and employees working in the Banks represented by Apex Trade Unions of officers and employees. It seems to be preplanned to go ahead with dilution of functioning, ownership and role of RRBs by unilateral discussion at Management level only without any consultation with Apex Level Trade Union in RRBs. We lodge our strong protest in the matter.

We demand that you immediately call Meeting of Apex Level Trade Unions of RRBs to arrive at convergence of ideas before tinkering with the future of RRBs. Your immediate action is solicited."

PRESS CORNER

RBI LISTS 12 NPA ACCOUNTS FOR INSOLVENCY PROCEEDINGS

To purge the banking system of big-ticket stressed assets, the Reserve Bank of India's internal advisory committee (IAC) has recommended for immediate reference under the Insolvency and Bankruptcy Code (IBC) 12 accounts totalling about 25 per cent of the current gross non-performing assets (GNPAs) of the banking system.

GNPAs of the banking system are estimated at about Rs. 8 lakh crore. The RBI did not disclose the names of the accounts.

In particular, the IAC, which comprises mainly the central bank's independent board members, recommended for IBC reference all accounts with fund and non-fund-based outstanding amounts greater than Rs. 5,000 crore, with 60 per cent or more classified as non-performing by banks as of March 31, 2016.

The RBI, based on the recommendations of the IAC, will be issuing directions to banks to file for insolvency proceedings under the IBC in respect of the identified accounts. Such cases will be accorded priority by the National Company Law Tribunal (NCLT), the central bank said in a statement.

The central bank will be coming up with revised provisioning norms for cases accepted for resolution under the IBC.

At its first meeting on June 12, the IAC, which was constituted to advise the RBI on the cases that may be considered for reference for resolution under IBC, agreed to initially focus on large stressed accounts and, accordingly took up for consideration the accounts that were classified partly or wholly as non-performing from amongst the top 500 exposures in the banking system.

The IAC also arrived at an objective, non-discretionary criterion for referring accounts for resolution under IBC.

The RBI said details of the resolution framework with regard to the other non-performing accounts will be released in the coming days.

The IBC is a single law that deals with insolvency and bankruptcy. It provides for a clear, coherent and speedy process for early identification of financial distress and resolution of companies and limited liability entities if the underlying business is found to be viable.

Under the provisions of the Code, insolvency resolution can be triggered at the first instance of default and the process of insolvency resolution has to be completed within a stipulated time limit.

Source – The Hindu Business Line, 14th June 2017.

CENTRAL BANK CMD TO STAFF: PCA IS A WAKE-UP CALL FOR CLEANSING BALANCE SHEET

Being placed under prompt corrective action should be taken as a wake-up call, requiring a do or die effort from each employee for cleansing the balance sheet of bad loans, according to a top Central Bank of India official.

This observation comes in the wake of the Reserve Bank of India putting the public sector bank under prompt corrective action (PCA) in view of high net non-performing assets (NNPAs) and negative return on assets (RoA).

Central Bank of India's net non-performing assets as a percentage of net advances increased to 10.20 per cent as at March-end 2017 from 7.36 per cent as at March-end 2016. Return on assets was negative in both FY17 (0.80 per cent) and FY16 (0.48 per cent)

With the RBI invoking PCA for Central Bank of India, it will face constraints such as not being able to expand branch network and distribute dividend; restriction on expansion of high risk weighted assets; not being able to incur any capital expenditure other than for technological upgradation and such emergent replacements within board approved limits.

The bank will also have to work towards reducing loan concentration/ exposure in identified (high risk) sectors, industries or borrowers, and unsecured exposures; restrict unrated exposures; improve low-cost current account and savings account (CASA) deposits and avoid high cost deposits; reduce operating expenses and improve cost-to-income ratio.

"This fall from being placed in the category of strong and the best banks to being placed under PCA calls for deep introspection...During the last three decades we have slowly but surely ceded market share purely on account of our inability to keep pace with the changing times.

"The last decade we tried to correct this loss by aggressively growing our book by taking on exposures in bulk disregarding the wisdom of risk dispersion....We are today saddled with mounting NPAs and inadequate capital....," said Chairman & Managing Director Rajeev Rishi in a candid communication to employees.

Rishi emphasised that NPA management has to be the bank's top priority. He said if employees are able to achieve cash recovery/ asset upgradation targets and at the same time contain further slippages, the bank will be in a much stronger position by the end of this financial year.

"We certainly cannot afford further slippages. But just merely preventing slippages will not help. We also need to be making cash recoveries/ upgrading assets in order to free provisions already made to strengthen our balance sheet," he said.

Stating that he has immense faith both in the employees capability and commitment levels, Rishi exhorted employees not to let other matters dilute their efforts towards nursing the bank back to health.

Source – The Hindu Business Line, 16th June 2017.

MARKETS CHEER RBI ACTION ON BAD LOANS

The benchmark S&P BSE Sensex and Nifty Bank hit record highs on Monday, primarily due to a rally in banking stocks. The Reserve Bank of India has asked banks to begin insolvency proceedings against 12 large loan defaulters, raising investor hopes that this could start the resolution of bad loans.

After a strong opening, the BSE Sensex hit a high of 31,362.15, before closing at a new record high of 31,311.57, up 255.17 points. The 30-share index had lost 99.51 points in the previous two sessions.

The Bank Nifty hit a lifetime high of 23,800 in intra-day trade and closed at a record high of 23,742. The Sensex gained 255 points to hit a fresh high of 31,311.

"The market is back to buoyed sentiment due to the relaxation in the return filing timeline to minimise the impact of transition to GST," said Vinod Nair, Head of Research, Geojit Financial Services Ltd.

"On the other hand, the RBI's insistence that banks start bankruptcy proceedings, which will improve their asset quality and strengthen their balance sheets, led the index to climb by 1 per cent," he added.

Banking stocks, led by SBI, Axis Bank, HDFC Bank and ICICI Bank, supported the rally. Among BSE sectoral indices, the metal index was the star performer and was up 1.89 per cent, followed by banking at 0.96 per cent.

The top five Sensex gainers were Adani Ports, Axis Bank, Power Grid , L&T and RIL.

Source – The Hindu Business Line, 20th June 2017.

ELECTION OF SHAREHOLDER DIRECTORS AT SBI IRKS OFFICERS' BODY

The All India Bank Officers' Confederation (AIBOC) has voiced concern over the recent election of shareholder directors to the central board of State Bank of India (SBI).

Sanjiv Malhotra, Pravin Kutumbe, Bhaskar Pramainik and Basant Seth were elected as shareholder directors at the elections held in Mumbai on June 15.

Earlier, SBI had announced that voters who could not come in person had the opportunity to provide a proxy, authorising someone to vote on behalf of him/her.

Anyone with more than 50 shares could vote, but AIBOC said it was unfortunate that SBI charged close to Rs. 13 lakh for a CD containing the voters list.

The last date for nomination was changed at the last minute thereby giving no time for campaign which put an individual at a disadvantageous position *vis-à-vis* the candidates backed by corporate houses.

The All India State Bank of India Officers' Federation (AISBOF) had fielded as candidate Amar Pal, its former president, a former general secretary of AIBOC, and a former director to the central board of SBI.

It had requested all office-bearers to collect proxy forms from officer members and staff and others who were shareholders.

AISBOF and AIBOC took the election as a challenge and went all out to contact shareholders from all walks of life, including friends, relatives, officers and award staff with SBI shares.

The election of Amar Pal could have been instrumental to safeguard the interest of all shareholders, including employees and officers working in SBI, the AIBOC said.

Moreover, the 'evil designs' of authorities to deprive the workforce in participating in the bank's functioning could well have been partially thwarted.

From its experience, AIBOC suggested to banks that voting should be done online so that it becomes a more democratic process.

It is unfortunate that the Centre directs institutional investors such as LIC, which has large number of shares, to vote for its favourite candidates. When it has its own nominees, it is not fair on the part of the Centre to do this to get favourites elected, the AIBOC said.

The laws need to be changed to provide for at least one shareholder director from individual shareholders, who constitute 6 per cent of SBI shareholders.

AIBOC said it will take up the issue with SEBI. It is clear from the results that corporate representatives have got the support of institutions and the Centre.

It also appealed to the Centre to respect the laws of the land and clear the appointment of officer/employee directors pending for years.

In fact, it does not have an officer-director or employee-director on the board of any banks. Despite its 'best and continuous efforts', the Centre has maintained an enigmatic silence in the matter.

Source – The Hindu Business Line, 20th June 2017.

A GRAND GONG TO MARK AN HISTORIC MOMENT

The historic Central Hall of Parliament will host a midnight function on June 30 to launch the tax reform of GST, reminiscent of India's tryst with destiny on the midnight of August 15, 1947.

The government will use the Central Hall, perhaps for the first time, to launch a new taxation system that is set to dramatically reshape the over $ 2- trillion economy.

The launch event will in all probability start at 11 pm on June 30 and extend into midnight, coinciding with the rollout of the GST regime, official sources said.

A gong will be sounded at midnight to signify that GST has arrived.

Prime Minister Narendra Modi will be the key speaker at the function where President Pranab Mukherjee is also being invited.

The GST Bill was originally piloted by Mukherjee when he was the Finance Minister in the previous UPA regime.

Former Prime Minister Manmohan Singh would also occupy the high table along with another former Prime Minister, HD Deve Gowda, in the Central Hall.

The Chief Ministers of all States will be invited for the event as GST represented an unprecedented exercise in fiscal federalism, sources said, adding that GST Council members will be the guests.

Originally, the launch of GST, which has been in works for over a decade, was to be done from Vigyan Bhawan.

But the historic Central Hall was thought to be a better choice considering the importance of the new tax code that unifies more than a dozen separate levies to create a single market with a population greater than the US, Europe, Brazil, Mexico and Japan put together.

Source – The Hindu Business Line, 20th June 2017.

UCO BANK TO RAISE RS. 3,000 CRORE THIS FISCAL; PLANS TO TURN PROFITABLE IN FY19

Kolkata-based UCO Bank plans to raise Rs. 3,000 crore this fiscal and turn profitable by FY19. The turnaround plan will be finalised within a week.

Sources say the Reserve Bank of India's directive to UCO Bank to take prompt corrective action (PCA) could impact the lender's fund-raising plans. PCA refers to strictures on lending and branch expansion, change in management and reduction in assets in order to improve the financial health of the bank.

To add to that, rating agency ICRA has downgraded the bank's tier-II bonds worth Rs.1,300 crore due to weak financial performance in the past year. The agency believes that losses in the last two financial years and high levels of non-performing assets (NPAs) will keep the bank's capitalisation levels and solvency profile weak, going forward.

According to Charan Singh, Executive Director, UCO Bank, the PSU lender will look to raise a part of Rs.3,000 crore from the Life Insurance Corporation of India and also explore other options like follow-on issue or QIP.

In FY17, LIC had pumped in a little over Rs. 270 crore into the bank by way of preferential allotment of equity shares. "We will not go for rights issue as it will further raise the government's stake in the bank. We may look to raise fresh capital by approaching LIC where we have some head-room. This apart, we are exploring other possible options," he told reporters on the sidelines of the bank's annual general meeting.

The government's stake post capital infusion of Rs. 1,150 crore stands at 80.5 per cent.
The bank needs capital for both credit growth and to provide for NPA. The bank's gross non-performing asset (GNPA) stood at 17.12 per cent, while net NPA was at 8.94 per cent for FY17. The bank reported a net loss of Rs. 1,851 crore last fiscal.

Meanwhile, the turnaround plan — that the bank is working on with SBI Caps — is likely to be finalised in the "next two-to-three days".

The turnaround plan envisages branch rationalisation — merger of unprofitable branches or merging many branches in the same location; bringing down the number of zonal offices and so on. Already 14branches have been merged, Singh said, adding that the process was an "on-going one".

In terms of credit growth, the bank is eyeing a modest 6-7 per cent in FY18, while the immediate focus will be to bring down NPAs. "We should be profitable in FY19," he said.

Source – The Hindu Business Line, 29th June 2017.

FINMIN CUTS SMALL SAVINGS RATES BY 10 BPS FOR SECOND QUARTER

In a big blow to small investors, the Finance Ministry has further slashed the interest rates on small saving schemes such as the Public Provident Fund (PPF) and the Kisan Vikas Patra (KVP) by 10 basis points.

The new rates, notified by the Ministry on Friday, will be effective for the second quarter of the fiscal, between July 1 and September 30.

Accordingly, the PPF will offer a return of 7.8 per cent as against 7.9 per cent in the first quarter of the fiscal.

The immensely popular PPF yielded a return as high as 8.7 per cent till 2015-16.

The government had in April 2016 moved to a quarterly reset of small saving rates and linked them to the yield on government securities in order to help improve the transmission of monetary policy by banks.

At that time, the return on the PPF was slashed to 8.1 per cent.
For the second quarter of 2017-18, the Sukanya Samriddhi Yojana and the Five-Year Senior Citizens Savings Scheme will continue to offer the highest return among all small savings: 8.3 per cent, as against 8.4 per cent in the first quarter.

The KVP, which will now mature in 115 months against the earlier 113 months, will have an interest of 7.5 per cent.

The interest rate on the savings deposit scheme has, however, been retained at 4 per cent.

Pointing to higher liquidity over the last eight months following demonetisation, analysts said the relative stickiness in small savings rates has not hindered a fall in banks' deposit rates, unlike in previous phases of tighter liquidity.

"Given the continuing and substantial liquidity surplus, liquidity management measures and rate action by the RBI are likely to emerge as the key drivers of deposit rate cuts in the ongoing year," said Aditi Nayar, Principal Economist, ICRA. Changes in the small savings rates will help in policy transmission when liquidity moves closer to neutrality, she added.

Source – The Hindu Business Line, 1st July 2017.

UNCLAIMED PF TO FUND MEDICAL COSTS

Savings remaining unclaimed in dormant Employees' Provident Fund (EPF) accounts for seven years will be used to fund a new scheme for providing medical benefits to pensioners under the EPF scheme, according to Labour Ministry sources.

The move comes after a committee of secretaries, headed by Cabinet Secretary P.K. Sinha, recently directed the Labour Ministry to frame scheme for benefit of senior citizens who are PF subscribers from inoperative account funds, according to documents seen by *The Hindu.*

"With respect to the unclaimed money available in Provident Fund Organisations (Coal Miners PF, etc), the respective ministries may consider formulating and implementing schemes for the benefit of senior citizens belonging to the groups subscribing to the PF," said the minutes of the meeting chaired by Mr.Sinha on February 10 with secretaries of a dozen central government ministries.

The EPFO has already started discussions with the Employees' State Insurance Corporation (ESIC) to frame a medical benefits scheme for pensioners under Employees' Pension Scheme (EPS) of the EPFO.

Senior EPFO officials said the scheme will be contributory in nature with EPF pensioners contributing a portion of their income towards the medical scheme and rest flowing from inoperative accounts of the EPFO.

Once the scheme is put in place, EPF pensioners will be able to avail medical facilities from a network of more than 1,400 dispensaries and 150 hospitals under ESIC across the country.

Under the ESI Act, workers drawing salary of up to ₹15,000 per month are entitled to medical benefits for treatment during sickness, maternity, disability and death due to injury during work. The Act applies to factories with 10 or more workers and also to shops, hotels, restaurants, cinemas and road transport undertakings.

The government had framed a law last year wherein unclaimed money under EPF, Public Provident Fund and small saving schemes such as post office savings accounts for a period of seven years will be diverted to set up a senior citizens' welfare fund.

The trade unions had strongly protested the move to divert EPF money for setting up a fund for the elderly. Following this, Labour Minister Bandaru Dattatreya wrote to Finance Ministry to not divert unclaimed EPF money for other purposes.

"The unclaimed EPF money will be diverted for EPF pensioners only. So, we are sure trade unions will not be concerned anymore," said a senior Labour Ministry official.

EPF money becomes unclaimed after a subscriber doesn't withdraw money after reaching 61 years of age. Accounts also become inoperative if persons settling abroad do
not withdraw their money within three years.

Source – The Hindu Business Line, 01 – 15 July 2017.

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