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Dear Comrades,

3rd December , 2016

News of Interest 3rd Dec

QUOTE OF THE DAY

“PROBLEMS ARE NOT STOP SIGNS, THEY ARE GUIDELINES.”

ROBERT H. SCHULLER

1. DEMONETISATION: 27 SENIOR PSU BANKS OFFICIALS SUSPENDED
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Business Standard

1. Demonetisation: 27 senior PSU banks officials suspended

Six other public sector banks have been transferred to check corrupt practices

[Press Trust of India](#)

In a major crackdown on bank employees involved in irregularities post demonetisation, as many as 27 senior officials of various public sector banks have been suspended and six others transferred to check corrupt practices.

The suspensions comes amid reports of Income Tax authorities conducting

search and seizure places at many places, including one at Bengaluru where Rs 5.7 crore cash in new currency notes was recovered from two businessmen.

Some cases have come to notice of officials involved in carrying out transactions which were irregular and violate of RBI's instructions, the Finance Ministry said in a statement.

"Action has been taken in such cases and 27 officials of various public sector banks have been placed under suspension and six officials have been transferred to non-sensitive posts," it said.

It also cautioned that while all efforts are being made to facilitate genuine transactions, "illegalities will not be tolerated and appropriate action will be taken against individuals involved in irregular and unauthorised activities".

Following the decision of the government to demonetise of old Rs 500/1000 notes from midnight of November 8, 2016, people have been depositing the invalid notes into banks.

The Reserve Bank has put in cash withdrawal limits for individual as well as businessmen.

The ministry further said that banks have done commendable work by putting in long hours of untiring effort in managing banking transactions.

In the biggest-ever seizure of cash in new currency, over Rs 5 crore even as the Income Tax department said it detected unaccounted income worth Rs 152 crore after it conducted searches in a dozen premises in Bengaluru and other locations.

Earlier, RBI had asked banks to take action against erring officials to ensure cash availability for customers thronging banks.

2. Want to go cashless? Beware: Your credit card can be hacked in 6 seconds

Research suggests that 'distributed guessing attack' circumvents all security features meant to tackle online fraud

IAN S

It can take hackers just six seconds, a laptop and an internet connection to hack any Visa credit or debit card, new research has revealed.

The research, published in the journal "IEEE Security and Privacy", said that the "distributed guessing attack" circumvents all the security features put in place to protect online payments from fraud.

Neither the network, nor the banks are able to detect attackers making multiple, invalid attempts to get payment card data.

The current online payment system does not detect multiple invalid payment requests from different websites.

This allows unlimited guesses on each card data field, using up to the allowed number of attempts - typically 10 or 20 guesses - on each website, explained Mohammed Ali, a PhD student in Newcastle University.

"Different websites ask for different variations in the card data fields to validate an online purchase.

"This means it's quite easy to build up the information and piece it together like a jigsaw," Ali added.

The combination of these two factors -- unlimited guesses and variation in the payment data fields -- makes it easy for attackers to hack all the card details.

Each generated card field can be used in succession to generate the next field and so on.

"If the hits are spread across enough websites then a positive response to each question can be received within two seconds - just like any online payment," Ali warned.

The researchers explained that even starting with no details at all other than the first six digits -- which tell you the bank and card type -- a hacker can obtain essential pieces of information.

These are-- card number, expiry date and security code -- to make an online purchase within as little as six seconds.

Researchers believe this 'guessing attack' method could have been used in the recent Tesco cyber-attack where the hackers defrauded customers of 2.5 million pounds.

The risk is higher at this time of the year as many people are making online purchases ahead of Christmas.

However, researchers found that unlike Visa cards, MasterCard's centralised network was able to detect the guessing attack after less than 10 attempts-- even when those payments were distributed across multiple networks.

The researchers suggested that to minimise the chances of hacking, card-holders should use just one card for online payments and keep the spending limit on that account as low as possible.

"If it's a bank card then keep ready funds to a minimum and transfer over money as you need it," said Martin Emms, co-author of the research.

Financial Express

3. RBI monetary policy review: Stage set for Urjit Patel to cut repo rate in face of demonetisation impact

Certain in face of low growth, demonetisation impact

By: The Financial Express

While the November manufacturing PMI data, which moderated to 52.3 from 54.4 in October, does point to a slowdown, it doesn't reflect the kind of severe setback that had been anticipated following the demonetisation of high currency notes on November 8. It is possible the data may not have fully captured the impact on businesses and retail outlets caused by the acute scarcity of cash and that the true levels of disruption will be known only in the coming months.

In the meantime, it is evident the economy is stressed and that sales of a host of goods including not just cars, jewellery, white goods, tractors, etc, but also other non-essentials, have slowed sharply. The momentum, both in the industrial and retail sectors, should be regained once there is more cash in the system but there is no denying the stress in the near-term will take a toll on the economy. The risks of growth slipping to sub-7% levels this year is now real though economists believe it should rebound next year.

Which is why there is near certainty that RBI will trim the key repo rate by at least 25 basis points next week. Even without the deleterious effects of the demonetisation, a rate cut would not have been out of place. For one, inflation has been benign—October CPI came in at 4.2%, down from 4.4% in September—and very much within the central bank's comfort range of 4%±2%. For another, there has been some transmission—30-40 basis points—of past cuts in the repo into lower lending rates, albeit via the MCLR (marginal cost of lending rate); a repo cut could prod banks into lowering rates further. More important, while the economy did see a pick-up in the September quarter—real GDP growth accelerated marginally to 7.35 in Q2FY17 from 7.1% in Q1FY17—the non-agri sector grew at a ten-quarter low.

Critically, investments—gross fixed capital formation—contracted for the third straight quarter, by 5.6%. The moderation in the growth in services in Q2FY17 was also disconcerting given there was strong support from a 12.5% increase in the public administration and other services category bumped up by the higher salaries and arrears paid to government employees. As Sonal Varma, economist at Nomura points out, excluding public administration and agriculture, the growth in Gross Value Added (GVA) decelerated sharply to 6.7% in Q2FY17 from 7.6% in Q1FY17.

It was consumption which drove growth in Q2FY17 on the back of a slight recovery in rural demand and higher payouts to government employees. Consumption, in fact, accelerated to 8.9% in Q2FY17 from 8.7% in Q1FY17, despite a deceleration in public consumption to 15.2%. The shortage of cash will most certainly crimp consumption for at least six months if not longer. However, there is a chance that lower interest rates could stimulate demand for home loans or car loans even if they don't persuade companies to step up investments. The slowdown in the economy is bound to result in Greenfield, or even brownfield, ventures being pushed back, but lower borrowing costs will give hundreds of smaller companies a breather.

Times of India

4. Of 80cr debit, credit cards, only 45cr active: Jaitley

TNN

The government said on Friday it did not expect the entire volume of demonetised Rs 500 and Rs 1,000 currency notes to come back into the system, an assessment which reflects the Centre's optimism that bringing back cash adequate for revival of economic activities may not take too long.

"During the process of remonetisation, till December 30, you will have a very significant part of the currency which would have been released in the market. One of the advantages of this exercise will be that you won't have the same level of paper currency which existed on November 8," finance minister Arun Jaitley said.

Over the past few weeks, there have been various estimates of how long it will take the government and the Reserve Bank of India to replace the Rs 13.7 lakh crore that was demonetised on November 8. Former finance minister P Chidambaram had said that it could take up to seven months. The assessment in the government is that with a lower value of currency coming back into the system, the process of replacement will be quicker and it reduce the disruption fast.

In addition, FM Arun Jaitley said, demonetization was helping change spending and business practices with much quicker adoption of new technologies. "The volume of trade, volume of business will grow in size but the volume of paper currency will shrink. Therefore, you should not expect the same amount of currency... it will be lesser but the balance will be replaced by other different modes. It will be debit cards, credit cards, it will be e-wallets and that seems to be happening," he said.

The minister said nearly 80 crore debit and credit cards were in circulation, with around 45 crore being active. "Don't forget you have only 25 crore families in India and that includes people living below the poverty line. You have almost 23 crore e-wallets, something that started less than one and a half years ago," he added.

The use of e-wallets has surged over the last three weeks and consumers are increasingly using plastic currency for day-to-day purchases. Jaitley said the process of change was quick and cut across income segments. "Presentations made by various banks and UPI [shows] this exercise goes beyond smartphones to feature phones also. If you look at the numbers, this number is not merely related to the affluent Indian. It probably is penetrating much faster. From the affluent, it went to the aspirational and from the aspirational it is percolating downwards," he said.

Jaitley said despite the disruption, the move enjoyed popular support and the pain during a quarter or two was going to result in better prospects over the next 12-15 quarters. The minister said rabi sowing was higher and despite the maximum disruption in November, auto sales had not seen a sharp impact.

Business Line

5. Demonetization cloud hangs over GST Council meeting

OUR BUREAU

The country's most ambitious tax reform, the Goods and Services Tax, may be held hostage to the States' sentiments on demonetisation, going by the public statements of some Ministers on the first day of the fifth meeting of the GST Council on Friday.

"I hope there will be discussions on demonetisation tomorrow because some of the State Ministers said it is affecting the tax collections and will have an impact on GST rollout," said Manish Sisodia, Deputy Chief Minister of Delhi and also holding Finance portfolio.

The meeting, which will continue on Saturday, is being held amidst concerns by a number of States, including West Bengal, over the impact of the demonetisation on economic growth.

Finance Minister Arun Jaitley, who chairs the Council, is hoping to reach a consensus with States on two issues: approval of the draft model legislation for the Centre, the States and the integrated GST, as well as compensation to the States; and, secondly, the tricky issue of administrative control over businesses.

Most of the State ministers present wanted the Centre to pick up the deliberations from where the Council left off at its earlier meeting. But although a few provisions of the Draft GST Bill were discussed, the dual control issue did not come up at all.

Sisodia confirmed that the meeting did not take off from the points discussed the last time.

Kerala Finance Minister Thomas Isaac was blunter. He said: "There was no consensus at the meeting. If the GST Bill faces any opposition in Parliament, the Centre will be solely responsible. It has to change its adamant stand over sharing of revenues. Despite our objections, the Centre did not take up this issue for discussions, but started a debate on the GST Bill."

Horizontal division

On the GST law, Kerala, Uttar Pradesh, West Bengal and Tamil Nadu have called for a horizontal division of assesses under the GST: this would give them exclusive control over small businesses that have an annual turnover of less than ₹1.5 crore. There would be cross-empowerment of officials of the Centre and the States beyond this threshold.

"Many of the States are uncomfortable with Central officers' encroaching into the jurisdiction of the States," said Sisodia. "Dual control below ₹1.5 crore is not fair on traders or on the State government."

However, calling for easier registration and compliance procedures, a number of other States and the Union Finance Ministry have argued for a vertical division of assesses, under which both the Centre and State will get a fixed number of assesses.

The delay in securing a consensus is also raising questions about whether the government can meet the April 1, 2017, deadline to roll out the GST regime.

"If the GST is not rolled out from April 1, 2017, it can be introduced from the second quarter of that fiscal year. But the government is stuck, given the constitutional compulsions to roll it out before September 16," those involved with the developments said.

6. Airtel Payments Bank to offer talk-time on new savings account

OUR BUREAU

Airtel Payments Bank, the first payments bank in India to go live, on Friday said that any customer opening a savings account with it, will get one minute of talk time on his/her Airtel mobile for every rupee deposited.

For example, if a customer opens an account with a deposit of ₹1,000 then he/she will get 1,000 minutes of free talk time on his/her Airtel mobile number.

The talk time can be used for calling all over India. This benefit is applicable on first time deposits only, the company said.

The offer will be valid from Airtel to Airtel mobile minutes with a validity period of 30 days.

"We are leveraging Airtel's telecom ecosystem to bring banking services to the doorsteps of every Indian. We are confident that this additional benefit along with the industry-best interest rate on deposits will encourage customers to open accounts with us and give a big boost to customer acquisition," Shashi Arora, Managing Director and Chief Executive Officer, Airtel Payments Bank, said.

He said the company was also undertaking a massive drive to enrol over one-lakh merchants in Rajasthan by the year-end, who will not be charged anything for accepting digital payments from Airtel Payments Bank customers.

"We believe this will boost the digital payments ecosystem hugely and reduce dependence on cash," he added.

Airtel Payments Bank has rolled out pilot services in Rajasthan with the objective of testing its systems and processes ahead of full scale pan-India launch. Customers in towns and villages across Rajasthan will now be able to open bank accounts at Airtel retail outlets, which will also act as Airtel banking points and offer a range of basic, convenient banking services.

7. BoB raises Rs. 1,000 cr; SBT eyes Rs. 600cr

PTI

Public sector player Bank of Baroda has raised Rs. 1,000 crore by issuing bonds that are compliant with global capital adequacy norms or Basel III.

The bank has issued and allotted bonds with issue size of Rs. 1,000 crore on December 2, 2016, it said in a regulatory filing.

The bonds will carry interest rate of 8.5 per cent. The bonds are in nature of unsecured perpetual bonds.

Another state owned lender, State Bank of Travancore, said it will raise Rs. 600 crore by issuing such bonds.

The Executive Committee of the Board of Directors of the Bank is scheduled to meet on December 7 to consider and approve, the raising of up to Rs. 600 crore by way of issue of Basel III compliant Additional Tier I Bonds, it said.

8. ATMs must be exempted from excise duty, says NCR India MD

KR SRIVATS

The Centre should extend excise duty exemption to ATM manufacture on the lines of the one extended to Point-of-Sale (PoS) machines recently, Navroze Dastur, Managing Director, NCR India, said.

“We are hoping that excise exemption will get extended to the ATM industry also as ATMs play an important role in the last mile of financial inclusion,” Dastur told *Business Line*.

As on date, India has about two lakh ATMs, of which, nearly one lakh have been sourced from NCR India. Currently, ATMs attract excise duty of 13 per cent.

India is still under-penetrated in terms of ATM coverage. In China, there are 400 ATMs for every million people, while in India there are barely 150 ATMs for the same number of people.

“We are certainly under-penetrated as far as ATMs are concerned and this has come out openly in the recent demonetization move. We just have two lakh ATMs. If we had more, we could have reached out to far-flung rural areas in a far better manner than we have done today.”

To enhance the spread of the digital economy, the Centre had, a few days back, granted excise duty exemption to PoS devices.

Dastur also made it clear that NCR has no plans to enter the small hand-held PoS devices space. It would, however, continue to focus on retail PoS that catered to large-format retail stores.

ATM recalibration

Dastur also said that nearly 90 per cent of the ATMs in the country have been recalibrated to dispense new ₹2,000 and ₹500 notes.

As many as 1.8 lakh ATMs have been recalibrated as of Thursday. In the next two to three days, the entire ATM universe in India should get covered, Dastur said.

Recalibration of ATMs was required following the government’s move to demonetize high-value notes and purge the economy of illegal and fake currency.

9. A cooperative remedy for currency crunch

V SAJEEV KUMAR

While demonetisation and the subsequent currency crunch has affected the common man’s ability to make payments for their daily needs and services, banks everywhere are hard pressed to handle the surging demand for cash.

But, as they say, necessity is the mother of invention. And for once, it is not one of those fancied private banks that trumpet their tech-saviness’, modern infrastructure or gizmos that is leading the way, but a simple cooperative rural bank in north Kerala.

The Tenhipalam Cooperative Rural Bank at Tenhipalam, near Calicut University, has adopted a novel approach to offer e-payment facility, which has brought relief to the local bank customers.

It has developed a mobile app called Coopaisa, which has enabled the 21,000-odd bank customers and more than 1,000 merchandise outlets in the 20 sq km

area of the bank to purchase commodities from local markets, and grocery shops without using cash or currency.

The bank has also tied up auto rickshaw/taxi drivers and fish vendors for this e-payment facility.

Customers who have the mobile app just have to scan the bar code posted in auto-rickshaws, the fish market, or merchandise establishments after getting the required services. The amount would get deducted from their account.

Those cagey about using the Coopaisa app are given a one-time pin (OTP) to make local purchases.

Describing the new initiative as a shift from conservative banking to a more sophisticated digital method, the bank's President PK Pradeep Menon told *Business Line* that customer response to the app has been encouraging.

"Actually, we designed it three months back as part of moving into a complete digital mode of transactions. We never anticipated such a contingency at the time of making the order. The currency freeze has enabled us to reap the app's benefits," he said.

According to him, many of the cooperative banks are facing cash shortage in post-monetisation. A situation has now emerged where customers are raising concern on their deposited money and there is a need to regain their confidence.

Shifting towards a digital payment mode is the only solution to retain customers in the cooperative banking sector.

He went on to add that his bank is the first in the cooperative sector in the country to introduce the business correspondent model by engaging farmers to promote various products and had even introduced micro-ATMs.

Today, the bank is totally digital and electronically equipped to serve its customers in all their e-payment needs.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY

