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Dear Comrades,

19th November, 2016

News of Interest 19th Nov

QUOTE OF THE DAY

“SUCCESS IS NOTHING MORE THAN A FEW SIMPLE DISCIPLINES, PRACTICED EVERY DAY.”

JIM ROHN

- 1. CASH-STUFFED BANKS GRAPPLE WITH STORAGE, HIKE COVER**
- 2. CO-OP BANKS APPROACH RBI AS PSBS LIMIT CASH FLOW TO THEM**
- 3. RUPEE CRASHES BELOW 68 LEVEL; ENDS AT 9-MTH LOW ON DOLLAR SHOCK**
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- 5. SC NOW SAYS NAMING LOAN DEFAULTERS NOT A SOLUTION**
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- 9. CATHOLIC SYRIAN BANK TO APPOINT C.V.R. RAJENDRAN AS MD & CEO**

Business standard

1. Cash-stuffed banks grapple with storage, hike cover

The problem of currency accumulation is acuter in smaller and rural branches, which are running short of staffs

Namrata Acharya

With old notes piling up, banks now face the challenge of storing the currency. In view of this spurt in deposits, banks have already increased insurance cover for cash in branches by up to three times the original size.

The problem of lifting cash worsens in rural areas, where some places have accumulated cash in excess of Rs 1,000 crore, according to a spokesperson of a regional rural bank. In West Bengal, Grameen Bank alone has accumulated Rs 350 crore from four districts; the cash is waiting to be lifted by sponsor banks.

Although most banks have a strong room, the latter has limited capacity. A strong room has strong walls and a strong door and is a place where valuable things can be kept safe. Moreover, unless the old notes are lifted from smaller branches and sent over, those are seen as unproductive assets.

"Depending on the size of the branch, we are increasing insurance cover by two to three times. For example, earlier, at the branch level, if the insurance cover was Rs 10 crore, now it has been increased to Rs 35 crore," said Pawan Kumar Bajaj, managing director and chief executive, United Bank of India.

Ravi Krishan Takkar, chief executive officer and managing director, UCO Bank, confirmed that insurance cover for cash in bank had been increased after note ban. In the last one week, the bank's cash collection was close to Rs 15,000 crore.

"We have received a lot of requests for increasing insurance limit, both for cash storage as well as cash-carrying capacity. Most banks and cash-handling companies have sought 20-30 per cent increase in insurance cover after note ban," said K Sanath Kumar, chairman and managing director of Kolkata-based National Insurance Company.

In view of space crunch for cash at small branches, banks have taken up the issue with Reserve Bank of India or RBI.

The problem of currency accumulation is more acute in smaller and rural branches, which are short of staff.

In a recent letter to central government, All India Regional Rural Bank Officers' Federation said, "In case of cash, chest facility has not been provided by RBI or authorities, and sponsor banks have been entrusted with the supply and collection of cash for rural branches. The experience of branches and their staff is sponsor banks have not come forward to help adequately and so staff have been facing serious problems and threat of public wrath as well as life threat, among others."

"We have taken up the issue with RBI, but our branches could clear half of the collections. However, the problem of cash storage persists. The van that comes for cash delivery is also being used for sending the cash back to chests. We have strong rooms in branches also. However, one loses interest in that unless cash is transferred to the currency chest," said Bajaj.

Also, protocol for currency movement from branches to chests requires police contingent.

"A lot of currency has been accumulated at branches. Our first priority was to exchange and deposit. If the currency is lying in branches, it becomes unproductive," said Takkar.

2. Co-op banks approach RBI as PSBs limit cash flow to them

There are 1,579 cooperative banks across the country and they have 10,000 branches and close to 3,000 ATMs

Nupur Anand

Bankers have said the urban co-operative banks (UCBs) in the country are struggling with low-cash flow and, these lenders have written to the Reserve Bank of India to improve the money remitted to them.

"After the announcement of the scheme of withdrawal of legal tender of Rs 500 & Rs 1,000 notes, banks refused to provide currency support to our UCBs on November 10 treating us as 'general customers'. Later, in spite of issuance of circular by the RBI that the limit of Rs 10,000/- is not applicable to cash withdrawal from a bank account by one bank from another bank, the PSBs, especially State Bank of India, Bank of India refused to adhere to the request of UCBs," stated the Maharashtra State Cooperative Banks Federation in a release.

The statement also added that in the first few days the central bank had remitted some money to the co-operative banks but the cash flow has been drastically reduced in the last few days. These lenders complain that as a result of this cash crunch they have not been able to meet the customer's withdrawal requirements.

There are 1,579 cooperative banks across the country and they have 10,000 branches and close to 3,000 ATMs and they constitute close to 4 per cent market share in the banking business mix of the country. The federation said that out of these banks, 52 lenders have been left with no cash.

3. Rupee crashes below 68 level; ends at 9-mth low on dollar shock

Imminent higher interest rate environment arising out of the US Fed Reserve's hawkish tone along with heavy capital outflows took a toll on the rupee

[Press Trust of India](#) |

The rupee on Friday crashed below the psychological 68-mark to end at near nine-month low as sentiment turned bearish on the combination of growing US rate hike expectations and stunning dollar run.

Witnessing a near-term rout, the home currency crumbled by a whopping 31 paise to end at 68.13 against the US dollar - the lowest closing since February 29.

Imminent higher interest rate environment arising out of the US Federal Reserve's hawkish tone along with heavy capital outflows took a toll on the rupee, a forex dealer said.

Frantic dollar demand from importers and corporates mainly pressurised the home unit, the dealer said.

The US Dollar rallied to the highest level in 14 years against all major counterparts after Fed Chair Janet Yellen reiterated that the US interest rates could rise "relatively soon" due to an improving domestic labour market and stronger growth.

Foreign portfolio investors (FPIs) remained net sellers and sold shares worth a net Rs 926 crore on Friday.

The domestic currency opened substantially lower at 68 from overnight closing level of 67.82 at the Interbank Foreign Exchange due to strong dollar demand in the wake of sustained foreign capital outflows.

It remained under immense pressure throughout the day and encountered extreme volatile momentum, plunging to the fresh intra-day low of 68.19 in late afternoon deals before ending at 68.13, showing a steep loss of 31 paise, or 46%.

Last Friday, the rupee had breached the 67 level on huge capital outflows in line with other emerging markets after expectations that Donald Trump's new administration will increase fiscal stimulus which could lead to higher interest rates in the US.

The dollar Index was quoted sharply high at 101.11 in afternoon trade on Friday.

Meanwhile, RBI on Friday fixed the reference rate for the dollar at 68.0937 and euro at 72.2134.

In cross-currency trades, the rupee continued to slide against the pound sterling to finish at 84.66 from 84.55, but recovered against the euro to settle at 72.37 as compared to 72.80 on Thursday.

The home unit also bounced back against the Japanese yen to close at 61.72 from 62.24 per 100 yens earlier.

Financial Express

4. Demonetisation drive to hit property market, prices in Rs 25 lakh flats category may fall 5-6%

The real estate sector, which was looking to return to normalcy after a prolonged lull, has been dealt a huge blow by the government's decision to abrogate the legal tender status of R500 and R1,000 currency notes.

By: [Surya Sarathi Ray](#) and [guest](#)

The real estate sector, which was looking to return to normalcy after a prolonged lull, has been dealt a huge blow by the government's decision to abrogate the legal tender status of R500 and R1,000 currency notes. Developers say both demand and prices have started crumbling even as analysts believe that the government's move will help the sector move towards transparency, accountability and maturity.

"The demonetisation move has hit us hard, there are no sales at the moment. Customers are in a wait-and-watch mode and neither cash nor cheque transactions are taking place. In fact, in some cases, ongoing bookings are also getting re-negotiated," said Manohar Shroff, partner, Shivam Builders, Navi Mumbai.

There should be a correction of 30-40% in the prices of apartments in the above R5-crore range, while in apartments ranging between R25 lakhs and R30 lakhs, 5-6% correction by way of discounts could be expected, he added.

Ashish Shah, COO, Radius Developers said customers are right now trying to figure out the impact of this move on their underlying business and cash flows. At least for the next 3-4 weeks until some clarity emerges for them, the real estate market, which was already sluggish for the past 36 months, will see negligible sales.

"It will have a negative impact on prices as well, could be in the range of 15% in the premium housing segment, but not for very long. We are also not immune to these changes, so depending on the transaction, there may be an impact on pricing," he said.

Ravi Ramu, CEO and managing director, VBHC-Value Homes, said, "Restate to the extent it depends on 'cash transactions' is dead for now. Land will begin to come at rationally lower prices. Home sales from builders who have operated in the past without cash will substantially increase."

Gaurav Gupta, Director, Omkar Realtors and Developers, said over the next 3-4 months there will be an impact on sales as people try to stabilise their financial

positions. As for prices, the secondary market sales where the component on the cash transaction is high, will be impacted significantly. However, I do not see an impact on the primary market prices.”

Knight Frank India’s CMD Shishir Baijal said, “Prices coming down to more reasonable levels in the residential property market cannot be ruled out. In the immediate future, the sector will be under serious pressure with volume and number of transactions in residential and land markets seeing a substantial downward trend.”

The secondary market is likely to witness a huge fall in transactions given that most of the sales in this segment are done through cash.

5. SC now says naming loan defaulters not a solution

In a U-turn, the Supreme Court on Friday said the disclosure of names of borrowers who have defaulted on bank loans worth a whopping R85,000 crore “will not lead anywhere, but finding a root cause of accumulation of non-performing assets (NPAs) and solutions” is what is required for banking reforms.

By: [FE Bureau](#)

In a U-turn, the Supreme Court on Friday said the disclosure of names of borrowers who have defaulted on bank loans worth a whopping R85,000 crore “will not lead anywhere, but finding a root cause of accumulation of non-performing assets (NPAs) and solutions” is what is required for banking reforms.

“The disclosure of names with over R500-crore bad loans will not lead anywhere. Root of the malice is accumulation of NPAs. The real cause is to address the root cause of NPAs and how to solve it,” a bench headed by Chief Justice TS Thakur said. It asked the a five-member high-level panel constituted by the Centre, which comprises RBI executive director and other top brass of public sector banks, to give final recommendations on banking reforms, including the steps being taken to recover huge NPAs of the nationalised banks, within three weeks.

However, it said the recommendations will be subject to the scrutiny of the court as the Centre for Public Interest Litigation (CPIL), an NGO and the petitioner in the case, expressed reservations over the independence of its members. The court noted CPIL counsel Kamini Jaiswal’s concern that the high-powered committee does not inspire confidence as it is manned by people who are themselves heading different banking institutions with huge NPAs.

The apex court also said the panel report can’t prevent it from directing further investigations.

Stressing the need to find “some solution” and reason as to why bad loans are accumulating, the bench also asked the Centre to file a “comprehensive note indicating the government’s action plan in a sealed cover” within four weeks detailing steps taken to overhaul the debt recovery system and laws dealing with quasi-judicial bodies like the Debt Recovery Tribunal (DRT) and the Debt Recovery Appellate Tribunal (DRAT).

After perusing a report submitted by the RBI in a sealed cover, the CJI on October 28 had asked the central bank as to why the names of 57 borrowers who had defaulted on bank loans worth a whopping R85,000 crore should not be made public.

“Who are these people who have borrowed money and are not paying back? Why this fact that the person has borrowed money and not paying back be not known to public? And if the bar is lowered below R500 crore and above R100 crore, then the default amount would cross over R1 lakh crore,” it said.

6. People in distress, act fast or there might be riots, SC warns Centre

Dhananjay Mahapatra

The Supreme Court warned on Friday that people standing in long queues for hours every day for scarce cash could turn riotous, as it asked the Centre to take urgent measures to end their ordeal.

"It is a serious issue. This affects the entire population. You (the government) cannot deny there is a serious problem. There could be riots," a bench of Chief Justice TS Thakur and Justice AR Dave said, drawing a sharp retort from attorney general Mukul Rohatgi.

The bench also declined the Centre's plea to restrain all other courts and high courts from entertaining petitions challenging **demonetisation** and criticised the **decision to bring down the maximum amount that could be converted** against the outlawed notes of Rs 500 and Rs 1,000 from Rs 4,500 to Rs 2,000.

The Centre argued that HCs taking up legal challenges would result in multiple litigations. The bench, however, said the pleas seeking the intervention of courts reflected the "distress".

Rohatgi replied, "There is no riot. People have supported the government's move to demonetise high value currency notes to flush out black money. There are political reasons that the issue is raised in this matter by the petitioners to fuel unrest."

The bench also criticised the government for reducing the daily cash exchange limit to Rs 2,000, after the court had asked if the limit could be raised from Rs 4,500.

Senior advocate Kapil Sibal, appearing for the petitioners who have questioned the legality of demonetisation, seized upon the bench's remark about riots to criticise the Centre. "The government just did not have the capacity to print new currency notes. They should have taken this into account and taken steps to avoid putting people into untold harassment," he said.

"Daily labourers are not getting paid, tea garden workers are not getting their salaries, people in rural areas have to walk long distances to reach banks and ATMs only to be told that these have run out of cash. It is a serious situation. Transporters are suffering. Trucks are standing idle without cash. India is a cash-based economy and the government has hurt it badly by freezing cash circulation," senior advocate Kapil Sibal said in the Supreme Court on Friday. He was appearing for petitioners who have questioned the legality of demonetisation.

Attorney general Mukul Rohatgi said demonetisation was not the issue up for hearing on Friday. "The Centre has moved an application seeking an omnibus order from the SC to restrain all other courts and high courts from entertaining any petition on demonetisation. Let the SC decide the issue and let there not be multiple proceedings across the country," he said.

The bench refused. "The situation shows the kind of problem people are facing. They are distressed. So, let the petitions be filed. We cannot shut out people from going to courts to register their grievances. What can be done is transfer of all petitions to Delhi high court. But for that, the Centre has to file a transfer petition," it said. The AG said he would soon file a petition seeking transfer of the cases to Delhi HC.

Before this, the bench told the AG, "During the hearing on Tuesday, we had requested you to examine whether daily cash exchange limit could be raised from Rs

4,500. But the government has reduced it to Rs 2,000 a day now. Why? Is there short supply of currency notes, even Rs 100 notes? We do not understand this. The government promised in court to give relief to people but reduced the cash exchange limit."

The AG said the government at the highest level was monitoring the situation daily and coming out with steps to ease the situation. He said the cash withdrawal limit for farmers, firms and those having marriages in the family had been raised. "Steps are being taken keeping in view the situation, requirement and the capacity to print new currency notes. The queues have started reducing. Things will normalize soon," he said.

The court said it would take up the issue for further hearing on November 25.

Business Line

7. Bitter pill for hospitals, patients

Just days after the government called back ₹500 and ₹1,000 notes, Mumbai woke to the tragic news of possibly the youngest victim of the demonetisation move.

A newborn died after he was allegedly denied treatment in a suburban hospital, as the parents wanted to pay in ₹500 notes, that had since become illegal currency.

Instances of chemists downing shutters, patients running from one chemist to another and hospitals turning away those who did not have the right currency notes, have surfaced from different parts of the country.

And this, despite the government's diktat that hospitals accept the old currency up to November 24th. With private and charitable trust-run hospitals not being included in this directive, the burdens of patients have only increased.

The day after Prime Minister Narendra Modi made the announcement, Mumbai's Bhatia Hospital, the oldest charitable hospital in the city, wrote to the PM and others in the Finance Ministry urging that charitable hospitals be treated on par with government hospitals and pharmacies, allowing them to accept the old currencies.

Patients from remote areas who do not have credit/debit cards or cheque books are facing a huge problem, the hospital said, adding that its outpatient and day-care services had been hit by the sudden development.

Dr Rajeev Baudhankar, Bhatia Hospitals' Chief Executive, told *BusinessLine* that multiple communications on not allowing charitable hospitals to accept the old currency meant that they could transact only through cheques and online mode. "We have allowed people to be discharged on cheque payments, and refunds (if the hospital did not have currency) are also done through cheques," he says, adding that Bhatia had gone online in its payments to doctors, vendors, etc., about three years ago.

But, the hospital has already seen three cheques bouncing in one day, he says, urging people to see a hospital as a "community asset" and not submit "dud" cheques. "This is our dilemma. Do we focus on giving healthcare services or chase people to get our money back when cheques bounce?" he asks.

Patient-families point out that while it is good that doctor payments are now made online, the problem comes when patients do not have cheque books or credit/debit cards.

In Hyderabad, which has a sizeable presence of corporate hospitals, on an average there has been a 40 per cent fall in outpatients in the past one week, says B Bhaskara Rao, President of the Private Hospitals Association.

Patients are suffering as most elective surgeries are postponed and only emergency surgeries are done. Representation to the State Health Minister elicited a response that it was the Centre which had to do the needful in this regard, he told *BusinessLine*.

There are over 25 big hospitals (more than 750-bedded) in the city. Bhaskara Rao, promoter of the KIMS Group, says: "We have started accepting cheques and card payments."

With healthcare shifting predominantly to the private sector, many poor patients are forced to look to State-run government schemes like Aarogyashri. Even here, paying for diagnostics/medicines and meeting dependants' expenses have emerged as major stumbling blocks.

K Hariprasad, President – Hospitals division of Apollo Group, said hospitals were accepting online payments, debit and credit cards and Net banking. Some hospitals are innovating by accepting post-dated cheques and giving concessions for payments within a defined number of days, said the executive of a top corporate hospital.

8. Banks will not exchange old currency notes today

OUR BUREAU

The Indian Banks' Association has imposed a one-day ban on Saturday for over-the-counter exchange of old notes for new ones across all bank branches.

The Association said banks will only service the pending work of customers, which has been affected after the government announced demonetisation of high-denomination currency notes on November 8.

Senior citizens will, however, be allowed to walk into any bank branch and exchange their old notes.

Over-the-counter exchange will resume for all customers on Monday, said IBA Chairman Rajeev Rishi. "Work at branches has been peaceful and we have not faced any problems so far. We will do whatever it takes to address the situation," Rishi said.

20K ATMs recalibrated

The IBA chief said that about 20,000 ATMs had already been recalibrated for the new notes of ₹2,000 and ₹500 denomination, and the remainder would be covered in another 8-9 days. At the end of September 2016, the country had 2.18 lakh ATMs.

Rishi said people had deposited about ₹4-lakh crore as on November 14. However, data on exchange and withdrawal was only being collated, he added.

9. Catholic Syrian Bank to appoint C.V.R. Rajendran as MD & CEO

OUR BUREAU

The Reserve Bank of India has granted approval for appointment of C.V.R. Rajendran as the Managing Director & CEO of Catholic Syrian Bank for a period of three years from the date of his taking charge.

Rajendran is currently holding the position of Chief Executive Officer of the Association of Mutual Funds of India. Prior to this, he has held other key positions like Chairman and Managing Director of Andhra Bank and Executive Director at Bank of Maharashtra.

He has had hands-on cross functional experience in every aspects of banking spread across branch operations, NPA/asset quality management, business process re-engineering, productivity enhancement, corporate/industrial finance, merchant banking, treasury operations, international banking etc.

In addition, his experience in the mutual fund industry will also aid the bank in its third party and wealth distribution plans, a press release issued here said.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY