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Dear Comrades,

19th August , 2016

News of Interest 2nd Sep

QUOTE OF THE DAY

“IF WE HAVE NO PEACE, IT IS BECAUSE WE HAVE FORGOTTEN THAT WE BELONG TO EACH OTHER.

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MOTHER TERESA

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Business Standard

1. No regrets on speaking my mind, says Rajan

Rajan said the head of the central bank should have a fixed tenure of more than three years as the current term was too short

Anup Roy

Raghuram Rajan, the outgoing governor of the Reserve Bank of India (RBI), has defended his stance on speaking on issues outside the purview of central banking, which led to controversies. “In this function you have the duty to educate... a lot of people look up to you. You have a sense of responsibility. When you are talking, to your mind it is a legitimate duty,” Rajan said in an

interview, adding, "I have absolutely no regret."

Rajan, who demits office on Sunday, was being interviewed by veteran journalist Karan Thapar on his show To the Point on Headlines Today.

Harping particularly on his "intolerance" remark, Rajan said the speech was given at IIT-Delhi to young minds and there was an effort to educate them to be good citizens. A lecture on India's ancient culture of tolerance was the need that time as the environment in the country was discussing tolerance-intolerance. Rajan seized on the topic of the time and was completely apolitical about it. "It was a plea to continue with our tradition."

On the tenure of the RBI governor, Rajan said the head of the central bank should have a fixed tenure of more than three years as the current term was "too short", Rajan said. "Longer term would certainly protect them (RBI governors) from taking short-sighted decisions. Three years may be too short, eight years may be too long," he said. The correct number should be somewhere in between, as followed by many other global central banks, he said.

Rajan said he came with a definitive plan knowing that he had a three-year mandate and that 95 per cent of his agenda had been fulfilled. The rest are a work in progress and a never-ending process in some sense.

"We created a platform and we need to put more buildings on them. In some sense, it is a never-ending job. I started with a plan, to my mind, we have completed 95 per cent of it," Rajan said.

His three big achievements at RBI has been building a credible inflation fighting plan, making borrowers pay up and establishing the way payments are done in the country. With the launch of the unified payments interface, customers can transact without disclosing account information in real time.

Overall, Rajan said he felt "fulfilled" in his job as RBI governor. And he had plans to return to academia as too long an absence from the academic world renders one incapable of doing serious research work.

"I saw it as a three-year job. I had to go back," Rajan said, while answering whether he would have wanted an extension.

The governor said he wasn't averse to an extension. "We started the dialogue, but at some point we realised that there's no point in pursuing it. Everything comes to an end and you have to move on," Rajan said.

The outgoing governor staunchly defended his stance on not cutting rates further as the rising inflation left no room for the central bank to lower rates. However, he expects the August number to be below 6 per cent, against 6.17 per cent for July, which clearly was above RBI's comfort zone.

Lowering rates at a time when inflation was getting high would have hurt the credibility of the new inflation targeting measures of the central bank, he said.

"You cannot respond to the clamour of the moment, because it is very short-sighted," Rajan said, adding the same people who want the central bank to lower rates are against banks cleaning up their books, without realising the two are interlinked.

Rajan said banks' inability to lower rates was a kind of "Catch-22 situation" as it was difficult to lower rates at a time when economic growth was tepid. Besides, some banks did not want to expand their balance sheets and therefore, cutting rates and getting more business did not entice them enough to pass on the policy rate cuts.

On the new monetary policy committee, Rajan said the government could any day choose to adjust the tolerance band for inflation (which currently is at two per cent either side around the central point of four per cent of retail inflation).

"If the government thinks the target is too tight, they have the opportunity to revise the band," Rajan said, adding, but as long as the target is set, the government cannot demand to lower interest rate that would violate the fixed band of inflation target.

2. Free credit report for all, says RBI

The RBI said electronic report should be provided upon request and after due verification about the authenticity of the customer

Anup Roy

The Reserve Bank of India (RBI) on Thursday directed credit information companies (CIC) to provide free credit reports in full to individuals whose credit score is maintained with the agency, effective January 1.

The electronic report should be provided upon request and after due verification about the authenticity of the customer, any time during the calendar year, RBI said.

"This report must show the latest position of the credit institutions' exposure to the individual as per records available with the CIC," RBI said in its notification, adding, the contents of the report should be the "same as appearing in the most detailed version of the reports on the individual provided to credit institutions, including the credit score".

An RBI-appointed committee headed by HDFC Bank Managing Director Aditya Puri had recommended that each customer of a credit institution be provided one base-level consumer credit information report free of cost every year by each credit information company.

RBI went ahead a few steps to recommend the report should be full, as "given the importance of the credit report in an individual's financial matters, he/she is entitled to have a copy of the report upon request," RBI said in its notification.

Further, the objective of providing the free credit report would not be fully met unless this report includes details that figure in the full credit report that is accessed by the credit institutions while considering the request for fresh credit facilities, RBI said, adding, "the report should also provide an opportunity to the borrower to have the errors, if any, in her/his credit history rectified."

The credit information companies should notify on their website the procedure for accessing the report, RBI said.

3. Why Jio may not bring down your mobile bill

The newest telecom player offers more bang for the buck

Though Reliance Jio's offerings look jaw-dropping, they may not necessarily bring down your monthly mobile outgo, an analysis of the company's tariff plans shows. However, the latest telecom player offers you much more data at almost the same cost.

Jio on Thursday unveiled seven different monthly plans in the price range between Rs 149 and Rs 4,999 (pre-taxes for postpaid). These plans have validity of 28 days for prepaid users and one month for postpaid. The entry-level pack of Rs 149 offers just 300 MB of data, 100 SMSs and free calling. As the data consumed by most users is much higher than 300 MB, they will have to consider the second-most economical monthly plan — Rs 499 a month — to meet their data requirements. An average Airtel user consumes 1 GB data a month, and this is growing at double-digit rate.

Jio's Rs 499 plan offers 4 GB of data, 100 SMSs a day and free calling. Jio also has Rs 299 plan which offers 2GB data, however, its validity is only three weeks and is not available for postpaid customers.

Jio's plan details show it would provide an extra one GB at Rs 50 over Wi-Fi. However, we don't know whether the company would have enough Wi-Fi hotspots for users to rely on. Also, the Wi-Fi data plan is not available on the Rs 149 plan.

Therefore, a typical consumer will have to opt for Jio's Rs 499 plan, which is a steep 2.5 times more than what the average user pays at present.

The bill may not come down for the average user. However, those who already spend more than Rs 500 might be able to save on Jio as it is offering free calls.

Airtel and Vodafone's monthly data packs at present start at Rs 150 a month for a 300 MB data and around Rs 300 for 1GB. Back of the envelope calculations show, in Rs 200 a month one gets about 200 minutes of calling, or about 150 minutes and 100 SMSs a day. A Jio user on the Rs 500 plan will get much more — 4 GB data and unlimited calling. However, the average user who spends Rs 200 a month will have to commit at least Rs 500 to get this benefit.

Given that the Indian telecom market is very price-sensitive it remains to be seen if the average user will be willing to make that quantum leap.

However, analysts expect the tariffs could change when Jio starts charging customers in 2017. According to a Credit Suisse report, "Our initial impression is that this may not be the final rate offers (ie company has not revealed all their cards yet). As mentioned, these plans are applicable only from January 1, 2017, by when the incumbents will have ample time to match (with meaningful pain of course). We suspect a new set of tariffs could be announced closer to January."

4. Reserve Bank widens market for sale of stressed assets

Allows banks, NBFCs and other financial institutions to buy such assets
Nupur Anand & Abhijit Lele

In a bid to improve the sale of bad loans by lenders, the Reserve Bank of India has allowed banks to sell these assets to other banks, non-banking financial companies (NBFCs) or financial institutions. It has also made banks' boards more accountable for stress resolution.

"Prospective buyers need not be restricted to SCs/RCs (securitisation companies/reconstruction companies). Banks may also offer the assets to other banks/NBFCs/FIs, etc, who have the necessary capital and expertise in resolving stressed assets," said RBI.

The RBI believes this will lead to better price discovery, and to attract more buyers lenders have been asked to follow the e-auction process. Prospective buyers should also be given a minimum of two weeks for due-diligence and in case the exposure is above Rs 50 crore, then banks need to get at least two external valuation reports.

The head of banking and finance practice with an international advisory firm said while the intent was good, it was more an effort to regularise the process by specifying rules for asset sale. But, instead of leaving it to bank boards to decide on the valuation framework, the regulator could specify the standard policy for asset sale.

To expedite the process, RBI has nudged banks to use the "Swiss challenge method" to sell non-performing loans of recent vintage. Under this method, an entity (bank or lender) that receives an unsolicited bid for an asset or project has to publish the bid and invite third parties to match or exceed it. The entity that submits the unsolicited bid will be allowed to match or better the ensuing bid.

RBI has decided to restrict banks' investment in security receipts (SRs) backed by their own stressed assets. This is being done to ensure that there is "true sale of assets," said RBI. The central bank has said from April 1, 2017, when SRs' value is above 50 per cent of the amount of assets sold, banks need to make higher provisioning that should either be the net asset value declared by the SCs/RCs or provisioning as if it was a direct loan. However, from April 1, 2018, the threshold will be reduced to 10 per cent.

These ARCs or SCs will also have the first right of refusal in case they have already acquired a significant share, 25-30 per cent, of the asset.

Lenders have been asked to set up a board for early recognition and sale of assets, which must conduct periodic review at least once a year, and the board needs to be involved in the entire sale process, RBI said.

According to the norms, banks need to adopt a "top-down" process, which means their head offices will be involved in identification of the assets. This is in line with several steps taken by RBI to tackle rising stressed loans, which at the end of the quarter ended June stood at 12 per cent of the total advances.

Financial Express

5. At FE Best Banks Awards, FM Arun Jaitley says Centre will help banks in every way

At a time when labour union have threatened a strike, Jaitley did not make a statement on the specifics of privatisation but said that while the government was shutting down loss-making PSUs, decisions on others such as BSNL would have to come from the respective ministries.

By: FE Bureau

Without naming Kingfisher Airlines chief Vijay Mallya, finance minister Arun Jaitley told a gathering of top bankers and chief executives that the government will do whatever it takes to ensure that bank loans are repaid by defaulters.

While speaking at the FE Best Banks Awards, Jaitley said that the government had already taken action in sectors like steel and construction, but legal action will be taken if required in the case of wilful defaulters evading Indian authorities. "If you (wilful defaulters) think you can just physically swim across the shores and avoid paying debts, then I don't think the system will entirely ignore this," he said. Jaitley added that, with the National Investment and Infrastructure Fund (NIIF) chief likely to take over in the first week of September, he would take a decision on whether a stressed assets fund — which could buy over banks' bad loans — would be created.

"We have already had arrangements being entered into between the NIIF and various potential contributors to the NIIF. Even across the world, there is a great amount of enthusiasm," Jaitley said.

At a time when labour union have threatened a strike, Jaitley did not make a statement on the specifics of privatisation but said that while the government was shutting down loss-making PSUs, decisions on others such as BSNL would have to come from the respective ministries. He added that instead of selling an entire company, it might be possible to merely separate assets and sell them as to realise their value. "One option is to segregate the assets and divest only an asset so that you can have recycling of the assets itself in order to have more value for the government and that value itself can be used for some other purpose," he said.

The finance minister stressed the importance of monitoring a contract by putting in a mechanism to give early warning on potential problems. "We have just notified a hike in minimum wages, and if this affects the viability of a project, the promoter can come to this board and ask for a solution before the loan turns bad," he explained.

Rather than blindly focusing on privatisation as a mantra, Jaitley said it was important to ensure the public sector managers — including banks — were given sufficient autonomy to operate without the dreaded CAG, CBI and CVC getting after them. While this has been done through the Banks Board Bureau in the case of banks, the changes and the early passage of the Prevention of Corruption Act would also insulate them. Speaking at the FE Best Banks awards, Vivek Goenka, chairman, Indian Express Group, said the awards have become the benchmark in the industry. "We are here to celebrate the finest in banking," he noted, adding that there is disruptive technology challenging the banking landscape at present.

Business Line

6. Andhra Bank begins gold bond sale

OUR BUREAU

Andhra Bank has opened the sale of sovereign gold bonds tranche-V, as part of the 2016-17 series-II notified by the government, at all its branches through September 1-9.

The RBI has notified a rate of interest of 2.75 per cent per annum. The issue price of the Sovereign Gold Bond for this tranche has been fixed at ₹3,150 per gram of gold.

The Gold Bond Scheme enables people to invest in gold without physically buying it. They will earn interest on the invested amount semi-annually, and will

receive money equivalent to the market value of gold (as determined by the RBI) at the time of redemption.

UPI app

Andhra Bank has also launched the 'Andhra Bank One-UPI App' for easy transfer of funds and merchant payments using smartphones. It has partnered with National Payments Corporation of India (NPCI) to introduce the Unified Payments Interface app.

At present, the app is available for Android users only.

7. Had it been listed, LIC would be the most valuable firm: Jaitley

OUR BUREAU

If LIC had been listed on an Indian stock exchange it would have been the most valuable company in the country and a formidable one in the global market, said Finance Minister Arun Jaitley on Thursday.

He was addressing the audience at the inaugural event of the LIC's Diamond Jubilee celebrations.

Jaitley said that size of LIC's assets is huge and its network is unmatched in the country. It has the ability to reach every person in the country. LIC functioned as a monopoly organisation before 1991 and today it is a competitive player market.

Usually, in a market driven environment, the private sector has certain advantages but State-run companies are bound by certain processes and constraints but LIC has surmounted them and emerged as a leader, he said.

The Finance Minister pointed out that LIC was created as a monopoly organisation with the government nationalizing all existing insurance companies in 1956.

In those days insurance business was treated as sacrosanct, and only the government or State companies were allowed to operate in that space. Private companies were not trusted as insurers then. But by the turn of the century private companies were allowed in the insurance business, he said.

'Social security vital'

He hoped that as the economy picks up and the country becomes an insured and socially secured nation, LIC will play a bigger role. As the country moves from a developing economy to a developed one, the parameters of social security have to improve.

Becoming an insured and a pensioned society is one great component of that social security. The country has not realised how essential it is to have adequate society security, said Jaitley.

He regretted the fact that in the last one year, a Budget proposal to provide social security to private sector employees, had to be rolled back.

Even the Seventh Pay Commission had recommended a scheme for all government employees in which a minimal deduction in salary will lead to a great social security upon retirement. "But the unions are almost unanimous in opposing them," Jaitley said. He said over time this resistance will fade away and people will realise the value of social security. And LIC will not only have greater relevance in the years to come but its business will also expand.

Also on the occasion, LIC chairman SK Roy handed over a dividend cheque of ₹2,502 crore for last fiscal year to the Finance Minister.

In 2014-15 the dividend was ₹1,634.90 crore.

8. Banks eye Postal department's payments bank branches to reach rural India

Foreign banks like Citibank, Barclays and Deutsche Bank want to use postal infrastructure to take their services to the common man

T E Narasimhan

Foreign financial institutions, including Barclays, Citibank and others, have shown interest in using the Postal department's payments bank branches to reach out to rural India under the Centre's Digital India Mission.

The Postal department is one of the key drivers for this initiative, said Union Minister for Electronics and Information Technology Ravi Shankar Prasad. He added that today around 50 financial institutions, including foreign banks like Citibank, Barclays, Deutsche Bank and others want to use postal infrastructure to take their services to the common man.

Speaking at the Regional Editors Conference, organised by the Press Information Bureau here, the Union minister said that the Postal department is one of the key pillars in driving the Digital India Mission.

Around 50 national and international consortium have shown interest in using the 650 upcoming branches of the India Post Payments Bank.

The government is planning to strengthen 2.50 lakh village panchayats through optical fibre network, which was started in 2011. For three years, total network laid was 358 km, but in the last two years, 1,39,000 km were covered and around 57,000 plus village panchayats were covered.

The second step would be common service centres and extending them to have internet service centres to offer entire service online. Today there are about 2.3 lakh centres in the country and many of them are extending to villages through internet-based service centres.

The minister noted that this infrastructure has started yielding results. For instance, 66.25 lakh transactions were recorded in 2013 and today that number is 2.07 crore. Today around 60 per cent of the railway tickets are e-tickets and many of them come from Tier-II cities and beyond.

Electronics industry

The Union minister said that \$80 billion worth of electronics are currently consumed in India and by 2020 that figure will increase to \$400 billion. Further, the duty collected on these electronic products is expected to surpass that of oil.

All these things are backed by mobile penetration in the country.

Currently, there are about 1.3 billion people and 27 crore smartphones. To boost mobile manufacturing, the Centre is taking various steps, including creating an eco-system. The measures have started showing results, said the minister.

According to him, the value of mobile phone manufacturing was Rs 19,000 crore in 2014-15 and this has increased to Rs 54,000 crore in 2015-16. Further, it is expected to touch Rs 97,000 crore by the end of this financial year.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY