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Dear Comrades,

24th November, 2016

News of Interest 24th Nov

QUOTE OF THE DAY

**“THE BEST AND MOST BEAUTIFUL THINGS IN THE WORLD CANNOT BE SEEN OR EVEN TOUCHED -
THEY MUST BE FELT WITH THE HEART.”**

HELEN KELLER

- 1. RS 1.20 LAKH CRORE DEPOSITED IN SBI: ARUNDHATI BHATTACHARYA**
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Business Standard

- 1. Rs 1.20 lakh crore deposited in SBI: Arundhati Bhattacharya**

The amount has been deposited during the last 15 days after demonetisation of high denomination notes

Press Trust of India

SBI Chairperson Arundhati Bhattacharya on Wednesday claimed that nearly Rs 1.20 lakh crore has been deposited during the last 15 days after demonetisation of high denomination notes.

Replying to a specific question on the impact of demonetisation on the bank's performance, Bhattacharya told reporters tonight at the city airport that about Rs 1.20 lakh crore has been deposited by the public during the 15 days.

Asked about the performance during this quarter, in view of this sudden surge of deposits, she said the performance will be better and the bank would be doing good business, since one-third of the total amount deposited after demonetisation was in SBI.

About the problem of availability of Rs 100 and Rs 500 notes, Bhattacharya said as far as Rs 100 notes were concerned, there were a lot of currencies available. However, people are not keen on spending and are bothered about exchange and depositing high value currency, she claimed.

"Yes, lack of Rs 500 notes has been an issue. However, with supply being strengthened by RBI, the problem will be solved in a few days. We are going to put the 500 notes in all our recalibrated ATMs so that the people can utilise it," she said.

Asked about reports of loan waiver to Vijay Mallya, Bhattacharya said time and again the bank has come out with clarification. Technical and physical write-off is not waiver and the bank was doubling efforts to recover all dues and not reducing the efforts. "Those who are alleging, is doing with an intention of creating mischief," she said.

2. Demonetisation: Govt bond prices zoom as banks struggle to invest surplus cash

Banks have parked Rs 4.43 lakh cr with RBI after their deposits have risen significantly after demonetisation

Anup Roy

Prices of government bonds, finite in supply, are shooting up, as banks are struggling to invest the huge amount of excess deposits coming their way.

As prices of bonds rise, their yields drop. Generally, the yields on the 10-year bond are around 50-basis point (bp) above the policy rate. But, thanks to the sharp rise in demand from banks and the prospects of steep rate cuts in the coming days by the Reserve Bank of India (RBI), yields are dropping at an unprecedented rate, falling even below the repo rate of 6.25%.

The yields on the 10-year bond fell to 6.23% in intraday trades on Wednesday, lower than the repo rate of 6.25%. The bonds closed at 6.28%, against their previous close of 6.31%. This is a very rare occasion but not uncommon, as markets position to factor in future RBI rate cuts. This time though, the movement is mostly directed by demand for the bonds, say market observers and participants.

"Banks are now flush with liquidity. Instead of parking the idle cash in the reverse repo window, banks are now taking duration risk and earning more by buying bonds. Therefore, there is a huge demand for bonds," said N S Venkatesh, executive director at Lakshmi Vilas Bank.

Thus, investors in these bonds are making a killing by selling the bonds now.

Meanwhile, rating agency Icria said on Wednesday that the treasury profits for public sector banks to surpass the budgeted capital infusion by the government.

The fall in yields is also in anticipation of a steep rate cut in the coming policy.

Already, analysts are saying that the demonetisation exercise will chip off at least 50-100 bp of India's gross domestic product. If that is the case, RBI will likely come with a huge dose of a rate cut to prompt banks to make their loans cheaper. The cheap rates will prompt companies to borrow more for their long-term projects, which will then compensate for the fall in growth rate and also revive the economy.

Venkatesh expects at least 50-bp rate cut on December 7 policy by the RBI.

"Bond investors are factoring a host of possibilities pertaining to monetary easing and improvement in demand-supply dynamics. Although possibilities of such outcomes can't be ruled out but the quantum of net actual benefits may vary depending upon various factors," said Soumyajit Niyogi, associate director at India Ratings & Research (Ind-Ra).

"For the time being, the market will continue to focus on these (domestic factors) with lesser focus on global rate markets," Niyogi said.

Globally, bond yields are rising after Donald Trump was elected the 45th US President. However, India has bucked the trend because of the demonetisation move. Even if rates harden from here, it won't be as much as a complete reversal of the gains in the past few days, said bond dealers.

Again, there is another issue that in the present scenario, reverse repo rate, and not the repo rate, has become the operative policy rate. The bond yields will follow the policy rate closely and even if the yields fall sharply below the repo rate, it won't be unusual for the bonds, said traders.

The fall in yields is also excellent news for the corporate borrowers. Not only will their borrowing rates come down on bank loans, corporate bond yields too will fall in tandem with the government bond yields.

That would mean cheaper cost of borrowing from the market for meeting working capital requirements and refinancing existing debt.

Meanwhile, banks on Tuesday parked Rs 4.43 lakh crore of their surplus cash with RBI, straining the RBI balance sheet as the central bank is running out of securities to mortgage against those deposits.

Ind-Ra said the RBI can issue short-term cash management bills (CMBs) to absorb the extra liquidity from the system. Apart from the CMBs, RBI also has other options and can issue special sterilisation bonds, increase cash reserve ratio, or even intervene in the foreign exchange market and sell dollars (thus, sucking out equivalent amount of rupee liquidity)

3. Rupee nearing its weakest level

The rupee weakened 0.5 per cent on Wednesday, falling for the eighth time in nine days

Bloomberg

The rupee's slide towards a record low, amid \$2.8 billion in outflows from Indian stocks and bonds, is prompting speculation that the central bank will step up intervention to stem losses. With a US Federal Reserve interest-rate increase next month all but a certainty for bond traders, the rupee has slumped 2.6 per cent in November, the most in 15 months. At 68.57 a dollar, the rupee is within 0.4 per cent of the unprecedented 68.84 reached in 2013.

The Reserve Bank of India (RBI) has probably sold dollars via state-run banks on at least four occasions in less than a fortnight, according to information from traders who asked not to be named.

"The RBI has been supplying dollars almost on a daily basis," said Rohan Lasrado, Mumbai-based head of foreign-exchange (forex) trading at RBL Bank. "We are seeing outflows from the equity and debt markets that are putting pressure on the rupee, along with the dollar strength. I strongly feel they will continue intervening."

The RBI has maintained it doesn't target a specific rupee level and intervenes only to curb undue volatility in the currency market. The central bank's increased presence comes as the government's clampdown on unaccounted wealth floods the nation's banking system with cash, while foreign investors withdraw money from local stocks and bonds. An e-mail sent to RBI spokeswoman Alpana Killawala didn't get a response.

Foreign holdings of the government and corporate bonds have plunged by Rs 7,720 crore (\$1.1 billion) in November, set for the biggest decline since February, National Securities Depository data compiled by Bloomberg show. Global funds have withdrawn a net \$1.7 billion from local shares this month.

The rupee's previous record low in August 2013 came after the Fed's signal to end its unprecedented bond purchases spurred an exodus from emerging markets such as India. Its slide this year has tripped fewer alarms as Asia's third-largest economy has since been overhauled, with policymakers succeeding in narrowing the current-account deficit (CAD), slowing inflation and building a war chest of forex reserves.

The rupee's 2.6 per cent decline in November compares with a 5.6 per cent loss for Malaysia's ringgit, the worst in Asia, and a 3.2 per cent drop in Indonesia's rupiah. Taiwan's dollar has fallen one per cent, the least in the region, while China's yuan has weakened 1.8 per cent. Odds for a rate increase at Fed's December meeting have reached 100 per cent, according to Bloomberg calculations based on futures.

"The RBI's efforts seem to be relatively successful given that the rupee is still the median performer in Asia," said Julian Wee, a senior market strategist at National Australia Bank, the second-best rupee forecaster in Bloomberg's latest quarterly rankings. "The RBI will probably intervene as needed to keep the rupee in line with the regional moves. We feel India's strong growth prospects, smaller fiscal and current-account deficits, and the rupee's high carry will make it a relative outperformer in Asia."

India boasts of the fastest expansion among the world's major economies. The nation's CAD was \$0.3 billion for the April-June quarter, compared with \$21.8 billion in the same period in 2013. Forex reserves surged to a record \$372 billion at the end of September. The hoard has fallen to about \$367 billion as of November 11, another sign for some investors that the central bank is supporting the rupee.

The rupee weakened 0.5 per cent on Wednesday, falling for the eighth time in nine days.

"The rupee fall is not particularly worrisome considering that this month most currencies have weakened against the US dollar," said Anders Faergemann, a London-based senior sovereign portfolio manager at PineBridge Investments, which oversees about \$83 billion. "We believe that India's underlying fundamentals remain strong and would not anticipate any significant weakening of the rupee at this juncture."

India's benchmark 10-year sovereign bond yield has tumbled 51 basis points this month, on course for the biggest drop since May 2010, as Prime Minister Narendra Modi's move to withdraw 86 per cent of currency in circulation has the public rushing to banks to exchange bills. Lenders will use that money to buy bonds, according to

UBS Asset Management and PNB Gilts, with the latter saying the move also opens room for more interest-rate cuts by curbing inflation.

Financial Express

4. Now, Demonetisation set to cost 400,000 jobs

Industry is staring at temporary job losses due to demonetisation, as production gets hit, especially in labour-intensive sectors like textiles, garments, leather and jewellery.

By: [Banikinkar Pattanayak](#)

Industry is staring at temporary job losses due to demonetisation, as production gets hit, especially in labour-intensive sectors like textiles, garments, leather and jewellery. As many as 4 lakh people, mostly daily wagers, may have either lost their jobs or shunned work temporarily due to the lack of payment so far, and the number is only going to grow if the cash crunch persists, senior industry executives said on condition of anonymity.

They, however, added that this estimate is based primarily on anecdotal evidence and that a clearer picture will emerge in the weeks to come.

Interestingly, Engineering Export Promotion Council (EEPC) vice-chairman Ravi Sehgal said even though some of the labourers have bank accounts, they are unwilling to accept direct payment through the banking channel for fears that if the amount exceeds ₹50,000 (a year), they could lose their below poverty line status and consequently be stripped of various subsidy benefits.

In a meeting with commerce and industry minister Nirmala Sitharaman on Monday, various export promotion councils warned of lower production.

The mood was sombre and some of them said many factories had cut down on production by half from the pre-demonetisation level due to the liquidity crisis, said an industry executive present in the meeting.

They sought up to a tenfold hike in the cash withdrawal limit from the current ₹50,000 a week to be able to conduct certain necessary business transactions.

Roughly a fifth of the almost 32 million people employed in the textile and garment sector who are paid wages either daily or weekly are hit. While some of them have already lost their jobs, many are apprehensive of such a fate. A majority of garment industry workers, especially in hubs like Tirupur, do not have a savings bank account there, as 70% of them are migrant workers from the north and northeastern parts of the country.

Similarly, 20-25% of the roughly 2.5 lakh workers in the leather industry have been adversely affected as they are daily wage workers. The industry has been hit particularly hard as 90% of the units are small and medium enterprises. In the jewellery sector, 15-20% of workers, who are paid daily, have been affected.

5. Jan Dhan surges Rs 15,000 cr in 10 days as money launderers by-pass demonetisation

Jan Dhan accounts, integral to the Modi government's plan for financial inclusion and direct benefit transfer, were meant to have a transformational role in the uplift of the underprivileged, but, ironically, demonetisation has made them a parking lot for black money.

By: [Prasanta Sahu](#)

Jan Dhan accounts, integral to the Modi government's plan for financial inclusion and direct benefit transfer, were meant to have a transformational role in the uplift of the underprivileged, but, ironically, demonetisation has made them a parking lot for black money. Official sources told FE that these accounts saw transactions of R19,250 crore in the 10 days to November 19; over R15,000 crore was deposited and some R4,250 crore was withdrawn. As on November 8, the day Prime Minister Narendra Modi announced that R500 and R1,000 banknotes would henceforth cease to be legal tender, Jan Dhan accounts held R45,637 crore, accumulated over two years and a month.

Deposits in these accounts, 25.5 crore at last count, rose by a third to around R61,000 crore between November 10 and 19, as people with hordes of unaccounted cash sought to convert them to legitimate wealth, according to data furnished by 27 public sector banks and 13 private banks. The account holders have either received rewards for allowing their accounts to be misused or been unaware of the third-party deposits made into their accounts.

According to a PTI report, Mamata Banerjee-ruled West Bengal leads the pack of states that has seen the highest deposits so far followed by Karnataka.

Modi launched the Pradhan Mantri Jan Dhan Yojana (PMJDY) in August 2014. As the government kept public sector banks on their toes, in just over a year, 19.72 crore accounts were opened and 16.8 crore RuPay cards were issued under the scheme, but it later turned out that a sizeable number of accounts remained zero-balance ones. Accounts with nil deposits were 77% of the total at the end of September 2014, but thanks to various government schemes and transfer of subsidies, only 24% of the accounts showed nil balance two years later.

As it became clear that Jan Dhan and other low-deposit accounts were misused by black money holders, the finance ministry last Friday warned that such attempts to convert unaccounted cash would attract "income tax and penalty".

The ministry added that persons who allow his or her accounts to be misused could be prosecuted for abetment. Revenue secretary Hasmukh Adhia had earlier said that if more than R10 lakh is deposited in an account between November 10 and December 30 without matching income declared, tax plus penalty of 200% of the tax would be levied as per Section 270 (A) of the Income Tax Act. While tax experts doubted the legal tenability of the move, Friday's release by the ministry went a step further, as it did not specify any threshold trigger. The government had earlier announced that small deposits made in the banks by artisans, workers, housewives, etc, would not be questioned, up to an exemption limit of R2.5 lakh.

Sources added that the Finance Intelligence Unit was keeping tabs on bank officials who may be involved in the misuse of the Jan Dhan accounts. Since these accounts cannot hold more than Rs.50,000 without know-your-customer compliance, the fresh deposits in them mostly tend to be slightly lower than that.

Jan Dhan accounts, along with Aadhaar seeding and mobile phones, form the Modi government's "JAM" trinity for financial inclusion. Of the 25.5 crore Jan Dhan accounts, 13.69 crore are already Aadhaar-seeded while 19.44 crore RuPay cards have been issued.

A surge in net deposits in Jan Dhan accounts was seen immediately after the scrapping of high-denomination notes but the momentum slowed gradually: Net deposits peaked at Rs.2,525 crore on November 13 but stood at R650 crore on November 19.

6. Nov 24 midnight: Your old bank notes have a 24-hour deadline

By ECONOMICTIMES.

You have just one day left to spend your old Rs 500 and Rs 1,000 currency notes at public utilities. After November 24, old notes would only be exchanged or deposited in banks till December 30 -- unless the government extends the deadline once again just before it expires.

When the government announced demonetisation on November 8, it had allowed use of old notes at petrol pumps, Mother Dairy and other government milk booths, government hospitals, railway ticketing and crematoria and burial grounds for 72 hours.

Later, the deadline was extended by another 72 hours and the list expanded to include metro rail tickets, highway toll, medicine prescribed by a doctor, LPG gas cylinders, railway catering, electricity and water bills and entry tickets of ASI monuments.

As new notes were barely trickling in and queues at banks lengthened, the government further extended the deadline on November 14 till November 24.

Since the banks are still struggling to dispense old notes and the queues haven't vanished, the government is expected to extend the deadline once again.

Till then, stick to this list for taking care of your old bank notes.

7. Delay in releasing new ₹500 notes adds to cash crunch

G NAGA SRIDHAR

Delay in bringing new ₹500 notes into circulation is aggravating cash crunch, according to bankers.

According to sources in the Reserve Bank of India (RBI) ₹500 notes have already been dispatched from the Security printing press in Madhya Pradesh to different regional offices, including the one here.

With ATM recalibration going on at a brisk pace with over 35 per cent of the 2.30 lakh ATMs being recalibrated as on today as per Government data, ₹2000 notes are now being dispensed through some ATMs in addition to exchange/withdrawal facility being provided in bank branches.

"But absence of notes of intermediate value between ₹2000 and ₹100 has been a major problem," a senior official of Andhra Bank told *Business Line*. "We have been told that ₹500 notes will be issued around November 24," he added.

Own limits

Irrespective of RBI's limits on withdrawals, banks continue to impose their own limits. At a State Bank of Hyderabad (SBH) branch in Osmania University campus, the limits are dynamic. "We can't provide cash when we don't have it. The limit is to help all of you get some money at least," explained the cashier to the agitated crowd waiting in a long queue.

Many banks have unofficially stopped replenishing ATMs to ensure inviolability of cash branches and have also been refusing to exchange old notes for non-customers.

"My request for exchange of old notes has been declined by Syndicate Bank on the grounds that I am not a customer," said M Siva Krishna, a private sector employee while waiting as the 61st person in a queue of 75 people at Andhra Bank's branch in Himayat nagar here on Wednesday.

The RBI regional office here came under public pressure with many children lining up for exchange of old notes with their Aadhar cards. The police, however, were seen forcing them out of queues.

Meanwhile, a dozen container trucks were lined up at the RBI office here for collecting old notes from currency chests while a few others were transporting new notes under heavy security.

8. In a first, Airtel launches payments bank pilot in Rajasthan; analysts call it the 'right time'

S RONENDRA SINGH

Doing the right thing at the right time and reaping the fruits, may well become a reality for Bharti Airtel – which announced the launch of the first payments bank (Airtel Payments Bank Ltd) as a pilot in Rajasthan on Wednesday.

To begin with, the pilot project will run in 10,000 Airtel retail outlets in Rajasthan where customers will be offered an interest rate of 7.25 per cent on deposits in savings account.

Airtel Payments Bank is the first one to launch the services out of the 11 companies that got licenses from the Reserve Bank last year. According to analysts, such a move can be a win-win for the company after the Centre's demonetisation move.

On asked how customers will benefit, Shashi Arora, Managing Director and Chief Executive Officer, Airtel Payments Bank, told *BusinessLine*: "We are trying to solve a problem for mass market customers who are under-banked and are looking for convenience in accessing a bank/ATM where they don't have to trudge long distances. We believe this will boost the digital payments ecosystem hugely and reduce dependence on cash."

Payments banks can accept a restricted deposit that is currently limited to ₹1 lakh per customer account, and cannot issue loans and credit cards, as per RBI. Both current account and savings accounts can be operated by such banks.

Arora said Airtel already offers services through the neighbourhood retailer who the customer is familiar with and through this launch the company was leveraging this network.

"We are also undertaking a drive to enrol over 1 lakh merchants in Rajasthan by the year-end, who will not be charged anything for accepting digital payments from Airtel Bank customers," Arora added.

According to Prashant Singhal, Global Telecommunications Leader at EY: "At this stage, anything to do with digital cash is a winner. This (Airtel launch) is also to do with un-banked people, which is fairly large in rural areas, to create bank accounts. It is great timing to launch the service."

Having said that he also mentioned that eventually, customers have to see what incremental value they are getting from this service because as per RBI guidelines, one can deposit up to only ₹1 lakh in the account.

"Payment banking will boost the move to 'Digital India' and will facilitate financial and geographical inclusion. But, cyber-security aspects need to be carefully addressed," said Hemant Joshi, Partner at Delloitte Haskins & Sells LLP.

According to Airtel, a wide network of merchants (sellers/shops) across Rajasthan will accept digital payments from Airtel Bank from day one, offering customers the convenience of cashless purchase of goods and services via their mobile phones in a quick and secure manner. Airtel Banking points will offer bank account opening services and cash deposit and withdrawal facilities, it said.

The quick process to open an account is also paperless by using Aadhaar based e-KYC (know your customer), which requires no documents at all and customer's Airtel mobile number will be his/her bank account number.

Like other banks, customers can also transfer money to any bank account in India (free money transfer from Airtel to Airtel numbers within Airtel Bank), the company said.

It also offering personal accidental insurance of ₹1 lakh with every savings account and easy deposit and withdrawal facility across a wide network of Airtel retail outlets, it said.

Anyone (non-Airtel customers also) with an Aadhaar card can open a savings account with Airtel Bank. It does not offer ATM/debit card facility, at present, so they can deposit/withdraw cash at any of the designated Airtel retail outlets, which will also function as Airtel banking points. Customers can check their account balance, access other services using Airtel Money app, USSD or IVR over their mobile phones, the company added.

9. Demonetisation: HCs will hear pleas, reiterates SC; Centre seeks unified trial on move

[Dhananjay Mahapatra](#)

The Supreme Court entertained the Centre's plea to transfer petitions against **demonetisation** in various high courts either to the SC or one of the HCs to avoid multiplicity of judicial decisions but refused to stay ongoing proceedings in various high courts.

On attorney general **Mukul Rohatgi**'s submissions, a bench of Chief Justice T S Thakur and Justices D Y Chandrachud and L N Rao issued notices to persons who have filed petitions in HCs to seek their response to the Centre's plea for transferring the cases. Rohatgi also sought to assure the court that the post-monetisation situation would normalise in the next 20 days.

Looking to stretch his luck further, Rohatgi sought a stay on proceedings before the HCs during pendency of the issue before the apex court. "It is an usual order the SC passes every time it entertains a petition seeking transfer of petitions pending in different HCs," he said.

The bench did not agree and said, "As you yourself said the petitions have raised all kinds of issues before the HCs, it will **not be proper to stay the proceedings**. People are facing different types of problems and may be the HCs can provide some urgent relief." The court posted the transfer plea for further hearing on December 2.

Moving away from transfer petition, the CJI asked the AG whether the post-demonetisation situation had improved to which Rohatgi said queues before ATMs and banks had reduced considerably.

"There is no dearth of new currency notes. The real problem is movement of these notes to every nook and corner of the country. The situation will normalise in the next 20 days," he added.

The bench asked whether post-demonetisation deposits in banks matched the government's expectation of Rs 15-16 lakh crore? The AG said, "I had said total money in circulation was to the tune of Rs 15-16 lakh crore of which Rs 4-5 lakh crore was fake currency used in north-eastern states and Jammu and Kashmir for anti-national activities. We expect a deposit of Rs 10 lakh crore."

"So if you get Rs 10 lakh crore deposited in banks by people, you will call it a success?" asked the CJI. The AG replied, "Within 10 days of the demonetisation policy coming into force, banks has received more than Rs 6 lakh crore. This shows the policy is already a success."

The AG said the Centre has already constituted a committee of experts to go around the country to collect information on post-demonetisation effects.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY