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Dear Comrades,

18th November , 2016

News of Interest 18th Nov

QUOTE OF THE DAY

“WHEN SOMETHING IS IMPORTANT ENOUGH, YOU DO IT EVEN IF THE ODDS ARE NOT IN YOUR FAVOR.”

ELON MUSK

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Business Standard

1. Modus Operandi: How black money hoarders are trying to escape I-T lens

I-T dept has sent 600 notices to jewellers across 25 cities, asking them to detail daily sales

Dilasha Seth & Indivjal Dhasmana

A jeweller flew from Bengaluru to Goa, checked into a five-star hotel, sold jewellery worth Rs 45 lakh to a doctor staying in the same hotel, only to be busted by the income-tax (I-T) sleuths. A search on the buyer led to recovery of Rs 3 crore worth of jewellery.

This is one of the modus operandi by black money holders to use their scrapped Rs

500 and Rs 1,000 notes, cracked by the tax department since the government's demonetisation move on the midnight of November 8.

"A door-to-door sale is being offered by jewellers to their old or loyal customers. We will nab them all, irrespective of the cities they are carrying out these rackets," said a senior Central Board of Direct Tax (CBDT) official.

The I-T department says it is getting black money holders dodging the system under its lens. They have, it says, been using innovative ways to get rid of old Rs 500 and Rs 1,000 currency notes. In one instance, the department found sale of a diamond necklace was split into four bills, with different permanent account numbers (PANs).

Jewellers are formally required to take the PAN of a buyer purchasing jewellery for more than Rs 2 lakh.

The department has sent around 600 notices to jewellers across 25 cities, asking them to detail daily sales. Those in major cities are under scrutiny in this regard; this could later extend to other cities.

The sources said people are sending up to 25 servants to exchange notes from different banks.

In response, the finance ministry first made it mandatory to apply indelible ink on persons exchanging notes and, then, on Thursday, lowered the limit of money that can be exchanged from Rs 4,500 to Rs 2,000.

The sources said surveys are being conducted to detect errant assesseees. "They are misusing the generosity," said one.

CBDT Chairman Sushil Chandra is learnt to be doing regular video conferencing, with I-T officers taking updates from the surveys.

2. After State Bank of India, ICICI & HDFC Bank slash deposit rates

Bankers said rates are expected to reduce by up to 50 bps over the next few months

Abhijit Lele

Following the country's largest lender State Bank of India (SBI), banks have begun to cut interest rates on deposits. On Thursday, two large private lenders - ICICI and HDFC Bank - did so by 15-25 basis points (bps) in different maturity buckets.

HDFC Bank reduced the rate on term deposits above Rs 1 crore by 25 bps across categories. The decision reflects a rise in deposits, banking sources said.

ICICI Bank reduced the rate on term deposits by 15 bps for the maturity bucket of 390 days to two years. The new rate is 7.1%.

At IDBI Bank, the panel which decides on interest rates is meeting on Friday. "The money flowing into accounts (savings and current) after the decision to scrap Rs 500, Rs 1,000 notes as legal tender has been huge. What do we do with the surplus liquidity?" asked a bank senior.

Bankers said rates are expected to reduce by up to 50 bps over the next few months. SBI had decided to cut by 15 bps on term deposits between one year and three years.

Public sector bank executives said more rate cuts - on deposits and subsequently on loans - are in the offing. SBI has an excess statutory liquidity ratio of 5.5 percentage points over the minimum required. According to Reserve Bank of India (RBI)

data, banks parked Rs 2.48 lakh crore with the central bank at the reverse repo window on Wednesday, and Rs 1.80 lakh crore a day before.

Deposits have grown by 9.8% in the 12 months till October-end, at Rs 99,839 crore. The growth in the earlier 12 months was 10.5%, said RBI.

Apart from the post-demonetisation inflow, credit growth is not picking up. Excess money is being parked in the bond markets but yields have fallen there.

Credit expanded by 9.1% for the 12 months ended October, up from 8.8% a year before, RBI said.

3. Banks see surge in card usage; demand jumps for PoS terminals

RBI data for August said there were 1.46 million PoS machines, compared to 712.46 million debit cards in circulation

Nupur Anand

As consumers continue to queue outside banks and automated teller machines (ATMs) to withdraw cash, plastic money has come to their rescue. With no or limited cash in the wallet, consumers have been swiping their debit and credit cards even for small-value transactions.

Rajiv Anand, retail banking head at Axis Bank, says: "We have seen that the usage of debit cards has doubled and so has the increase in usage of point-of-sales (PoS) terminals."

ICICI Bank has also seen the usage of its debit card doubling. Bankers also say they have seen a significant increase in several first-time consumers, who had earlier never used their debit cards at PoS machines.

An HDFC Bank official said in terms of volume of transactions, the usage of debit cards had risen fourfold and in value by three times. "Earlier, we would get 3,000-4,000 requests for PoS terminals a month. Now, we get an equivalent number every day," said the official.

Bankers explain they are seeing a lot of demand for PoS terminals, not only from merchants but from the smaller self-employed segment - doctors, chartered accountants, vegetable vendors, beauty salons, etc.

"We have seen a sharp increase in request for PoS terminals but are constrained by the number of sales staff who can deploy it. Despite that, we have seen an increase in deployment of PoS terminals by three times," added Anand.

Both the government and the Reserve Bank of India (RBI) had been trying to push the usage of PoS machines, as the number - compared to the cards in circulation - was very low. RBI data for August said there were 1.46 million PoS machines, compared to 712.46 million debit cards in circulation.

4. Demonetisation: Rattled govt launches charm offensive, rejects probe demand

Under pressure from Opposition, govt provided some relief to small traders, farmers and those planning weddings

Archis Mohan & Amit Agnihotri

Unabated queues outside automated teller machines (ATMs), feedback that its 'note ban' has negatively impacted small traders, farmers and those planning weddings, a rattled Narendra Modi government on Thursday announced several exceptions to provide relief to sections of the public.

The government rejected the Opposition demand for a joint parliamentary committee, or JPC, probe into reports that the information about 'note ban' was leaked before the PM announced it to the nation, but also thought it necessary to clarify there will not be a rollback to its demonetisation scheme.

Opposition parties saw in the government revising the exchange limit, first from Rs 4,000 to Rs 4,500 on November 14, and on Thursday reducing it to Rs 2,000 as evidence of its mismanagement. Other reliefs – to small traders, farmers and those planning weddings – have also come a day after Opposition leaders had highlighted their woes in the Rajya Sabha.

In Parliament, the day's proceedings were washed out in both Houses. The Opposition demanded the PM be present during the discussions on the impact of demonetisation and also intervene to explain the reasons behind the decision. Government strategists said there was no such rule and Finance Minister Arun Jaitley, the minister concerned, will reply in both the Houses.

They, however, claimed the PM wanted to attend proceedings if Parliament had functioned. Government strategists also claimed it was too soon to predict that the entire session would get washed out without the passage of the three goods and services tax (GST) related Bills.

However, both sides held uncompromising positions at the end of the day. The Opposition maintained it won't let either of the Houses to run if the PM is not present, while the government asked the Leader of Opposition in the Rajya Sabha Ghulam Nabi Azad to tender an unconditional apology for comparing the 40 deaths to demonetisation to have been less than the number of Indian Army jawans that Pakistan-based terrorists killed in Uri in Jammu & Kashmir in mid-September.

The Rajya Sabha witnessed six adjournments. The day started with AIADMK members entering the well of the House to demand a resolution of Cauvery water dispute. Other Opposition parties accused them of helping the government agenda of not letting the House run. The Opposition, led by Congress, also trooped into the well to demand that the PM be present in the House. The Rajya Sabha was scheduled to take up the remainder of the discussion on demonetization.

In the Lok Sabha, the government agreed to suspend the Question Hour for a discussion on demonetisation. However, the Opposition wanted it to be held under a rule that would have entailed voting. The Speaker rejected the demand. Opposition leaders wondered why the government, which has an overwhelming majority in the Lok Sabha, was scared of a vote on the issue.

While Azad refused to tender any apology, the Congress leadership said the government had picked on his comments to deflect attention from the hardships that people are suffering because of demonetisation. Government strategists claimed the Opposition was frustrated at being outmanoeuvred by the PM on the issue and not allowing Parliament to run.

A stone's throw from Parliament, Delhi Chief Minister and Aam Aadmi Party leader Arvind Kejriwal and West Bengal CM Mamata Banerjee went to the Reserve Bank of India to meet its governor and discuss the "ill-effects" of demonetisation. Earlier in the day, the two addressed a public rally at the Azadpur Mandi, the wholesale fruit and vegetable market of Delhi. They demanded rollback of 'note ban' within three days or it could lead to anarchy.

Financial Express

5. Banks to sell Rs 3000 crore of Visa debt to ARCs

Lenders to loss-making Visa Steel are readying to sell their loans of close to R3,000 crore to asset reconstruction companies (ARCs), senior bankers told FE.

By: Shayan Ghosh

Lenders to loss-making Visa Steel are readying to sell their loans of close to R3,000 crore to asset reconstruction companies (ARCs), senior bankers told FE. While the consortium had given the company till end-November to rope in an investor, it has not come up with anyone so far, they said.

Visa Steel reported a net loss of R584 crore in 2015-16 on the back of R1,011 crore in revenues; the gross debt at the end of March 2016 stood at R2,987 crore. According to a banker, the company has been scouting for buyers in China and Singapore and will meet lenders later to update them on the status of the search. He added that Visa Steel had earlier got an investment proposal from Singapore-based One Asia Investment Partners but the deal had fallen through.

"Visa Steel is already a non-performing asset (NPA) on our books and has been adequately provided for. Therefore we could sell it to ARCs if no investors show interest," he said, adding that the only concern would be pricing of the asset.

A banker said that with coking coal prices rising from \$90 a tonne to \$300 a tonne in the last three months, the already-stressed steel industry has been further hit. He added that the increase in costs have been accentuated by the near-stagnancy in domestic steel prices. An email sent to Visa Steel remained unanswered till the time of going to press.

Under the current Reserve Bank of India (RBI) guidelines, ARCs have to pay 15% of the total asset value upfront while the rest is paid in security receipts (SRs). The SRs can be redeemed by the bank as and when the ARC recovers from the company after deducting a 1-2% annual asset management fee.

Visa's debt of around R3,000 crore was restructured under the corporate debt restructuring (CDR) mechanism in FY13. Visa Steel is promoted by Visa Infrastructure and Visa International, which hold 40.35% and 21.63% of the company, respectively. Vishal Agarwal is the vice-chairman and managing director of the company. In September 2015, lenders had decided to convert a large portion of their loans into equity via the SDR scheme. Among the lenders are Bank of Baroda, Punjab National Bank, Bank of India, Canara Bank a few banks from the State Bank of India group and Syndicate Bank.

According to the FY15 annual report (latest available), the company plans to expand capacity from 0.5 million tonnes per annum to 1 mtpa special steel at Kalinganagar in Odisha. The 0.5 mtpa special steel business includes production of hot metal, pig iron and other materials for supply to the automobile, construction, infrastructure, engineering, railway and defence sectors.

Visa Steel ended Thursday at R15.20 each on the BSE, down 5.9% from its previous close.

6. No vandalism in ATMs even in this time of stress: Zicom

The majority of customers queuing up outside ATMs of banks across the country must have been a disciplined lot, as no major incident of damaging or vandalising these machines, barring a few angry and tired ones coming and banging cashless ATMs, has been reported, said Pramoud Rao, MD of Zicom Saas Private Ltd and Zicom Electronic Security.

By: Geeta Nair

The majority of customers queuing up outside ATMs of banks across the country must have been a disciplined lot, as no major incident of damaging or vandalising these machines, barring a few angry and tired ones coming and banging cashless ATMs, has been reported, said Pramod Rao, MD of Zicom Saas Private Ltd and Zicom Electronic Security.

Zicom Saas provides security services to protect and secure ATMs of leading public and private sector banks. The current rush at banks has been a cause for concern, and banks have asked Zicom to increase vigil at ATMs, Rao said. HDFC Bank, ICICI Bank, State Bank of India, Federal Bank, Punjab National Bank, Kotak Bank, HSBC and Ratnakar Bank are among customers of Zicom. The company oversees security of 4,500 ATM points of these banks.

Zicom uses sensors, cameras and CCTVs to secure ATMs and these devices are connected to the command and control station located in Mumbai. Zicom uses the cloud to store and process data and also monitor functioning of the systems 24x7.

For further security, some of the banks have opted for services of a quick response team that supports a cluster of seven-eight ATMs in an area. These bike-borne security personnel physically reach the ATM site in case of any intrusion or untoward incident. The cloud-based command centre also informs the police nearby.

"Banks have never ever experienced anything like this. They are now doing a due diligence of the security system and looking at improving it," said Rao. Zicom Saas has been working with banks and pushing them to replace the watchman-based security with electronic surveillance systems.

"We take over the ATMs and do away with guards and install sensors and cameras which are connected to the command and control centre..." said Rao. Zicom provides this as a service where it invests in installing equipment and charges a fee for the service.

Zicom started off as an electronic security equipment provider and is now transforming into a services company as days of the hardware business are over, Rao said. Zicom SaaS is a subsidiary of Zicom Security.

Apart from bank ATMs, Zicom offers security to protect retail chains, bank branches, schools, colleges and now even residential apartments and housing societies.

7. RBI pumps new currency notes worth Rs 5,000 crore in Odisha

The post-demonetisation situation is gradually improving in Odisha with the Reserve Bank of India pumping over Rs 5,000 crore new currency notes into banks and state government's making alternative arrangement for the...

By: PTI

The post-demonetisation situation is gradually improving in Odisha with the Reserve Bank of India pumping over Rs 5,000 crore new currency notes into banks and state government's making alternative arrangement for the people in unbanked regions of the state.

"Around 50 per cent of the unbanked Gram Panchayats have been provided with the banking services during last couple of days. However, about 2,000 more GPs await banking service," said Chief Secretary A P Padhi after talking to the Cabinet Secretary on the prevailing situation.

The General Manager RBI, Prasanna Kumar Das, who attended the review meeting here, said above Rs 5,000 new currency notes have been given to the banks. He also assured the state government of additional cash supply to respective chests for issuing notes to Branch Post Offices.

Reviewing the progress, Padhi asked the banks to cover the rest unbanked GPs through Branch Post Offices, Self Help Groups and Odisha Livelihood Mission (OLM) Bank Mitras engaged by Panchayati Raj department.

Since Bank Mitras are already familiar with banks, their services can easily be utilised for the purpose, Padhi told the bank authorities.

He also suggested the Post Master General to focus on the uncovered 2,000 GPs through their branch post offices (BPOs).

The state government also suggested the State Bank of India (SBI) to provide sufficient cash to the BPOs as per their requirement. The BPOs would allow deposit up to Rs 25,000 and withdrawal up to Rs 5,000 per day in one single account, Padhi said.

Around 1,000 OLM Bank Mitras are now working at GPs and village levels. Almost each village has one or more SHGs linked to the bank. Most of the branch post offices are located in rural areas.

"It is expected that utilisation of their services as bank correspondents will be of great help in covering the unbanked GPs," state finance secretary T K Pande said.

The meeting also decided that since the cash flow has increased, special District Coordination Committee Meeting would be convened under the Chairmanship of Collectors to monitor the ground level situation closely.

8. Lord Balaji too to follow RBI norms

G NAGA SRIDHAR

It's business as usual at Tirumala. The government's demonetisation has not changed things much, according to D Sambasiva Rao, Executive Officer, Tirumala Tirupati Devasthanams (TTD).

The offerings in the *hundi* are no different from what they were pre-demonetisation. Pilgrims generally drop anything in the *hundi* as it is anonymous and the same is applicable now too, Rao told *BusinessLine*. The daily *hundi* collections in Tirumala are in the range of ₹2.5-3.4 crore, with about 70,000 pilgrims visiting the temple town every day.

On TTD's policy on demonetised notes, the official said like any other institution it will follow RBI guidelines. "There is nothing to sensationalise in this," he pointed out

According to RBI guidelines, all withdrawn notes can be deposited in banks up to December 30, after which the RBI will continue to accept them till March 31, 2017.

It remains to be seen what religious establishments like TTD will do if these notes continue to be offered by pilgrims after the deadline.

According to Ramana Dikshitulu, Head Priest, Tirumala, the currency crunch has had no impact on *poojas* and rituals which are conducted at the requests of the devotees (*Arjitham*).

In 2015-16, TTD had collections of ₹2,621 crore from various sources and has projected ₹2,678 crore for 2016-17.

9. Unions condemn violence at SBI branches over 'loans write-off'

OUR BUREAU

State Bank of India employee unions have deplored attacks on the offices/branches of the bank in Kerala by the youth cadre of the CPI (M), for 'its act of writing off some high-value loans'.

The attacks were carried on Wednesday by the Democratic Youth Federation of India (DYFI) after news breaks on the 'write-off.'

V Muralidharan and A Jayakumar, general secretaries of the SBI Officers Association and State Banks' Staff Union, strongly condemned violence by the DYFI.

"The fact is that these loans have only been moved to the 'advances under collection' account with a view to cleaning up the balance sheet of the bank," the two union leaders said.

Legal proceedings for attaching their assets and other steps for recovering the dues are continuing. Meanwhile, the rampaging DYFI men damaged front glass panes at the Kuthuparamba branch, injuring a lady constable.

In Thiruvananthapuram, the DYFI cadres barged into the local head office of the bank during lunch break, creating panic among staff.

The right to peaceful demonstration on whatever grounds is justified, the two leaders said.

But using violence against any organisation and its employees by political parties with the sole aim of gaining political mileage cannot be justified, they said.

'Book adjustment'

Abraham Shaji John, State secretary of All-India Bank Officers' Confederation, said that while right to protest on any issue is guaranteed in a democracy, the ire of protesters should not be directed at the staff who have no role in the decisions taken at the highest level of the bank.

The SBI management itself has clarified that they had made only a 'book adjustment' and had in no way absolved the corporate borrowers. The State committee of the Confederation requested all concerned to show restraint and extend maximum support to the bank staff.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**

