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Dear Comrades,

12th August , 2016

News of Interest 12th Aug

QUOTE OF THE DAY

“LET US SACRIFICE OUR TODAY SO THAT OUR CHILDREN CAN HAVE A BETTER TOMORROW.”

A. P. J. ABDUL KALAM

- 1. BANKS SHOULD IDENTIFY KEY AREAS FOR CERTIFICATION OF STAFF: RBI COMMITTEE**
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- 8. SBI Q1 PROFIT SEEN DOWN 32% TO RS 2505 CR, SLIPPAGES & NPA KEY**
- 9. CITY UNION BANK SEES SMALLER NPA SLIPPAGE**
- 10. CUSTOMER NOT LIABLE IF FRAUD IS DUE TO BANK’S FAULT: RBI**

Business Standard

1. Banks should identify key areas for certification of staff: RBI committee

RBI had constituted a Committee on Capacity Building in July 2014, under the chairmanship of former executive director, G Gopalakr.

A Reserve Bank of India (RBI) committee has recommended that banks should identify specialised areas for certification of staff manning key responsibilities.

To begin with, it said banks should make acquiring of a certificate course mandatory for areas like treasury operations, including dealers, mid-office operations, risk management like credit risk, market risk and accounting, including preparation of financial results, audit function and credit management including credit appraisal, rating, monitoring and credit administration.

RBI had constituted a Committee on Capacity Building in July 2014, under the

chairmanship of former executive director, G Gopalakrishna, with the objective of implementing non-legislative recommendations of the Financial Sector Legislative Reforms Commission (FSLRC), relating to capacity building at banks and non-banks, streamlining training intervention and suggesting changes thereto in view of ever increasing challenges in the banking and non-banking sector. The Committee has made a number of recommendations for certification of staff.

2. IDBI Bank Q1 net up 78.3% on tax credit

The bank's gross non-performing assets increase to 11.9%

Abhijit Lele

Public sector lender IDBI Bank's net profit rose 78.3 per cent to Rs 241.1 crore for the quarter ended June, on the back of tax credits. The bank had posted a net profit of Rs 135.2 crore in the corresponding quarter last year.

Its stock was trading at 2.25 per cent up at Rs 68 a share on the BSE.

Its net interest income (NII) rose 14.2 per cent to Rs 1,707 crore, from Rs 1,495 crore in the June quarter of FY16.

The bank booked tax credit of Rs 1,206 crore, as against a tax out go of Rs 124.3 crore.

Its provisions for bad loans and contingencies rose more than twofold to Rs 2,432 crore, from Rs 878 crore in the corresponding period last year.

Gross non-performing assets (NPAs) grew to Rs 27,275 crore (11.9 per cent of the total loans) in June 2016, up from Rs 14,112 crore (6.6 per cent) a year ago. The provision coverage ratio including technical write-offs stood at 56.1 per cent at the end of the first quarter.

Its capital adequacy stood at 11.80 per cent, compared with 11.74 per cent a year ago.

3. RBI mulls liability cover in fraud for bank clients

Anup Roy

The Reserve Bank of India (RBI) on Thursday proposed that a customer should have zero liability in case of a third-party fraud on the account or card, provided the customer notifies the bank within three working days of receiving the communication from the bank regarding an unauthorised transaction. In case of delay in reporting, the liability should be limited to not more than Rs 5,000, RBI said.

For sure, the zero liability can be claimed only if the customer is not fully or partly responsible for such unauthorised transactions to take place. If the bank is responsible for the fraud, the customer is automatically absolved of any liability.

SEEKING COVER

- In case of delay in reporting, the liability should be limited to not more than Rs 5,000, RBI said
- Zero liability can be claimed only if the customer is not fully or partly responsible for such unauthorised transactions to take place
- It will be mandatory for a customer to register for alerts for electronic banking transactions, RBI said in draft guidelines on customer protection

on its website

It will be mandatory for a customer to register for alerts for electronic banking transactions, RBI said in draft guidelines on customer protection on its website.

However, the customer will be liable in a limited manner if the negligence is on the part of the customer, such as where she has shared payment credentials.

In such cases, "the customer will bear the entire loss until he reports the unauthorised transaction to the bank. Any loss occurring after the reporting of the unauthorised transaction shall be borne by the bank," the draft guidelines said.

In cases where the responsibility for the unauthorised electronic banking transaction lies neither with the bank nor with the customer but lies elsewhere in the system and when there is a delay of four to seven working days on the part of the customer in notifying the bank of such a transaction, the customer liability shall be limited to the transaction value or Rs 5000, whichever is lower. If the delay in reporting is beyond seven working days, the customer's liability shall be determined according to a bank's policy.

On being notified by the customer, the bank shall credit the amount involved in the unauthorised electronic transaction to the customer's account within 10 working days from the date of such notification by the customer.

Further, the bank should ensure that the complaint is resolved within 90 days from the date of reporting; and "in case of debit card/bank account the customer does not lose out on interest, and in case of credit card the customer does not bear any additional burden of interest," RBI's draft guidelines said.

"The burden of proving customer liability in case of unauthorised electronic banking transactions shall lie on the bank," RBI said.

Financial Express

4. 'July retail inflation likely stayed above reserve bank target'

Soaring food prices in July probably kept India's headline inflation above the Reserve Bank of India's (RBI) near-term target, underscoring the challenge facing the next central bank governor.

By: [Reuters](#)

Soaring food prices in July probably kept India's headline inflation above the Reserve Bank of India's (RBI) near-term target, underscoring the challenge facing the next central bank governor.

Consumer prices are expected to have risen 5.90 percent last month from a year ago, faster than a 5.77 percent provisional gain in June, according to a Reuters poll of economists.

If Friday's government data lines up with the forecast, July will be the fourth straight reading that tops the RBI's target of 5 percent by March 2017.

At his last monetary policy review on Tuesday, central bank chief Raghuram Rajan left key interest rates unchanged, flagging upside risks to the inflation target.

The former International Monetary Fund chief economist is due to step down as RBI governor on Sept. 4, after a three-year term, to return to academia. While Prime Minister Narendra Modi's government has yet to pick a successor, it has bound the next governor with Rajan's retail inflation target of 4 percent with a plus or minus 2 percent band for next five years.

Above-average monsoon rains this summer have raised hopes of a boost to farm output and an ensuing drop in food inflation. Already, there are early signs that prices for vegetables are edging down.

However, the outlook for core inflation remains uncertain due to a shrinking output gap and an expected pickup in demand-driven price pressures following full implementation of a major hike in government salaries and pensions.

"The central bank faces a difficult task in meeting its inflation targets," said Shilan Shah, India economist at Capital Economics.

SALES-TAX IMPACT SEEN

The roll-out of a sales tax planned for next April is also expected to push up inflation. A government-appointed panel has suggested a standard goods and services tax rate of 17-18 percent but India's states want a higher level.

Morgan Stanley reckons a higher rate could push up retail inflation by as much as 0.70 percentage points.

Economists don't see much steam left in the RBI's current easing cycle, in which the policy repo rate has come down by 150 basis points since January 2015, to its lowest in more than five years.

Most expect another cut of 25 basis points by December, before the central bank hits the pause button.

But much will depend on who replaces Rajan.

"The appointment of a more dovish candidate as the next governor would raise the chances of further monetary loosening," Shah said.

India's statistics office will release retail inflation data and industrial production data at 1200 GMT on Friday.

Analysts surveyed by Reuters expect output at factories, mines and utilities to expand 1.5 percent in June from a year earlier. In May, contrary to a predicted contraction, output rose 1.2 percent.

The industrial output data are based on an old series not reflected in India's current gross domestic product figures. As a result, analysts set little store by those numbers as a guide to the economy's broader health.

5. SBI, Korea Development Bank join hands for biz opportunities

Country's largest public sector lender State bank of India and Korea Development Bank have signed a memorandum of understanding to enhance business synergies.

By: PTI

Country's largest public sector lender State bank of India and Korea Development Bank have signed a memorandum of understanding to enhance business synergies.

The agreement outlines the plan to enhance cooperation in areas including corporate finance, project finance and asset finance.

"Asset finance includes (but not limited to) trade finance, cash management products, syndicated loans, infrastructure/real estate financing, capital markets, securitisation, derivatives and risk management, financial advisory services and acquisition finance," SBI said in a statement here.

The agreement was signed between SBI chairman Arundhati Bhattacharya, and chairman and CEO of Korea Development Bank (KDB), Lee Dong Geol.

"To enable a smooth cooperation and draw the full benefit from the MoU, both the banks will work on the establishment of a Korea desk in India," the statement said.

The proposed credit lines from KDB will help SBI to offer competitive terms for facilitating bilateral business. The proposed Korea Desk follows the recent inauguration of Japan Desk by SBI in New Delhi," Bhattacharya said.

KDB is providing funding facility to SBI through credit lines and/or money market lines, as per terms agreed between the two banks. The funds may be used for money market, trade finance and loans to Korean companies doing business in the country, the statement said.

"We are delighted to sign this agreement with India's leading financial institution, which will help facilitate the growth of Korean Companies operating in India," KDB Chairman Lee Dong Geol said.

Through this MoU, both SBI and KDB will gain direct access to both markets of operation, and will be able to use the vast combined network to expand their businesses abroad.

"India is increasingly making its global presence felt across various landscapes. Partnering with an organisation like SBI is strategically important to us, and we look forward to contributing to SBI's growth through our market expertise and established relationships," Geol added.

6. Govt figures reveal unemployment rate rose to 3.8% in FY16

Job creation has been one of the priority areas for the Narendra Modi government, but the unemployment rate has only risen to 3.8% of the total estimated workforce of 48 crore in 2015-16. Sources said if the issue was not addressed promptly, it would rob

By: Surya Sarathi Ray

Job creation has been one of the priority areas for the Narendra Modi government, but the unemployment rate has only risen to 3.8% of the total estimated workforce of 48 crore in 2015-16. Sources said if the issue was not addressed promptly, it would rob India of its so-called demographic dividend.

India's unemployment rate was 2.2% of the total workforce of 47.41 crore in 2011-12, according to the National Sample Survey Organisation. Unemployment

rate is the number of persons without employment as a proportion of the workforce.

Sources said the spike in unemployment rate is reflective of the "job-less" growth which only highlights the government's humongous pending task to reap the much-touted demographic dividend.

Labour Bureau data had in April revealed that employment generation has actually fallen to a six-year low of 1.35 lakh in 2015. In 2014, 4.21 lakh new employments were created, while the figure was 4.19 lakh in 2013.

The Labour Bureau, which compiles data every quarter on eight selected sectors — textiles including apparel, leather, metals, automobiles, gems and jewellery, transport, IT/BPO and handloom/power loom — also found that the October-December period of the last year was the worst fourth quarter in the last seven calendar years in terms of employment generation.

Concerned with the growing menace, highest functionaries of the government led by the Prime Minister's principal secretary Nripendra Mishra will huddle together on Friday striving to find ways and means of creating employment across all sectors of the economy.

Sources said NITI Aayog vice-chairman Arvind Panagariya will make a presentation during the meeting which would be attended by chief economic adviser Arvind Subramanian and secretaries of finance, labour, agriculture and industry among others.

In his Independence Day speech, PM Modi is likely to announce steps towards improving the employment scenario.

The government has in the recent past taken a series of steps, including embarking on a major labour reform initiative, to improve employment, but the target remained elusive.

FE had earlier reported that the Modi government, which ushered in full-benefit fixed-term jobs in the labour-intensive garment sector as part of an incentive package announced recently, is planning to extend the policy across industries, aimed at creating more employment.

Money Control

7. RBI eases priority sector norms to boost cash flow to MSMEs

"To increase liquidity support for the MSME sector, it has been decided that factoring transactions on 'with recourse' basis shall be eligible for priority sector classification by banks, which are carrying out the business of factoring departmentally," RBI said in a notification.

Reserve Bank has included factoring transactions under priority sector lending with an aim to increase cash flow to small and medium enterprises. "To increase liquidity support for the MSME sector, it has been decided that factoring transactions on 'with recourse' basis shall be eligible for priority sector classification by banks, which are carrying out the business of factoring departmentally," RBI said in a notification. Factoring is a type of financial transaction and debtor finance in which a business sells its invoices to a third party, called a factor, at a discount.

Companies sometimes factor their receivable assets to meet their immediate cash needs. RBI said the factoring transactions taking place through TReDS shall also be eligible for classification under priority sector upon operationalisation of the platform. TReDS is an exchange-based trading platform to facilitate financing of bills raised by such small entities to corporate and other buyers, including government departments and PSUs, by way of discounting.

8. SBI Q1 profit seen down 32% to Rs 2505 cr, slippages & NPA key

Things to watch out for would be slippages, slippages from restructured book, gross non-performing assets, watch list, net interest margin and update on non-core assets selling.

The much-awaited earnings of the country's largest lender SBI will be announced on August 12. State Bank of India's (SBI) profit in April-June quarter is likely to fall 32.2 percent year-on-year to Rs 2,504.9 crore, according to average of estimates of analysts polled by CNBC-TV18. Net interest income, the difference between interest earned and interest expended, may grow 5.5 percent to Rs 14,489.5 crore in the quarter ended June 2016 compared with Rs 13,732 crore in year-ago period.

Key things to watch out for would be slippages, slippages from restructured book, gross non-performing assets, watch list, net interest margin and update on non-core assets selling. Analysts say slippages below Rs 10,000 crore (Rs 30,313 crore in Q4FY16), gross non-performing assets below 7 percent (6.5 percent in Q4) and net interest margin above 2.9 percent (2.96 percent in Q4) then that will be positive.

Business Line

9. City Union Bank sees smaller NPA slippage

SWATI KHANDELWAL JAIN

HIRAL DESAI

City Union Bank posted stable Q1 numbers with profit growing 11 per cent. Asset quality, however, has worsened marginally. Speaking to *BTVI*, MD and CEO N Kamakodi says the incremental slippage ratio has come down in Q1. Economic revival and improvement in the property market will help in faster recovery of NPAs. Excerpts:

Asset quality clearly remains a concern for not just your bank but across the fraternity. What is your own assessment and outlook on it?

We used to have 1.4 per cent of slippage. That slippage almost doubled to about 2.8 per cent for FY14, which moderated to about 2.3 per cent for FY15, and for FY16 it was 2.04-2.05 per cent. And for the current first quarter, it is about 1.1 per cent on an annualised basis

We are able to see a decrease in the asset-quality pressure, which is getting reflected in the drop of incremental slippage ratio that now looks better. Since we did not have much of exposure to infrastructure and government consortium, we are relatively better off compared with the industry. Things are much better for us and we hope things will improve as we move forward.

You are saying that the pressure on asset quality has reduced. Is it right to say that your bank's NPAs have peaked? What's your guidance for NPAs for FY17?

Even though the incremental slippage ratio has significantly come down from the peak, there is one thing, which is not yet happening. If you look at our numbers, for every ₹100 slippage in the past, we have recovered about ₹70-75, mainly because almost 98 per cent of our loan book is fully collateralized with immovable collaterals, and the recovery used to happen through immovable collaterals. Since the economy is not performing well and there is a significant drop in the way property market is behaving, the liquidation of collaterals is taking more time than what it used to.

The NPA numbers will start decreasing once you start seeing the initial phases of economic recovery and with the improvement in the property market. But what is very clear is that the incremental slippage ratio has come down by almost 50-60 per cent. And may be in the next few quarters, it will be getting back to the best of the cycle when we had 0.25-0.5 percentage of slippages. But the absolute number will start coming down, when the recovery of the NPAs will pick up when there is an improvement in the property market. We are probably few quarters away from that point.

(This article was published on August 11, 2016)

10. Customer not liable if fraud is due to bank's fault: RBI

OUR BUREAU

In view of the recent surge in customer grievances relating to unauthorised transactions resulting in erroneous debits to their accounts/cards, the Reserve Bank of India, in a draft circular, said the burden of proving customer liability in case of unauthorised electronic banking transactions will lie with the banks.

Further, banks must provide customers with 24x7 access through multiple channels (at a minimum, via website, phone banking, SMS, IVR, a dedicated toll-free helpline, reporting to home branch, etc.) for reporting fraudulent transactions that have taken place and/or loss or theft of payment instrument such as card, etc.

When it comes to liability of a customer, the RBI said a customer's entitlement to zero liability will arise where the security architecture and systems of the bank for electronic banking transactions are not able to protect him.

Zero liability will arise in the case of events such as fraud/ negligence on the part of the bank (irrespective of whether the loss/fraudulent transaction is reported by the customer or not); and third party breach where the fault lies neither with the bank nor with the customer but lies elsewhere in the system, and the customer notifies the bank within **three working days** of receiving the communication from the bank regarding an unauthorized transaction.

Limited Liability of a Customer

A customer will be liable for the loss occurring due to fraudulent transactions in cases involving negligence by a customer, such as where he has shared the payment credentials, the customer will bear the entire loss until he reports the

unauthorised transaction to the bank. Any loss occurring after the reporting of the unauthorised transaction shall be borne by the bank.

In cases where the responsibility for the unauthorised electronic banking transaction lies neither with the bank nor with the customer but lies elsewhere in the system and when there is a delay (of four to seven working days) on the part of the customer in notifying the bank of such a transaction, the customer liability will be limited to the transaction value or ₹ 5000/-, whichever is lower.

Further, if the delay in reporting is beyond seven working days, the customer liability will be determined as per bank's Board approved policy.

Banks have to provide the details of their policy in regard to customers' liability formulated in pursuance of these directions at the time of opening the accounts. Banks shall display their approved policy in public domain for wider dissemination. The existing customers must also be individually informed about the bank's policy.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY