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Dear Comrades,

2nd September , 2016

News of Interest 1st Sep

QUOTE OF THE DAY

“THE GIFT OF FANTASY HAS MEANT MORE TO ME THAN MY TALENT FOR ABSORBING
POSITIVE KNOWLEDGE. “

ALBERT EINSTEIN

- 1. RELIEF FOR BANKS, AS FINMIN RELAXES ‘FATCA’ COMPLIANCE NORM**
- 2. STRONG EQUITIES SPUR THE RUPEE**
- 3. STATUS QUO ON RATES: RAJAN WENT WITH MAJORITY VIEW OF RBI’S TECHNICAL**
- 4. TRADE UNION STRIKE ON SEPT 2: COMMON MAN SET TO BE HIT; CHECK OUT HOW**
- 5. CANARA BANK LAUNCHES UPI MOBILE APP**
- 6. RBI LIKELY TO AGREE ON NODAL AGENCY**
- 7. LIC NAGPUR DIVISION SETTLES CLAIMS OF RS 58 CRORE IN FY17**
- 8. RBL BANK SHARES LIST AT RS 274.2, A 22% PREMIUM TO LISTING PRICE**
- 9. ANURADHA RAO APPOINTED AS MD, CEO OF SBI MUTUAL FUND**

Business Line

1. Relief for banks, as FinMin relaxes ‘FATCA’ compliance norm

K. R. SRIVATS

Banks and financial institutions in India have got some breather as regards compliance under the US-enacted Foreign Account Tax Compliance Act (FATCA).

The Finance Ministry on Wednesday said that banks and financial institutions need not enforce “closure” of accounts by August 31, 2016 in respect of those cases where “self-certification” had not been obtained and due-diligence not completed.

The revised timeline for completing due diligence in respect of such accounts would be notified in due course, an official release said.

The inter-governmental agreement (IGA) with USA for implementation of FATCA entered into force on August 31, 2015. The IGA was signed to implement FATCA with a view to promote transparency between the two countries on tax matters. This was seen as an important step on part of India and the US to tackle offshore tax evasion and avoidance.

As per the IGA, Financial institutions in India will be required to report tax related information relating to U.S. account holders directly to the Indian Government, which will, in turn, relay that information to the USA.

Under the alternative procedure prescribed in the Indian income tax rules, banks and financial institutions needed to obtain self-certification in respect of all individual and entity accounts opened from July 1, 2014 to August 31, 2015.

This was required to be completed by August 31, 2016 - one year after FATCA entering into force -- failing which accounts are required to be closed and report the same if found to be a "reportable account".

Now, with stakeholders expressing difficulties in following the provision for "closure" of financial accounts, the Finance Ministry has said that financial institutions may not close the accounts by August 31.

In the interim, the financial institutions should continue to work on completing the required due diligence, including obtaining self certification, the release added.

Experts take

Aseem Chawla, Managing Partner, ASC Legal, a law firm, said that the announcement comes as a welcome respite and does recognise that sufficient time and enabling environment would yield better compliances in the long run.

Pranay Bhatia, Partner – Direct Tax, BDO India, said that the financial institutions have received much awaited relief from closing down the accounts opened between, July 1 2014 to August 31, 2015 for which self certifications were not obtained.

Finance Ministry will now provide an extended timeline to complete the due diligence process for these accounts. "Financial institutions also expect that the new notification shall provide for freezing or blocking such accounts instead of closing the accounts, which will bring in operational ease", Bhatia told BusinessLine.

2. Strong equities spur the rupee

GURUMURTHY K

The US Federal Reserve Chair Janet Yellen saying in her Jackson Hole speech on Friday that the case for a rate hike has increased in the recent months jolted the rupee.

The domestic currency opened with a gap-down at 67.14 on Monday and fell to a low of 67.21.

However, the strong surge in the equity indices helped the currency limit the downside and recover the losses.

The rupee recouped its losses to close at 66.96 on Wednesday, gaining 0.21 per cent in the week.

Interestingly, the rupee remained insulated from a sharp fall this week despite a strong rise in the dollar index after Yellen's Jackson Hole speech.

The dollar index has risen sharply, by 1.6 per cent, from its support at around 94.5 to 96.

The outlook for the index is positive. The next key resistances are at 96.25 and 96.5, which are likely to be tested in the coming days.

A strong break above 96.5 can take the index higher to 97.5 or 97.7 thereafter.

The unemployment rate and the non-farm payroll numbers due for release on Friday will be key data points to watch. A strong payroll number will be a positive for the dollar as it would strengthen the chances for a rate hike by the US Fed this year.

In such a scenario, the rupee may come under pressure and fall to 67.5 or lower thereafter.

On the other hand, if the job numbers are bad, the dollar index may reverse lower from the 96.25-96.50 resistances and fall back to 95.5.

Rupee outlook

The reversal from the low of 67.21 is a positive for the rupee in the near term.

However, key resistances are in between 66.80 and 66.70, which can cap the upside in the rupee.

Though a test of these resistances cannot be ruled out ahead of the US jobs data, whether the rupee breaks above 66.70 or reverses lower from there will decide the next leg of move for the currency.

A strong break above 66.70 can take the rupee higher to 66.5. Further breach of 66.5 will see the rupee strengthening to 66.2 in the short term.

On the other hand, if the rupee reverses lower from the 66.8-66.7 resistance zone, it can fall to 67 initially. A break below 67 can drag it to 67.25.

The level of 67.25 is a key short-term support for the rupee which is limiting the downside as of now.

A strong break below it can increase the downside pressure and take the rupee lower to 67.5 or even 67.8 thereafter.

3. Status quo on rates: Rajan went with majority view of RBI's Technical Advisory Committee

With the headline consumer price index (CPI) inflation proving to be sticky with a tendency to increase, four of the five external members of a Reserve Bank of India panel on monetary policy recommended status quo on policy rates for the third bi-monthly monetary policy review.

Outgoing RBI Governor Raghuram Rajan concurred with this recommendation, keeping the policy repo rate unchanged at 6.50 per cent in the policy review of August 9.

Majority of the members of the Technical Advisory Committee on Monetary Policy were of the view that CPI and CPI-food inflation have seen a recent uptick and certain other price indicators continue to be sticky. According to them, elevated food inflation has second-round effects on headline inflation if it is persistently above double digits.

These members also reasoned that although industrial growth remains weak, improvement in liquidity should help banks pass on past policy rate cuts. Implementation of the Goods and Services Tax, they said, will pose an upside risk to inflation.

They felt that excluding food and fuel there are some signs of anchoring of inflation expectations that needs to be further strengthened by keeping the policy rates unchanged.

The real policy rate, they said, continues to be below the natural rate and there is no space for accommodation unless there is substantially lower inflation relative to the target of 5 per cent for March 2017 on a durable basis. One member, however, recommended a reduction in the policy repo rate by 50 basis points.

According to this member, there is a high probability of inflation softening to 4-5 per cent by the year-end and appreciation in the real effective exchange rate and increased interest differential will slow the recovery of large corporates.

For small and medium firms, however, the member recommended stepping up in reserve money growth in case it is low relative to the historical average.

The five external Members of the RBI panel are Shankar Acharya, Arvind Virmani, Errol D'Souza, Ashima Goyal, and Chetan Ghate.

Financial Express

4. Trade Union Strike on Sept 2: Common man set to be hit; check out how

Reiterating their countrywide general strike call, 10 central trade unions (CTUs) on Wednesday said that banking, insurance and road transport services would be the worst hit on September 2, while industrial clusters would also remain closed.

By: [FE Bureau](#)

Reiterating their countrywide general strike call, 10 central trade unions (CTUs) on Wednesday said that banking, insurance and road transport services would be the worst hit on September 2, while industrial clusters would also remain closed.

Addressing a joint press conference, CTUs said that the power, coal, textiles, automobiles, ports & docks, steel, oil, defence production and education sectors would also feel the impact. As many as 15 crore workers are likely to observe strike on the day and 10 states would virtually observe a bandh. CTUs had also given a strike call last year on September 2. BMS, the largest union, was among the convenors of last year's strike initially, but backed out following assurances from the government. BMS is not a party to the strike. But agitating CTUs claim though the top leaders of the RSS-affiliated union are not lending support, its cadres at the ground level would chip in.

5. Canara Bank launches UPI mobile app

Public sector Canara Bank today said it has launched an Unified Payment Interface (UPI) app named "empower"

By: PTI

Public sector Canara Bank today said it has launched an Unified Payment Interface (UPI) app named "empower".

The mobile app works on NPCI (National Payments Corporation of India) platform and enables bank customers pay and collect using this single app, the bank said.

The mobile app is available for download from Google play store, the bank said in a release here, adding it was launched at the Board of Directors' conclave here yesterday.

According to the release, the app helps customers create a virtual payment address to pay and collect money from anyone without disclosing their account related information, link their bank accounts across banks in a single app, among other things.

Non-Canara Bank customers can also use this application to link accounts held in other banks and use it for a host of financial and non-financial services, the release said.

Business Standard

6. RBI likely to agree on nodal agency

Final guidelines expected soon; P2P players may also get access to credit bureau data

Nupur Anand

The Reserve Bank of India (RBI) is expected to issue the final guidelines for peer to peer (P2P) lending in the next few days. It is expected to concede to lending firms' suggestion for a nodal agency.

This was one of the focus areas of outgoing RBI governor Raghuram Rajan. People familiar with the development say the final guidelines are expected to come out before he demits office on Sunday.

A P2P lending firm allows an individual to lend or borrow money to or from others, without assistance from financial intermediary. This is mainly done through an online platform that connects lender and borrower. In the past couple of years this space had been gaining momentum, and about 30 entities

had come up in the space. After the draft guidelines were released in April, almost all players had suggested there should be a nodal agency to track money transferred from a borrower's account to a lender's, and vice versa. RBI, on the other hand, had said funds should move directly from one account to the other. The central bank's rationale was to avoid the risk of money laundering.

The P2P entities also suggested they should be given access to credit bureau data, which could get RBI approval. They say this will help improve the quality of borrowers. Apart from structural guidelines, the rest would be more suggestive in nature. "This is because the sector is still evolving and they don't want to clamp on it," said one player.

Some had asked the minimum capital requirement of Rs 2 crore be relaxed. While bigger entities wanted the amount to remain, smaller ones had reservations, saying they were not lending or accepting deposits, and it shouldn't apply to them. Now the players are also expecting a clarification on this.

A P2P lending firm allows an individual to lend or borrow money to or from other unrelated individuals without assistance from any financial intermediary. This is mainly done via an online platform that connects lenders and borrower. In the last couple of years this space had been gaining momentum and about 30 players had come up in the space.

7. LIC Nagpur division settles claims of Rs 58 crore in FY17

The life insurance behemoth is celebrating its diamond jubilee this year

Press Trust of India

The Nagpur division of LIC has settled claims to the tune of Rs 58 crore of as many as 4,806 individuals during the current financial year so far, a senior official said on Wednesday.

"The division has sold 71,946 policies and received Rs 252.25 crore as premium paid," Senior Divisional Manager, Life Insurance Corporation (LIC) Nagpur Division, Ashwini Kumar Jha told reporters here.

The life insurance behemoth is celebrating its diamond jubilee this year.

"The Nagpur division of LIC has settled claims to the tune of Rs 58 crore of 4,806 persons during the current fiscal so far," Jha said.

The official said the division office has received around 11.95 lakh policies for revival.

"So far 45,308 policies have been revived with a premium of Rs 37.32 crore," he added.

Jha said on the national scenario, LIC has assets to the tune of Rs 22 lakh crore with over 41 crore policies in force.

Last financial year 205.47 lakh policies were sold which was 76.84 per cent of the market share. The premium paid was Rs 97,674.32 crore, which was 70.44 per cent of all India market share, Jha added

8. RBL Bank shares list at Rs 274.2, a 22% premium to listing price

The listing price is a 22 % premium to issue price of Rs 225 a share

Abhijit Lele

The shares of private sector lender RBL, formerly known as Ratnakar Bank, on Wednesday debuted on the National Stock Exchange at Rs 274.2 per share, a 22% premium over the offer price.

The price band for RBL's Initial Public Offer (IPO), the first by a private bank in a decade, was fixed at Rs 224-225 per share. The IPO opened for subscription on August 19 through August 23, with an issue price of Rs 225 a share.

The company's IPO was subscribed a staggering 70 times over

Yes Bank was the last private lender to hit the capital markets in 2005. Taking into account state-run banks as well, Punjab and Sind Bank last went public six years ago in 2010.

Kotak Mahindra Capital, Axis Capital, Citigroup, Morgan Stanley were the global merchant bankers for the deal while HDFC Bank, ICICI Securities, IDFC Securities, IIFL and SBI Caps were the lead managers for the local market.

9. Anuradha Rao appointed as MD, CEO of SBI Mutual Fund

SBI Mutual Fund today said it has appointed Anuradha Rao as its Managing Director and chief executive.

By: [PTI](#)

SBI Mutual Fund today said it has appointed Anuradha Rao as its Managing Director and chief executive.

Prior to this, Rao was Deputy Managing Director at SBI handling New Business Portfolio. She has also worked as the Chief General Manager of personal banking at the bank.

Some of the key assignments handled by her include developing the home loans and real estate businesses at SBI.

She took charge from Dinesh Kumar Khara , who has been appointed Managing Director of State Bank of India (Associate & Subsidiaries).

"Rao has been appointed as the new MD and CEO of SBI Funds Management Pvt Ltd effective August 25, 2016," SBI MF said in a statement.

Rao has over three decades of vast experience in banking and allied sectors.

"It will be a huge responsibility to oversee its future growth and work continuously towards offering the best services to the investor through a process driven approach which is high on transparency, convenience, and value creation," Rao said.

SBI Mutual Fund, which has established itself amongst the top five fund houses in the country, has an assets base of Rs 1,19,878 crore as on June 30.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY