



ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION
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Dear Comrades,

24th August , 2016

News of Interest 24th August

Quote of the day

“HOWEVER DIFFICULT LIFE MAY SEEM, THERE IS ALWAYS SOMETHING YOU CAN DO AND SUCCEED AT.”

STEPHEN HAWKING

1. VACUUM AT TOP IN IOB
2. HAVE THE BANKING SECTOR'S LOSSES BOTTOMED OUT?
3. FAULT LINE IN BANKING SECTOR RAISES CONCERNS: PRANAB
4. YES BANK ENTERS CREDIT CARD SPACE, EYES NO 3 SLOT IN 4 YEARS
5. PACE OF NEW BAD LOAN FORMATION HAS DECELERATED, RBI DEPUTY GOVERNOR SS MUNDRA
6. UPLOADING OF KYC DATA WITH CENTRAL REGISTRY MAY MISS SEPTEMBER DEADLINE
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9. UJJIVAN GOES FOR CRMNEXT'S 'ASSISTED BANK-IN-A-BOX' SOLUTION

Business Standard

1. Vacuum at top in IOB

Only one executive director to manage affairs for the bank

Abhijit Lele

Chennai-based public sector lender Indian Overseas Bank (IOB) has remained headless in the absence of a full-time chief executive for almost two months now.

R Koteeswaran had retired as managing director (MD) and chief executive officer (CEO) at the end of June 2016. He had joined Indian Overseas Bank on December 31, 2014. Prior to this assignment, Koteeswaran was executive director at Bank of India.

INDIAN OVERSEAS BANK

BSE Price in ₹



The second line of leadership at IOB is also thin. Executive director Atul Agarwal, who has been looking after operations of the public-sector lender, is due to retire next month.

Pawan Kumar Bajaj, another executive director, has moved to Kolkata-based United Bank of India as managing director and chief executive.

Vibha Batra, former co-head for financial ratings at ICRA, said: "This is the last thing one should expect for the bank, which is passing through a bad phase. It is matter of serious concern."

While Banks Board Bureau has recommended names for the post of MD & CEO, the government has cleared names for two banks - United Bank of India and Bank of Maharashtra. The government, which holds a 73.58 per cent stake in the bank, is yet to announce a new MD & CEO for IOB, which is reeling under losses and bad loans.

The bank reported a net loss of Rs 1,450.5 crore in the quarter ended June 2016, compared to a net profit of Rs 14.76 crore a year ago.

IOB's gross non-performing assets (NPAs) stood at Rs 33,913.15 crore as on June 30, 2016 against Rs 16,451.2 crore as on March 31, 2016 and Rs 30,048.63 crore as on June 30, 2015.

The ratio of gross non-performing assets to gross advances stood at 20.48 per cent as on June 30, 2016 against 9.4 per cent as on March 31, 2016 and 17.4 per cent as on June 30, 2015.

FINANCIAL AND BUSINESS PERFORMANCE

Quarter ended	Net interest income (₹)	Other income (₹)	Net profit (₹)	Provision coverage ratio (%)	CAR - Basel III	Gross NPA (%)
Mar '15	1,255.7	944.2	35.50	50.92	10.11	8.33
Jun '15	1,329.0	534.8	14.76	50.79	9.75	9.40
Sep '15	1,398.0	944.2	-550.83	49.98	9.09	11.00
Dec '15	1,347.7	533.1	-1,425.06	50.36	9.73	12.64
Mar '16	1,307.8	686.0	-936.19	47.39	9.66	17.40
Jun '16	1,245.0	652.9	-1,450.50	47.61	9.47	20.48

Net Interest Income = Interest Earned - Interest Expenses

CAR = Capital Adequacy Ratio

Source: Capitaline

Compiled by BS Research Bureau

The bank's provisions and contingencies (excluding tax provisions) rose 222.17 per cent to Rs 2,137.81 crore in the June 2016 quarter over June 2015 quarter. The provision coverage ratio of the bank was at 47.61 per cent as on June 30, 2016. ICRA in its recent review of IOB said the bank raised a substantial amount

of equity — Rs 2,211 crore in FY16 from the government and Life Insurance Corporation, and Rs 261.9 crore in the June 2016 quarter from qualified institutional buyers.

The bank expects further equity infusion of Rs 3,101 crore from the government in the current year. Timely equity support from the government continues to be the key driver for the bank's credit profile. The rating is constrained by the deterioration in the lender's key asset quality indicators over the recent past, which adversely impacted its solvency and capitalisation profile, ICRA said.

2. Have the banking sector's losses bottomed out?

Business Standard

While gross non-performing assets (NPAs) of the Indian banking system are expected to rise further in this financial year, the pace of deterioration is likely to moderate, as banks, prodded by the Reserve Bank of India (RBI), were aggressive in recognising bad loans in FY16.

According to a new report by India Ratings and Research, fresh slippages to the non-performing loans category are likely to be a minimum of 1.5 per cent of total bank credit in the current financial year. In large part, these slippages will come from loans turning out in the Infrastructure and construction sectors, followed by the power sector. But, it is possible that actual slippages may turn out to be higher if companies find it difficult to service loans that were restructured in the earlier financial years. At the end of FY16, gross NPAs in the banking system stood at 7.2 per cent. **(After asset quality review)**

Banks' credit costs are likely to remain high, compared to the previous financial year, although these are expected to moderate. Credit costs are expected to drop to 170-180 basis points in 2016-17, as compared to 280 basis points for 2015-16, says India Ratings.

But, unlike the previous financial year, where recognition of bad loans led to higher costs, this time the increase will largely come from problems with servicing loans that have already turned bad. If companies fail to meet their interest obligations, existing loans in the substandard category are likely to be transferred to the doubtful category, where banks will have to provide higher provisioning. This will raise banks' credit costs, eating into profitability.

Ship-building followed by infrastructure and construction, iron and steel, power and textiles continue to be the most leveraged sectors among the companies analysed in the report, though the textiles sector has the highest interest coverage ratio, suggesting it is better placed to finance its interest obligations, as compared to the other sectors.

3. Fault line in banking sector raises concerns: Pranab

He was speaking at the first year anniversary of Bandhan Bank's operations

Namrata Acharya

There was a fault line in the Indian banking sector, given the sluggishness in recovery and injudicious lending, among other things, President Pranab Mukherjee said on Tuesday.

At an event to mark the first year of Bandhan Bank's operations, the President said, "There is a problem with managing and financing. There is a sluggishness

in recovery and (a problem of) injudicious advances, which clearly shows there is a fault line in the banking sector.”

Mukherjee further said that lending to the rural and unorganised sectors was still very low in India.

Reserve Bank of India (RBI) Deputy Governor N S Vishwanathan, who was also present at the event, said sound internal governance, good risk management practices and strong internal, independent audit were important ingredients for the success of any bank.

“If a bank is not taking risk, it is not doing business. However, taking risk does not mean being reckless. It means identifying risk, measuring it and mitigating it, so that it is consistent with risk tolerance,” Vishwanathan said.

The RBI deputy governor also said that banks need to be customer-centric on account of a proposed line-up of new banks. He further said, the regulator, over the past few years, was moving towards deregulation, which meant it was more important that banks have good policies to function in a deregulated way.

Chandra Shekhar Ghosh, managing director and chief executive officer, Bandhan Bank, underlined the importance of growing with caution.

"Banking is not a sprint, it is a marathon, the game of a long distance runner. We cannot do everything overnight, we should not do because we must be extremely careful about risks. We cannot indulge in reckless risks, we cannot indulge in reckless growth. Our mission is to do simple things and create products and services to meet needs," he said.

Bandhan Bank has garnered a deposit base of Rs 16,000 crore and its current customer base stands at nine million. The bank has 701 branches and is looking to take it to 1,000 branches over the next one year. It will also enter Goa, J&K and Andaman & Nicobar soon.

"We have busted a myth that banking is a very complex business. Thousands of my colleagues who had no banking experience and who knew only microfinance are now actively involved in running the bank. Of course, we got senior bankers on board who have made a lateral entry. Both the microfinance employees as well as the bankers together have formed a terrific team and are running the bank," Ghosh said.

Bandhan Bank will soon roll out a new app called Unified Payment Interface (UPI).

"The mobile app will ensure seamless fund transfer and merchant payments. It is expected to go live soon," he added.

Financial Express

4. Yes Bank enters credit card space, eyes No 3 slot in 4 years

Setting an ambitious target of having five million customers by 2020 and to become the No 3 player in the extremely competitive industry, mid-sized lender Yes Bank made a foray into the credit card market.

By: PTI

Setting an ambitious target of having five million customers by 2020 and to become the No 3 player in the extremely competitive industry, mid-sized lender Yes Bank today made a foray into the credit card market.

At a time when lenders are playing it safe by sticking to their own customers to sell credit cards, the bank plans to go all out seeking customers from outside for the unsecured lending product.

“Credit card is central to our customer acquisition plans. We don’t believe there is anything like an internal customer or an external customer,” the bank’s senior group president for retail and business banking Pralay Mondal said.

The bank is targeting to control up to 18 per cent of the industry by spends by notching up around five million active card customers by 2020, which Mondal said will make it the third biggest player.

Mondal, who is credited with HDFC Bank’s successes on retail front, said he is confident of achieving the ambitious target, saying the market is skewed towards a few players now.

With over 7.25 million cards, HDFC Bank is the largest card issuer now, followed by ICICI Bank with 3.65 million cards and SBI with 3.62 million.

Even though retail segment has gained greater focus, banks are shy of growing their unsecured books comprising credit card folios.

Mondal said the growth in cashless payments to 5 per cent from the present 2 per cent, a greater acceptance in electronic payments by the small businesses, card’s features, technology to assess a customer’s risk.

The card proposition includes seven variants and lowest interest rates in the industry, starting from 1.2 per cent per month to 2.4 per cent, he said, adding the card fees will start from Rs 250 and go up as per the variant a customer chooses.

Head of credit cards business, Rajnish Prabhu said a team of over 400 have already been hired for the business.

5. Pace of new bad loan formation has decelerated, RBI Deputy Governor SS Mundra

RBI Deputy Governor S S Mundra today said the pace of formation of new non-performing assets (NPAs) or bad loans has decelerated although some banks have posted losses for the first quarter of the current financial year due to higher provisioning.

By: PTI

RBI Deputy Governor S S Mundra today said the pace of formation of new non-performing assets (NPAs) or bad loans has decelerated although some banks have posted losses for the first quarter of the current financial year due to higher provisioning.

He also said most of the banks are adequately capitalised and the government has promised additional capital if they require.

In a bid to shore up cash-strapped public sector banks, the government last month announced infusion of Rs 22,915 crore capital in 13 lenders including SBI and Indian Overseas Bank to revive loan growth that has hit a two-decade low.

As far as bad loans are concerned, he said, they are showing a mixed trend.

"When I look at individual results, there are number of banks for whom it appears that the worst is over but then there are other banks...still they are in middle of it and they would need to do some work before they get out of it," he said.

"It would be naive to believe that there won't be any NPA formation but the pace of new NPA formation has clearly decelerated, that is what the major trend is," he added.

Gross NPAs of the public sector banks had surged from 5.43 per cent (Rs 2.67 lakh crore) of advances in 2014-15 to 9.32 per cent (Rs 4.76 lakh crore) in 2015-16.

As per the latest Financial Stability Report by RBI, the Gross NPA ratio for public sector banks may go up to 10.1 per cent by March 2017 under the baseline scenario.

Many banks including Bank of India, Dena Bank, and Central Bank of India, reported losses for the quarter ended June 30, due to a sharp jump in provisions for NPAs on account of an asset quality review mandated by the RBI in December.

Talking about the recapitalisation, Mundra said the Finance Minister has indicated that if there is a need the government would be ready to provide additional capital.

"So, as far as the present situation is concerned I think most of the banks are adequately capitalised to take care of minimum regulatory requirements. We will keep a watch. As we move into the year we will see how things pan out," he said.

On controversial virtual currency bitcoin, Mundra said: "This entire area fintech as we mentioned...you should not be stifling the innovation. Be mindful and what they call as regulator sand marks means you allow some of the experiments to happen under the control conditions so that the positive or the negative fallouts can be well understood and calibrated."

Business Line

6. Uploading of KYC data with Central Registry may miss September deadline

KRAGHAVENDRA RAO
KRAMKUMAR

The government's move to mandate CERSAI (Central Registry of Securitisation Asset Reconstruction and Security Interest of India) to be the sole repository of KYC (Know Your Customer) information related to financial sector regulators is likely to overshoot its September deadline.

Those in the know say uploading of existing KYC records (those prior to July 15, 2016) would take a longer time.

A senior banker well-versed with developments on the CERSAI front, said: "Some banks are ready with their systems to upload the KYC data with CERSAI while others are not. Data structures have to be compliant with the CERSAI format and software vendors have to create interface with the banks' systems.

“The government had asked banks (public sector) to complete the uploading of KYC data of even existing account-holders by September. However, banks have conveyed to the government that this is an onerous task and can be completed only next year.”

As on March 2015, RBI data reveal there were over 172 crore accounts (deposits + credit). In addition, there are crores of insurance policies, pension accounts, demat accounts and mutual fund folios to be uploaded.

All financial sector regulators have, in separate circulars, directed the entities they oversee — banks, securities market intermediaries, insurers and the like — to upload KYC data related to new accounts in CERSAI’s format.

First step

Experts say issues related to uploading existing accounts need to be taken care of as a first step towards implementing single KYC and eventually a single demat account.

Tejesh Chitlangi, Partner IC Legal, said: “The central KYC system is the prerequisite to the long-standing need for a single demat account for all financial products. Also, from a practical perspective, it needs to be appreciated that the KYC requirements for a person opening a bank account and a person wanting to deal in securities/complex financial products may not be the same.

“Furthermore, the financial intermediaries may find it practically difficult to approach the existing set of clients to again seek their KYC as is required under various circulars, that too, in a very short span of time.

“The regulators and the financial institutions will have to be first geared up by clearing the current bottlenecks in the implementation of the central KYC system and be on the same page so that the single demat account scenario for all financial transactions may also see light of the day.”

There are concerns among KYC registration agencies (regulated by SEBI) on whether their KYC would be accepted by banks, insurers and pension funds.

“The premise of giving the mandate of common KYC registry (CKYCR) to CERSAI was that bank KYC would be treated as the primary KYC for any individual and other entities — such as fund houses, MFs, brokers, insurers and the like — would rely on that KYC.

“However, we have been asked to upload data with CERSAI. Now it is a question mark whether banks/insurers and pension funds will accept our KYC,” said a senior official of a KYC registration agency (KRA).

“The national customer identification number given by a bank to its customer will help him/her open an account with any other bank or open a demat account without having to go through the hassle of KYC documentation all over again.

“However, if the first bank gets the KYC data wrong, then it will have implications for other financial intermediaries who will use the same KYC,” a senior banker said.

7. AIBOC to join Sept 2 strike

OUR BUREAU

The All India Bank Officers' Confederation has decided to participate in the September 2 strike.

Urging members to respond positively to the confederation's strike call, AIBOC's General Secretary D Thomas Franco Rajendra Dev stressed the need to speed up and spread the struggle against the privatisation policy of the government, labour reforms and unlimited foreign direct investment in the financial, rail, defence and retail sectors.

According to Dev, AIBOC along with the United Forum of Bank Unions (UFBU) had participated in the earlier struggle, but the government has been unrelenting and continues to speed up the so-called financial sector reforms.

Officer-Director vacancies have not been filled up in as many as 17 banks. Vacancies on bank boards are also not being filled up and yet "important decisions on HR issues are being taken in the absence of our representatives on the board," he added. He further alleged the Indian Banks' Association (IBA) was dilly-dallying on superannuation issues.

8. Govt likely to ban cash deals over Rs 3 lakh: CBDT

PTI

The Government is examining SIT's recommendation of banning cash transactions of over Rs 3 lakh in a bid to clamp down on black money in the economy, CBDT Chairperson Rani Singh Nair said today.

The move follows Supreme Court-appointed Special Investigation Team (SIT) on black money recommending banning cash transactions of Rs 3 lakh and above and restricting cash holding with individuals and industry to Rs 15 lakh to curb illegal wealth in the country.

"These recommendations have come. It (banning cash transactions over Rs 3 lakh) is under examination. SIT recommendations are under consideration," she told reporters on the sidelines of an Assocham event here.

The Income Tax Department, she said, has already put a 1 per cent tax at source on cash transactions and made quoting of PAN mandatory.

"All these aspects are part of SIT recommendations to stop use of cash in the economy. Suggestion on Rs 3 lakh and above is under consideration," she said.

The SIT, headed by Justice M B Shah (retired), last month submitted its fifth report to the Supreme Court on steps needed to curb black money.

Noting that a large amount of unaccounted wealth is stored in cash, the SIT said: "Having considered the provisions which exist in this regard in various countries and also having considered various reports and observations of courts regarding cash transactions, the SIT felt that there is a need to put an upper limit to cash transactions."

It recommended a total ban on cash transactions of Rs 3 lakh and above and that "an Act be framed to declare such transactions as illegal and punishable under law".

Suggesting an upper limit of Rs 15 lakh on cash holding, SIT had stated that special permission of the Commissioner of Income Tax of the area should be taken in this regard.

9. Ujjivan goes for CRMNEXT's 'Assisted Bank-in-a-Box' solution

OUR BUREAU

Ujjivan Financial Services has become the first organisation in its category to adopt CRMNEXT's integrated 'Assisted Bank-in-a-Box Edition', a new-age digital banking solution.

Designed to empower small finance bank (SFBs) to achieve faster growth with sustained innovation, this solution eases the process of customer on-boarding, introducing new products and meeting customer demands by automating and customising processes to fit the modern-day financial requirements.

"As we get set to launch our banking operations, customer engagement and satisfaction are our top priorities. And we wanted to take-off quickly.

"We chose CRMNEXT's Assisted Bank-in-a-Box solution because of synergies in the product's offerings and our vision," Ittira Davis, COO and Head of Transition, Ujjivan Financial Services, said.

"Ujjivan will be focussing on mobility solutions and technology to reach rural customers," he added.

CRMNEXT's Assisted Bank-in-a-Box solution is designed to provide out-of-box solutions for all customer management needs, including inquiry to sales management, eKYC, biometric integration, ready adaptors for CIBIL, Aadhaar/PAN verifications, etc. Sushil Tyagi, Director, CRMNEXT, said: "We believe that SFBs need to leverage innovative technology so that they can launch rapidly and then scale up operations without compromising on customer satisfaction.

"Our Assisted Bank-in-a-Box solution will enable Ujjivan to engage from day one with their existing 2.8 million customers from more than 450 branches across India."

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**