



ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION
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Dear Comrades,

2nd December , 2016

News of Interest 2nd DEC

Quote of the day

“I THINK PEOPLE HAVE DIFFERENT DEFINITIONS OF TEAM UNITY. MY DEFINITION IS DOING WHATEVER IT TAKES TO WIN, WHAT MAKES A GREAT TEAM; IT'S PERFORMANCE ON THE FIELD, RESPECT ON THE FIELD. “

HOPE SOLO

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Business standard

1. RBI warns banks and public against misinformation on social media

RBI says that people should rely on information provided on its website

[Press Trust of India](#)

RBI on Thursday has cautioned banks as well as the public not be misguided by questionable and unverified documents being circulated on social media channels regarding demonetisation of old Rs 500/1000 currency notes.

In a public notice, the Reserve Bank said that people should rely on information provided by it on its website.

In the wake of withdrawal of legal tender character from the Specified Bank Notes (old Rs 500 and Rs 1,000), RBI has, from time to time, been issuing instructions to the banks which are sent directly to banks through an official mail.

In the notice, RBI said that it has been reported that certain guidelines/instructions "purported" to be issued by the RBI are being circulated in the social media by "some unscrupulous elements creating confusion in the minds of the public/bank personnel".

"Banks and members of the public are, therefore, cautioned to be guided by only those instructions which are either uploaded on the Reserve Bank's official website," the central bank said.

Following demonetisation of the old high value currency from November 9, people have been depositing the invalid notes in banks and also exchanging them at RBI counters.

RBI has placed a weekly withdrawal limit of Rs 24,000, including from ATMs, a week.

2. RBI caps group entity exposure limit for banks at 25%

RBI allows a bank to lend up to 15% of its capital funds to a single borrower and 40% to a group

Reuters

The Reserve Bank of India said on Thursday it will cap banks' exposure to a single entity to 20% of a lender's capital base and to 25% limit to a group of connected entities, according to a circular on Thursday.

Currently, the RBI allows a bank to lend up to 15% of its capital funds to a single borrower and 40% to a group.

The central bank also said that banks must classify the sum of all exposures of 10% or above as "large exposure" and report them to the RBI.

The rules will be effective April 1, 2019.

3. RBI issues final guidelines on large exposure framework

Sum of all the exposure values of a bank to a single counter-party must not be higher than 20% of the bank's available eligible capital base at all times, says RBI

Press Trust of India

The RBI on Thursday issued final norms for banks' exposure to large companies and said lender's total advances to a single company cannot be higher than 20% of its capital base.

The new norms will should be implemented by March 31, 2019, RBI said.

"The sum of all the exposure values of a bank to a single counter-party must not be higher than 20% of the bank's available eligible capital base at all times," RBI said in the final guidelines on Large Exposure Framework (LEF).

However, in exceptional cases, board of banks may allow an additional 5% exposure of the bank's available eligible capital base.

"The sum of all the exposure values of a bank to a group of connected counter-parties must not be higher than 25% of the bank's available eligible capital base at all times," RBI said, adding banks must lay down a board approved policy in this regard.

The framework said any breach of the limits shall be under exceptional conditions only and shall be reported to RBI immediately and rectified at the earliest but not later than a period of 30 days from the date of the breach.

The guidelines said banks must apply these exposure at the same level as the risk-based capital requirements are applied, that is, a bank shall comply with the these norms at two levels the consolidated level and solo level.

The application of LEF at the consolidated level implies that a bank must consider exposures of the entire banking group

entities (including overseas operations through branches and subsidiaries), which are under regulatory scope of consolidation, to counter-parties and compare the aggregate of those exposures with the banking group's eligible consolidated capital base.

Under the proposed LEF, an exposure to counter-party will constitute both on and off-balance sheet exposures included in either the banking or trading book and instruments with counter-party credit risk.

Financial Express

4. 5 PSU banks yet to join UPI network, govt-supported digital platform

Even while the Centre continues its push for cashless transactions, at least five banks are still to join the Unified Payment Interface (UPI) network a fund remittance service backed by the government and Reserve Bank of India.

By: [FE Online](#)

Even while the Centre continues its push for cashless transactions, at least five banks are still to join the Unified Payment Interface (UPI) network a fund remittance service backed by the government and Reserve Bank of India. The State Bank of India launched its app SBI Pay on November 24, almost three months after UPI went live in August-end and more than two weeks after the demonetisation was announced. ICICI, HDFC Bank and Axis launched their own apps before SBI.

Although online payment platforms like Free Charge, Paytm, RuPay and MobiKwik have witnessed surge in downloads as well as transactions, Indian Bank, Indian Overseas Bank, Syndicate Bank, Corporation Bank and Punjab & Sind Bank have not joined UPI. A P Hota, Managing Director of National Payment Corporation of India (NPCI), which launched UPI was quoted as saying by 'The Indian Express' that these banks should also come on board and thirty banks had already signed up with UPI including foreign banks like HSBC.

The report also quoted a source as saying that the demonetisation period is a good time to push for digital banking platforms like UPI and should ask five PSU banks to go for it. With an advanced version of Immediate Payment Service (IMPS), UPI looks to have overcome problems and has started targeting more customers. After demonetisation, daily transactions have jumped from 6,000-7,000 to 20,000.

Hota further said that IMPS is clocking 1.2 million transactions already. IMPS and UPI together will have over 2 million transactions by March-end.

5. Thanks to demonetisation, forget GST now

The opposition unity led by the Congress party and Trinamool Congress leader Mamata Banerjee on demonetization appears set to derail implementation of the goods and services tax (GST) from April 1 next year.

By: Santosh Tiwari |

The opposition unity led by the Congress party and Trinomial Congress leader Mamata Banerjee on demonetization appears set to derail implementation of the goods and services tax (GST) from April 1 next year.

If West Bengal chief minister Mamata Banerjee's support was instrumental in passing the Goods and Services Tax (GST) constitutional amendment Bill in the monsoon session of Parliament even in the absence of an NDA majority in the Rajya Sabha, her opposition to the integrated indirect tax structure appears all set to derail its implementation now, thanks to the demonetisation of Rs 500-1000 notes.

Prime minister Narendra Modi and finance minister Arun Jaitley must have gathered by now that implementing GST from April 1 next year has slipped out of their hand from the West Bengal finance minister Amit Mitra's statement that the demonetisation and the resulting turmoil has made the target unlikely. Incidentally, it was Mitra who played a big role as the chief of the empowered committee of state finance ministers on GST in cobbling a consensus of the states to support GST earlier.

Even though the opinion amongst the experts and politicians would be divided on what will be the impact of demonetisation on the GDP, depending on which side they are, considering Mitra's credentials as an economist and also an industry spokesman in his previous avatar as the secretary general of Ficci, his argument that the likely 2% hit makes GST untenable at this juncture, stands on a sticky wicket.

But, that is not the point, Mitra's proposed analysis of the impact in different states of the demonetisation itself may prove him wrong – the bigger concern for PM Modi is that the opposition unity in Parliament over demonetisation impact on public life, in all probability, will get extended to opposing the passage of GST laws that are necessary for its implementation.

Even those like Bihar chief minister Nitish Kumar who have supported demonetization may join the opposition ranks sensing a larger unity.

Though the government has the option of skirting the opposition by getting the GST laws passed as money Bills, but that will also not be of much help as the states, then, will ensure that they don't get the required support from the assemblies, which is a must for the take-off of the GST.

This, clearly, has almost created a dicey situation as the Centre and the states are yet to resolve the dual control issue also – whether it will be based on turnover or a percentage of assesses – after several rounds of consultations, even though the crucial rate framework has been decided.

It will not be surprising to see the states hardening their stance now in the GST council meeting on Friday and Saturday, in which the Central Goods and Services Tax, Integrated Goods and Services Tax and compensation laws have to be finalised.

While the actual gains/losses from demonetisation will take time to manifest, the GST seems to be its first casualty, which is sad, as the GST and digital payments could be a deadly combination in tackling unaccounted income.

6. More than Rs four crore in new currency seized by Income Tax department in Bengaluru

The Income Tax department seized Rs five crore from the flat owned by a civil contractor in Bengaluru on Thursday. The contractor had kept Rs 4.7 crore in newly introduced Rs 2,000 currency notes while the rest was old high-value and low-value denominations.

By: FE Online

The Income Tax department seized Rs five crore from several premises in Bengaluru and other locations on Thursday. In a search launched by over 50 I-T officials in Bengaluru, Chennai and Erode, they recovered Rs 4.7 crore in newly introduced Rs 2,000 currency notes while the rest was old high-value and low-value denominations. The officials further recovered seven kilogram gold bullion from the flat owned by a civil contractor that worth around Rs two crore during the raid.

Soon after the high-value currency notes were demonetised by the government, finance minister Arun Jaitley had been continuously repeating that the Centre is monitoring the suspects of black money. The I-T department conducted a search operation on the day and recovered the cash. However, the shocking part of the incident was that a major portion of the amount was in Rs 2,000 currency notes that was introduced on November 8 by RBI Governor Urjit Patel post announcement of demonetisation of Rs 500 and Rs 2,000 notes by Prime Minister Narendra Modi.

The I-T officials called it a highest seizure of the new currency in the country post demonetisation. "Some entry operators and bankers in Karnataka and Tamil Nadu are under the scanner. Such volume of new currency cannot be obtained without connivance of bank officials," a senior I-T department official told PTI.

Stating reason behind the huge stack of newly introduced currency, the Central board of Direct Taxes (CBDT) said "the new notes and bullion are learnt to have been obtained by exchange of demonetised notes by payment of commission of an engineer and a contractor," in a statement. The department has also found a number of identity cards of various individuals from the searched premises which could have been used to illegally change the old currency with new ones.

The department also seized some notes of Rs 100, demonetised notes of Rs 500 and a few gold biscuits besides documents of property purchase from the premises.

7. Salary rush drowns banks across the country; situation better in Mumbai

G NAGA SRIDHAR

K RAMKUMAR

Banks across the country struggled to cope with the rush on the first payday after demonetisation as employees attempted to withdraw their salaries.

While Bengaluru saw serpentine queues outside ATMs and banks, in Hyderabad cash dried up at many branches within hours. In Mumbai, the situation was a tad better as banks tried to make it less painful by opening multiple counters and regularly restocking cash.

The Reserve Bank of India pumped in more cash to public sector bank branches and ATMs in the country's financial capital. Given that government salary and pensions are released through PSBs, the central bank appears to have done these employees a good turn.

However, the private sector and urban co-operative banks in the city continued to reel under the cash crunch.

Also, some onsite ATMs of PSBs were loaded with cash to relieve the pressure on branches. But the bad news was that the ATMs were mainly loaded with ₹2,000 notes that customers are finding difficult to exchange.

Manisha D Varunkar, Manager of Canara Bank's all-woman branch at Vartak Nagar, Thane, said thanks to the improved supply of bank notes, customers can withdraw their weekly limit of ₹24,000 (for retail customers) or ₹50,000 (for current account customers) at one go.

"We have requested our current account customers to deposit their earnings with us regularly so that the money gets circulated. We are also asking these customers to take our point-of-sale (POS) terminals for their business transactions," said Varunkar.

A Kotak Mahindra Bank spokesperson said the bank was ensuring that cash received from the RBI was distributed equitably across its branches and ATMs to reduce inconvenience faced by the customers.

In Hyderabad, the month began on a difficult note for employees, pensioners and industrial workers as cash dried up in many branches within hours.

8. Why have white-label ATMs been shut?

RADHIKA MERWIN

Over the past three weeks, since the demonetization move, the never-ending lines outside ATMs have left many anxious and flustered.

But white label ATMs (WLAs) set up by licensed non-bank entities in remote areas of the country, have been completely shut. These ATMs are tied up with various banks for sourcing cash..

But with banks scrounging for currency themselves, they have been unable to provide these ATMs with cash to dispense. With only 40,000-odd ATMs — both bank and white label — in rural areas, access to money in the remotest parts of the country is now a grave challenge.

The main objective of permitting non-banks to operate WLAs was to expand the reach of ATMs in semi-urban and rural areas, where banks were not able to put up ATMs.

Under the RBI's guidelines, a minimum number of WLAs have to be installed in Tier III to VI centers, depending on the scheme opted by each player. That's why almost 41 per cent of WLAs operate in rural areas. In contrast, public sector banks operate only about 20 per cent of their ATMs in rural areas.

As of October 2016, there were 14,427 WLAs. Of the eight players in this market, two players — Tata Communications Payment Solutions (8,941) and BTI Payments (4,087) — account for 90 per cent of the total WLAs.

Cash-crunched

"Almost 90 per cent of our ATMs are in tier-III and below towns/villages. Most customers in rural areas travel 5-10 km to access an ATM and it does not help if these ATMs are shut for over three weeks.

"Almost 50 per cent of our ATMs are in areas where there are no other bank branches or bank ATMs," says K Srinivas, MD and CEO, BTI Payments.

To be fair, the RBI has laid down a stringent regulation that sourcing of currency should be done only from banks, possibly to prevent fake notes entering the system. But given the need to reach out faster to the rural areas, that are more cash dependent, the apex bank could review its norms for the interim.

"We have fully recalibrated all our ATMs. But unfortunately, we are not able to source cash, our principal raw material to run ATMs, from our cash-supplying banks.

"We have represented to the RBI to allow us to draw cash directly from the RBI currency chests and are awaiting a response," adds Srinivas.

9. Major portion of our CASA deposits likely to stay, says Canara Bank MD Rakesh Sharma

ANIL URS

As banking operations inch towards normalcy, Canara Bank Managing Director and CEO Rakesh Sharma shares with *Business Line* the impact of demonetisation on the bank's operations and balance-sheet. Excerpts:

Has normalcy returned to Canara Bank's banking operations?

Generally, yes. We are day-by-day inching towards normalcy in banking transactions. As you know, since November 25, the exchange transactions have been stopped. So, only deposits and withdrawals are taking place.

In the first four days, almost 15 lakh transactions took place in our bank and on an average around ₹4,000 crore worth deposits were made. Now the number of transactions has come down to almost six lakh, which works out to about 40 per cent of the total transactions, which means we are slowly getting towards normalcy.

Withdrawals are also taking place at ATMs. So, everything is getting stabilised now, and we have already recalibrated our ATMs to disburse ₹2,000 and ₹500 notes.

What has been the collection since the announcement of demonetisation on November 8?

So far, total deposits received in our bank is around ₹40,000 crore. Of this, after taking into account some withdrawals, almost ₹24,000 crore is CASA (current account, savings account) deposits. I think, slowly people will move towards term deposits, but at present, a major portion is CASA deposits.

Compared to Q2, what kind of CASA improvements are you seeing post-demonetisation?

I cannot quantify it at the moment. There may be some withdrawals; so, it is really difficult to guess how much will remain with us by December 31. I feel that a major portion may stay.

Thereafter, in Q4, I think, further withdrawals are likely to happen. As of now, our CASA deposit is 30 per cent, which used to be around 26 per cent a year before. So, overall, CASA will be around 29 per cent. This will help us in reducing the cost of deposits.

With volatility in deposits and withdrawals when do you see credit growth taking place?

Credit growth is happening now. Initially, some of the deposits were of loans coming back, as the withdrawn notes could be deposited into loan accounts. So, some of the amount is coming towards our loans.

We are simultaneously seeing credit growth and we expect that in December some growth will happen.... Fresh disbursements are happening to many industries.

Has demonetisation impacted the bank's treasury yield rates?

Yes. There has been some increase in treasury rates because of the RBI's decision to increase the cash reserve ratio (CRR), but still the rates are low. Our average yield on investments was around 7.88 per cent as on September 30 and the modified duration was around five years. So, that way, we tend to gain, because whenever there is a reduction in interest rates, there will be some profit in the treasury.

How do you see the NPA position of the bank?

As of September 30, our gross NPA (non-performing asset) was around 9.81 per cent. Our main job is to check slippages, so that there is no addition in NPAs and then, going forward, we have to provide a solution for the large NPA accounts.

In many cases, these are under process, either by way of SDR (Strategic Debt Restructuring) or S4A (Scheme for Sustainable Structuring of Stressed Assets). Where S4A is not applicable, we are going for restructuring also.

So, as these take a little bit of time — because forensic audit and then techno-economic viability study have to be done — I think, by Q4 some solutions will start coming. I am expecting our NPA to come down below 9 per cent by March 2017 and then going forward, I see good improvement towards reducing the NPAs.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY