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**Dear Comrades,**

**11<sup>th</sup> November, 2016**

**News of Interest 11th Nov**

**QUOTE OF THE DAY**

**“SET YOURSELF EARNESTLY TO SEE WHAT YOU ARE MADE TO DO, AND THEN SET YOURSELF EARNESTLY TO DO IT.**

**PHILLIPS BROOKS**

- 1. RBI OVERHAULS DEBT RESTRUCTURING SCHEMES**
- 2. MILLIONS SPEND HOURS OUTSIDE BANKS FOR NEW CURRENCY**
- 3. BANK OF INDIA Q2 PROFIT RIDES ON DAI-ICHI LIFE STAKE SALE**
- 4. RS 500, RS 1000 NOTES BAN IMPACT: FOOTFALLS RISE 70% AT ICICI BANK; CHANDA KOCHHAR SAYS THIS IS ‘NOT A BUSINESS OPPORTUNITY’**
- 5. RS 500, RS 1000 NOTES BAN: SBI EXPECTS ATM SERVICES TO BE NORMAL IN 10 DAYS, SAYS ARUNDHATI BHATTACHARYA**
- 6. YES BANK WAIVES CHARGES ON WITHDRAWALS FROM OTHER ATMS**
- 7. A ROBOTIC TOUCH FOR CUSTOMERS**
- 8. CITY UNION BANK NET UP 15% IN Q2**

Business Standard

**1. RBI overhauls debt restructuring schemes**

It has given lenders additional time up to 180 days for hammering out a restructuring package under the scheme

BS Reporters

In a step to address corporate stress, Reserve Bank of India (RBI) on Thursday made sweeping changes to existing loan recast schemes like S4A, 5/25 and SDR.

It has given lenders additional time up to 180 days for hammering out a restructuring package under the scheme for sustainable structuring of stressed asset (S4A). Previously, the time limit was 90 days.

There was a need to provide reasonable time to the overseeing committee to review the processes involved in the resolution plan, RBI said in a late night notification.

This step also intended to harmonise rules across various recast schemes, as time given in other schemes such as joint lenders' forum (JLF) is 180 days.

One of the significant changes made to the strategic debt restructuring (SDR) scheme is that the new promoter should have acquired at least 26 per cent of the paid-up equity capital of the borrower company.

The regulations state the new promoter of the company will also be in 'control' of the borrower company, according to the definition of 'control' provided in the Companies Act, 2013.

It also adds the new promoter should be the single-largest shareholder of the borrower company, which will allow the promoter to make sweeping changes vis-à-vis board and operations, say experts.

RBI has also made changes to schemes that allow banks to extend repayment schedule of loans to 25 years, with the option to refinance at the end of five years.

Now, it has allowed lenders to extend the 5/25 scheme to new project loans. The scheme can also be extended to existing project loans with an aggregate exposure of Rs 250 crore to banks, compared to the earlier mandate of Rs 500 crore.

Bankers explain this will allow several mid-sized infrastructure companies to get included. The 5/25 scheme can also be extended to construction companies. However, this will only be applicable to certain specific projects.

In another circular, RBI has also diluted the provisioning of the S4A scheme, a move welcomed by the bankers. The revisions give banks relief from incremental provisions and allow lenders to dig into the provisions already made.

A portion of the loan, which could not have been serviced with the existing cash flow, can now be treated as 'standard' loan for provisioning, even as the project technically continues to remain a bad debt in the bank's book.

**Bankers welcomed the revisions made to the S4A norms; in its current form, it is a more viable restructuring tool, they say. N S Venkatesh, executive director, Lakshmi Vilas Bank, said as a result of the changes, both banks and companies stand to gain. "This will lead to reduced provisioning for banks. It says the provisions already held in the account can be reckoned and, therefore, ageing provisions do not need to be made. As a result, it will have a positive impact on the bank's profit and loss position."**

According to the revised scheme, RBI said banks can now upgrade the unsustainable part of the debt to standard category (or normal loans that require minimum provisioning) and "reverse the associated enhanced provisions after one year of satisfactory performance" of the sustainable part of the loans.

However, banks will have to show the provisioning requirement as a nominal entry in their books. The lenders have to carry mark-to-market provisions on the unsustainable portion of the debt "at all times". Mark-to-market translates into real losses only when a transaction (in this case, writing off a project loan) is realised.

## **2. Millions spend hours outside banks for new currency**

Banks still haven't got the new set of Rs 500 notes as customers were given a mix of Rs 2,000 and Rs 100 notes

M Saraswathy & Nupur Anand

After being cashless for over 24 hours, millions of people stood in queues outside banks on Thursday to exchange their now-defunct Rs 500 and Rs 1,000 notes with new Rs 2,000 notes, or simply withdraw some money. According to sources, banks still haven't got the new set of Rs 500 notes as customers were given a mix of Rs 2,000 and Rs 100 notes.

Nirmal Waghule, a 72-year-old retired engineer, who had come to exchange cash at an ICICI Bank branch in Mumbai, stood in the queue as soon as the branch opened. He got the mandated Rs 4,000 in a combination of Rs 100 and Rs 2,000 notes. Luckily, the service was quick and bank staff was patient, but this senior citizen was wondering how to get the Rs 2,000 note exchanged.

However, not everyone was so lucky. Bansiram Kamble, a contract worker, could not deposit his money because he did not have adequate know-your-customer (KYC) documents. "This is the only cash I have and all of it is in Rs 500 notes. I do not know what to do," he was seen pleading with bank officials. But bank officials had little option as any cash deposit over Rs 50,000 requires KYC documents and if a person is depositing money in any other branch (not the home branch), an identity proof is required. There were other teething problems such as customers not being allowed to do two transactions — deposit and withdrawal — at the same time, as Ankita Pathak, a college student who had to spend over two hours in the queue for two transactions, experienced.

### **3. Bank of India Q2 profit rides on Dai-ichi Life stake sale**

Public sector lender reported a net profit of Rs 126.84 crore in the second quarter ended September 30

Anup Roy

Public sector lender Bank of India on Thursday reported net profit of Rs 126.84 crore in the second quarter ended September 30, from a net loss of Rs 1,126.24 crore in the year-ago quarter, aided by sale of its 18 per cent stake in Star Union Dai-ichi Life Insurance to the Life Insurance Corporation (LIC).

The bank earned Rs 495 crore as pre-tax profit (Rs 323.60 crore post-tax) in the quarter out of the deal, the bank said in the footnote of its accounts.

The bank's stock zoomed to Rs 120.25 a piece, up 9.46 per cent from its previous close.

The gross non-performing assets (NPA) ratio rose sharply year-on-year to 13.45 per cent of advances, from 7.55 per cent in the year-ago period.

In the first quarter ended June, the bank's gross bad debt ratio was 7.78 per cent, the bank said in a filing with exchanges. Provisions for NPAs rose to Rs 2,189.6 crore from Rs 1,030.15 crore in the year-ago period.

Total provisions fell to Rs 2,296 crore from Rs 3,237 crore in the year-ago period.

Total Income for the quarter was at Rs 11,469.11 crore from Rs 11,317.97 in the year-ago period.

Financial Express

### **4. Rs 500, Rs 1000 notes ban impact: Footfalls rise 70% at ICICI Bank; Chanda Kochhar says this is 'not a business opportunity'**

ICICI Bank has seen a 70% rise in footfalls in its branches across the country as people stood in long queues to deposit and exchange old currency notes, managing director & CEO Chanda Kochhar told a business news channel on Thursday. As on September, it has 4,468 branches and 14,295 ATMs.

By: FE Bureau

ICICI Bank has seen a 70% rise in footfalls in its branches across the country as people stood in long queues to deposit and exchange old currency notes, managing director & CEO Chanda Kochhar told a business news channel on Thursday. As on September, it has 4,468 branches and 14,295 ATMs.

Kochhar said some of the ICICI Bank branches opened at 8 am. while the rest began operations at 9 am. "We had started moving currency from yesterday early morning, the currency moved throughout the night. So, we have stocked up the branches well," she said, adding that the bank has trained employees, created extra cash counters and added some extra facilities for senior citizens.

Though Kochhar said ICICI Bank has seen a 'very good' growth in deposits, she declined to give a daily deposit number. "Clearly yes. This is a time when banks will see good growth in deposits. But right now, we are not looking at this as an business opportunity, we are looking at this more as a day of serving the customers so that they can meet their needs."

According to her, the move to demonetise existing Rs 500 and Rs 1,000 notes reduces the liability of the Reserve Bank of India (RBI) because some amount of the money will go off the system, and secondly, a lot of that money will come into the banking system. "So, it will increase deposits. I think the numbers are known. Everybody said the overall number of the currency in circulation was Rs 14 lakh crore, now it is upon us to arrive at what percentage of that would come into deposits and what would go away," Kochhar said.

Kochhar said that none of the branches has run out of cash. "We have been monitoring very clearly at what rate the cash is being given out. So, we have done a second round of replenishment in many branches. So, we did not run out of cash.

We will open ATMs by early evening itself," she said.

## **5. Rs 500, Rs 1000 notes ban: SBI expects ATM services to be normal in 10 days, says Arundhati Bhattacharya**

While ATMs will be operational from Friday, it will take another 10 days for the situation to normalise, since there are close to two lakh ATMs and only three to four vendors to reconfigure them, SBI chairman Arundhati Bhattacharya said on Thursday.

By: FE Bureau

While ATMs will be operational from Friday, it will take another 10 days for the situation to normalise, since there are close to two lakh ATMs and only three to four vendors to reconfigure them, SBI chairman Arundhati Bhattacharya said on Thursday.

According to Bhattacharya, some of the ATMs are configured to dispense only R100 notes, and they will need to be re-configured to dispense other denominations as well. "There are many ATMs with only R100 configuration and they have to be reconfigured, it was done in the recent past."

SBI is trying to put an additional cassette in ATMs with one R100 cassette so that these machines can dispense more notes, she said. ATM cassettes are specially-designed containers required to dispense cash to customers. "Re-configurations, as we have done in the past, takes time, so it has to be done one by one," she said. Bhattacharya said it is very early to say if the bank was facing any cash crunch. There could be some issues with the amount of cash available at peripheral branches of the bank. "The issue is with the peripheral centres where there is need for longer transport and which require adequate security," she said.

The SBI chief added that in some states the bank is required to airlift money and since availability of helicopters depend on the weather, there could be some problems in those areas. She said that all branches will remain open till 7 pm.

SBI has doubled the limit on merchant transactions to ensure that customers do not face any shortfall while using debit cards at outlets.

In a statement on Wednesday, Bhattacharya had said the bank would strive to restock ATMs at the earliest and make them operational.

"The government has given enough exemptions to ensure urgent needs are met. We will work round the clock to ensure that customers have smooth experience," she had said.

## **6. Yes Bank waives charges on withdrawals from other ATMs**

Bringing some relief to its customers, private sector Yes Bank has waived charges on withdrawals from ATMs of other banks from November 11 to November 20.

By: PTI

Bringing some relief to its customers, private sector Yes Bank has waived charges on withdrawals from ATMs of other banks from November 11 to November 20.

The announcement follows governments decision to defunct the Rs 500 and Rs 1,000 denomination currency notes as a measure to check money hoarding as curb corrupt practices.

"Our branches are equipped with new notes of Rs 2,000 and existing notes of Rs 100 to service customer requirements.

"Yes Bank customers can use any ATM of any bank to withdraw cash, within the RBI prescribed limits, without any charge between the 11th and 20th of November 2016. They can also use Yes Bank ATMs unlimited number of times within the RBI prescribed limits, without any charge," it said in a statement.

Besides, the bank has waived charges for cash deposits for savings accounts until December 30.

The Mumbai-based mid-sized lender said all of its branches will cater to its customers up to 1800 hrs every day to ensure better service delivery.

The extended hours will also be applicable this weekend Saturday, (November 12) and Sunday (November 13).

Yes Bank said it has undertaken many customer centric initiatives to handle customers with fullest empathy and ensure a smooth and seamless experience by increasing the number of counters for exchange, withdrawal and deposit of cash.

The bank staff is assisting in documentation, during queuing, to enable faster service, it said, adding there will be preferential services for senior citizens and women and there will be special queues for them.

All the banks have opened today after a day's gap to align themselves with the new arrangement by stocking required currency notes as well as to service their customers better.

However, most of the ATMs across the country remains closed today as well, country's second largest ICICI Bank's MD & CEO Chanda Kochhar said the bank will try to open its ATMs by evening today.

Banks across the country are witnessing huge queues as people are rushing to replace the old high denomination Rs 500 and Rs 1,000 currency notes so as to meet their daily requirements.

Business Line

## **7. A robotic touch for customers**

OUR BUREAU

The next time you enter the T Nagar branch of City Union Bank in Chennai, you will be greeted by CUB-Lakshmi, who will be polite and patiently answer your numerous questions either about the interest rates offered by the bank or regarding your transactions.

Lakshmi is a robot being introduced on a pilot basis as part of the bank's efforts to improve customer service.

Lakshmi, developed and powered by a French company, will speak and answer in English now. Going forward, she will be 'trained' to speak in other languages, such as Tamil and Malayalam.

"There are about 120 questions a bank customer could ask. If you have an intelligent robot that can answer all those questions, about 95 per cent of the requirements of the customer will be taken care of. CUB-Lakshmi is our first robot and it will answer general information about the bank, product details and account information," N Kamakodi, CEO of CUB, said here after demonstrating the robot's work.

The bank is working to integrate the robot with its CBS in order to enable transactions also to be part of its customisation works. CUB will wait and evaluate the responses to the robot and then decide on deploying it in more branches.

He is optimistic that Lakshmi would be accepted by customers. "In our bank, 83 per cent of transactions happen through alternate channels. The expectation is that in the next 10 years, about a fourth of bank counters will be handled by robots," he added.

Its costs ₹7-8 lakh to deploy a robot and if it proves successful, the bank expects to install 25-30 robots across branches before the end of this fiscal.

## **8. City Union Bank net up 15% in Q2**

OUR BUREAU

City Union Bank reported a 15 per cent growth in net profit at ₹124 crore for the quarter ended September 30, as against ₹108 crore in a year-ago period, on the back of strong rise in gross profit.

The bank said it was able to maintain its performance with steady growth in advances and net interest income.

"We could maintain the asset quality though the atmosphere was not so conducive. Also, we clearly see a decreasing trend in slippages," said N Kamakodi, Managing Director and CEO.

CUB's gross profit grew 15 per cent to ₹237 crore (₹205 crore in Q2 FY16), aided by a rise in net interest income, which went up 25 per cent to ₹301 crore (₹240 crore). Net interest margin (NIM) stood at 4.20 per cent.

"The total business of the bank crossed ₹50,000 crore during the second quarter," said Kamakodi. Advances climbed 17 per cent to ₹22,215 (₹18,935 crore as of September 2015), and total deposits rose 11 per cent to ₹28,393 crore (₹25,616 crore).

The bank's net non-performing assets (NPA) went up to 1.63 per cent as of September, from 1.36 per cent in Q2 of the previous fiscal and 1.59 per cent in Q1 of this fiscal. The provision-coverage ratio stood at 60 per cent as on September 30.

The bank's return on assets stood at 1.50 per cent during the first quarter.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)**  
**GENERAL SECRETARY**