



**ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION**  
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Dear Comrades,

26<sup>th</sup> July, 2016

**News of Interest 26th July**

**QUOTE OF THE DAY**

“ACCEPT THE CHALLENGES SO THAT YOU CAN FEEL THE EXHILARATION OF VICTORY.”

GEORGE S. PATTON

1. RBI FINES BOB, HDFC BANK & PNB FOR VIOLATING KYC NORMS
2. ELIGIBILITY FOR SUUTI BANKERS EASED
3. UNDERWRITING NORMS NEED TO IMPROVE FOR CHEAP HOME LOANS
4. IDBI BANK PLANS TO RAISE RS 28,000 CRORE VIA EQUITY, DEBT
5. JUST 15 FAILED RECASTS PUSH UP BANK NPAS BY RS 9K CR
6. BANKING COMPLAINTS UP 35 PC IN AP, TELANGANA IN FY16
7. GOLD, SILVER EXTEND LOSSES ON WEAK GLOBAL CUES, MUTED DEMAND
8. RAJAN'S CONTINUANCE WOULD HAVE BENEFITED INDIA: SUBBARAO
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10. BANK UNIONS CALL FOR STRIKE ON JULY 29

Business Standard

**1.RBI fines BoB, HDFC Bank & PNB for violating KYC norms**

Earlier this year, RBI had asked all banks to conduct an internal audit of their KYC/AML mechanism to prevent such lapses

Nupur Anand

The Reserve Bank of India (RBI) has slapped a penalty on Bank of Baroda (BoB) and HDFC Bank for violating know your customer (KYC)/anti-money laundering

(AML) norms. While Bank of Baroda has been fined Rs 5 crore, HDFC Bank has been penalised Rs 2 crore.

"The RBI has imposed a penalty of Rs 20 million (Rs 2 crore) on the bank on account of pendency in receipt of bills of entry relating to advance import remittances made and lapse in adhering to KYC/AML guidelines," said HDFC Bank in a notice to the exchanges. The lender added it has also implemented a corrective action plan to strengthen the internal control mechanism to avoid such incidents in the future.

"The RBI carried out the investigation and noted the deficiencies which were reflective of weaknesses and failures in internal control mechanisms in respect of certain AML provisions such as monitoring of transactions, timely reporting to Financial Intelligence Unit, and assigning of Unique Customer Identification Code to customers," said BoB in a notice to the exchanges.

Delhi-based public sector lender Punjab National Bank also in notice to exchanges said RBI has imposed an aggregate penalty of Rs 3 crore. It has taken necessary preventive measures/ comprehensive action plan to avoid its recurrence, PNB said.

Last year, a Rs 6,000-crore foreign exchange scam was unearthed at BoB. However, later these accounts were traced to HDFC Bank where the fraud was believed to have started. As part of this scam, funds were transferred to accounts in Hong Kong for certain import transactions that were not carried out.

Earlier this year, RBI had asked all banks to conduct an internal audit of their KYC/AML mechanism to prevent such lapses. In fact, BoB had also appointed an external auditor to find out the loopholes in its system and suggest ways to plug it. Apart from the banking regulator, the case is also being investigated by the Central Bureau of Investigation and Enforcement Directorate.

## **PENALTIES TO BE PAID**

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## **2. Eligibility for Suuti bankers eased**

Government restricts conflict of interest clause to ITC, Axis Bank and L&T

### **Samie Modak**

The government on Monday diluted a critical clause in the Request for Proposal (RFP) inviting investment bankers to manage the mega share sale in companies held by Specified Undertaking of the Unit Trust of India (Suuti).

Besides, it created three buckets for companies where Suuti has stake and gave merchant bankers separate tasks related to these entities.

The Centre has decided to restrict the "conflict of interest" clause, which prevents investment banks from undertaking mandates of companies in the same line of business with those in the Suuti basket, to ITC, Larsen & Toubro (L&T) and Axis Bank.

The government has also extended the last day for submission of bids from August 1 to August 10.

The earlier RFP was worded in such a way that it restricted investment banks awarded the Suuti mandate to take up any other mandate from rival companies.

As Suuti has holdings in more than 50 companies spanning across sectors, investment banks were worried that they might not be able to work on any other mandates.

The revised RFP by the government says bankers will be evaluated on their "commitment(s), which may act either as a constraint, or as a conflicting interest, to your involvement in the proposed sale in respect of the companies included in Group A."

The government has included ITC, L&T and Axis Bank in Group A.

The bulk of Suuti holdings are in these three companies.

The initial RFP says bankers would be evaluated on their "commitment(s), which may act either as a constraint, or as a conflicting interest, to your involvement in the proposed sale in respect of the companies constituting the SUUTI Holdings."

Also, investment banks now will have to give an undertaking stating that they are "not advising or acting on behalf of or associated with any other person or entity...which is engaged in the same line of business as that of the companies included in group A..."

Earlier, the clause was applicable to the entire Suuti basket.

"Most banks wouldn't have qualified or would have liked to lock-in themselves with Suuti mandate. As the Suuti basket almost covers entire gambit of business, it would have technically barred them from taking any other mandate. The revised RFP asks bankers to not take up mandates from rival companies to ITC, L&T and Axis Bank," said a banker asking not to be named.

Axis Bank is the country's leading private sector bank, ITC operates in the consumer goods and tobacco space and L&T is an engineering and construction major.

The government is looking to appoint three investment banks who will act as "merchant bankers, advisers and selling brokers" for the Suuti disinvestment for a period of three years.

Besides group A companies, the government has created two other categories - group B companies and group C companies.

Group B companies comprise eight unlisted entities where sUUTI has shares. These are National Securities Depository Ltd, North Eastern Development Finance Corporation, NSDL e-Governance Infrastructure, Over the Counter Exchange, STCI Finance, Stock Holding Corporation, UTI-IAS and UTI Infrastructure Technology.

The merchant bankers would be required to advise on the method of sale of Suutishareholding in these companies. Once the method of transaction is approved by Suuti, the process of the transaction would be initiated separately by Suuti and the merchant bankers would not be required to carry out this transaction.

The group C companies consists of 40 companies, other than ITC, L&T and Axis Bank, listed on the stock exchanges. These companies include Aditya Birla Fashion & Retail, Aditya Birla Nuvo, Alstom T&D India, Ambuja Cements, Bharat Petroleum corporation Ltd, CEAT, Cummins India, DCM Shriram, Grasim Industries, Hindustan Unilever, ICICI Bank, Reliance Industries Ltd, TATA Motors, TATA Steel, TECH Mahindra, Titan.

The merchant bankers would provide regular equity research reports on each of these companies along with stock market outlook.

### **3. Underwriting norms need to improve for cheap home loans**

Indian Housing Finance Companies (HFCs) need to work on underwriting standards for affordable home loans to control credit risks, according to Moody's [Abhijit Lele](#)

Indian Housing Finance Companies (HFCs) need to work on underwriting standards for affordable home loans to control credit risks, according to Moody's. The observation becomes crucial, at a time when the government is pushing for an increase in home ownership among underprivileged groups.

Affordable housing loans — which are mortgages for low-income earners — are typically opted for by first-time home buyers, usually self-employed in small unregistered enterprises or working for small companies. Key credit considerations for HFCs while giving such loans include income assessments.

Some HFCs prefer to extend loans to the specific building projects of construction firms that they have pre-approved, Moody's said.

The affordable housing loan market is forecast to grow to Rs 8 lakh crore by 2022 from Rs 59,300 crore in March 2015, bolstered by government measures. Affordable housing loans accounted for 14 per cent of the total home loan books of HFCs as on 31 March 2015. "This segment presents unique credit risks for lenders, and when securitised, for residential mortgage-backed securities because of the nature of the borrowers," said Georgina Lee, assistant vice-president at Moody's.

Many borrowers do not have previous banking transaction records and, for the self-employed, they do not disclose their incomes or file tax returns.

As such, the formal documentation or records needed to verify income and the ability to service loans is absent, similar in some ways to "low-doc" mortgage loans in other jurisdictions.

Financial Express

### **4. IDBI Bank plans to raise Rs 28,000 crore via equity, debt**

Shareholders of IDBI Bank have given it nod to raise up to Rs 28,000 crore from a mix of equity and bonds.

By: [PTI](#)

Shareholders of IDBI Bank have given it nod to raise up to Rs 28,000 crore from a mix of equity and bonds. At the annual general meeting of the bank held last week they approved an enabling resolution for issue of shares aggregating up to Rs 8,000 crore inclusive of premium amount through various modes including Qualified Institutional Placement (QIP).

Besides, shareholders have also given go-ahead for mobilisation of one or more tranches of up to Rs 20,000 crore, comprising bonds by way of private placement or public issue, IDBI Bank said in a regulatory filing to the stock exchanges.

The government last December gave approval to IDBI Bank for raising Rs 3,771 crore during the year, by way of QIPs — a move which will dilute its holding by about 26 per cent in the lender. The government's holding in the bank stands at 73.98 per cent as on date.

As per the existing norms, the government equity in a public sector bank cannot go below 52 per cent to maintain the character of state-owned banks.

Finance Minister Arun Jaitley had last year indicated a change in the characteristics of IDBI Bank wherein the government would own a majority stake but, at the same time, keep the bank at arm's length.

Citing the example of Axis Bank, he had wondered if IDBI Bank could follow the same model.

The government indirectly controls 29.19 per cent in Axis Bank through the administrator of the Specified

Undertaking of the Unit Trust of India (SUUTI), the Life Insurance Corp and four other public sector general insurance companies.

IDBI Bank came into existence with Parliament passing the IDBI Repeal Act in 2003. In terms of provisions of the Act, IDBI has been functioning as a bank in addition to its earlier role of a financial institution.

The AGM, held on July 22, also gave approval for raising the authorised share capital of the bank from Rs 3,000 crore to Rs 4,500 crore.

## **5. Just 15 failed recasts push up bank NPAs by Rs 9k cr**

Non-performing assets (NPAs) for a clutch of banks have risen by about R9,000 crore in the three months to June solely on account of 15 failed recasts, reports Shayan Ghosh in Mumbai.

By: [Shayan Ghosh](#)

Non-performing assets (NPAs) for a clutch of banks have risen by about R9,000 crore in the three months to June solely on account of 15 failed recasts, reports Shayan Ghosh in Mumbai. Among the larger recasts to have failed were those of Arch Pharmalabs (R2,200 crore), ARSS Infrastructure Projects (R1,300 crore) and Surana Corporation (R1,100 crore). In 2015-16, the total value of failed restructurings was R31,557 crore, data from the corporate debt restructuring (CDR) cell show.

Adding to the pre-existing pool of bad loans, banks reported slippages from their restructured book in Q4FY16. At Punjab National Bank, R15,000 crore loans from the restructured book slipped into NPAs while at ICICI Bank these amounted to R2,700 crore. Among the main reasons debt for restructurings not working out

are the inability of promoters to infuse the requisite equity capital in the defined period and a delay in repayments post the moratorium.

The restructuring schemes also often fail because promoters are unable to sell non-core assets to mobilise resources as promised.

Mumbai-based Construction Company Arch Pharmalabs, whose debt was taken up for recast in April 2013, reported a net profit of R415 crore in FY14 on the back of R571 crore in revenues. Several lenders including United Bank of India and L&T Finance, among others, have filed winding-up petitions against the company. Viney Kumar, chairman of the CDR cell, had explained to FE that if the company's performance exceeds the projections by 25% or more, the company is identified for a successful exit but if it failed to meet the projections, it would be declared a failure.

Odisha-based construction company ARSS Infrastructure Projects reported a net profit of R5 crore in FY16 on the back of R631 crore in revenues. Lenders to the company include State Bank of India, IDBI Bank, ICICI Bank, Bank of India and Exim Bank. In September 2012, the company's debt was recast by the CDR cell.

In 2014, four other companies, with a total debt obligation of R14,000 crore that had been restructured to make it easier for them to repay their loans, failed at the CDR cell. Once the asset is out of the CDR fold, banks have the option of either writing it off or keeping it on their books as an NPA. They can also sell the loan to an asset reconstruction company as they did with Bharti Shipyard (R5,800 crore) and Hotel Leelaventure (R3,000 crore).

The Reserve Bank of India (RBI) had allowed lenders to classify restructured accounts under the restructured-standard category till March 2015. However, from April banks have been instructed to classify restructured accounts as NPAs and, given the continued financial strain across corporate India, chances are the NPA portfolios of some lenders could grow bigger.

The CDR cell, which has been inundated with requests for loan recasts in the last couple of years, did not receive any recast requests in FY16. In FY15, the cell approved 54 cases worth Rs 72,560 crore for recast. Lenders approach the CDR to provide some relief to companies under stress by means of reducing the rate of interest being paid and also offering a two-to-three-year moratorium on interest payments.

## **6. Banking complaints up 35 pc in AP, Telangana in FY16**

Complaints on banking in Telangana and Andhra Pradesh increased by 35.4 per cent to 5,910 during 2015-16, a senior government official said today.

By: PTI

Complaints on banking in Telangana and Andhra Pradesh increased by 35.4 per cent to 5,910 during 2015-16, a senior government official said today. According to Banking Ombudsman for the two states and Principal General Manager, RBI, N Krishna Mohan, the ombudsman office received 4,366 complaints during 2014-15. As per the latest data of 2015-16, 2,801 complaints were received from Andhra Pradesh while 3,109 came from Telangana. "State Bank of India continued to account for the largest share with 26.2 per cent, whereas its associate banks accounted for 9 per cent of the complaints.

SBI Cards accounted for 3.8 per cent of the total complaints received during 2015-16. Nationalised Banks (non-SBI group) as a class, accounted for 27 per cent of the complaints," he said at a press conference here.

The metropolitan centres witnessed a marginal decrease in share of total complaints, from 39 per cent during 2014-15 to 38 per cent during 2015-16. The share of complaints from urban centres increased from 32 per cent during 2014-15 to 37 per cent during 2015-16, whereas semi-urban and rural areas constituted 25 per cent of the total complaints, he said.

ATM/ debit card/ credit card complaints accounted for 25.5 per cent of the cases received during 2015-16 against 25.4 per cent during the previous year.

The ombudsman examined 6,033 complaints during 2015-16 including 123 carried forward from the previous year, of which 5,696 (94.41 per cent) were closed during the year under various provisions of the Banking Ombudsman Scheme, 2006, while 1,174 complaints were found to be non-maintainable, he added.

## **7. Gold, silver extend losses on weak global cues, muted demand**

Sentiment subdued on weak global trend, as buoyant equity markets and gains in dollar hurt demand for bullion ahead of central bank meetings in US and Japan this week

Press Trust of India

Gold fell further by Rs 70 to Rs 30,680 per ten grams at the bullion market today, tracking a weak trend overseas amid slackened demand from jewellers at domestic spot market.

Silver also slipped by Rs 245 to Rs 45,880 per kg on reduced offtake by industrial units and coin makers.

Bullion traders said sentiment remained subdued largely in tandem with a weakening global trend where gold extended fall as buoyant equity markets and gains in the dollar hurt demand ahead of central bank meetings in the US and Japan this week.

Globally, gold dropped 0.7 per cent to \$1,313.57 an ounce in Singapore.

Besides, muted demand from jewellers and retailers at domestic spot market, weighed on the prices.

In the national capital, gold of 99.9 and 99.5 per cent purity declined by Rs 70 each to Rs 30,680 and Rs 30,530 per ten grams, respectively. The precious metal had shed Rs 20 in Saturday's trade.

Sovereign followed suit and declined by Rs 100 to Rs 23,400 per piece of eight grams.

Following gold, silver ready fell by Rs 245 to Rs 45,880 per kg and weekly-based delivery dropped by Rs 415 to Rs 45,905 per kg.

Silver coins, however, held steady at Rs 73,000 for buying and Rs 74,000 for selling of 100 pieces.

## **8. Rajan's continuance would have benefited India: Subbarao**

**PTI**

Expressing surprise at RBI Governor Raghuram Rajan's decision to leave the RBI and not seek an extension, former governor D Subbarao said on Monday that Rajan's continuance would have "immensely benefited" macroeconomic management of the country.

"I think he had done a great job, and that our macroeconomic management would have benefited immensely if he had continued," Subbarao told a private TV channel.

Asked who is best placed for the post of RBI Governor, Subbarao said, "Even a person without economics background, if he has got sufficient intelligence and leadership qualities... can lead RBI. So, this belief that the Governor must be an economist, we should not carry it too far."

Citing the example of the International Monetary Fund (IMF) MD Christine Lagarde, Subbarao said Lagarde is not an economist, but is doing "a great job". "So, to believe that an IAS officer would make a better Governor or an academician would make a better Governor, I think it depends on the individual," he explained.

Rajan, who will have the shortest tenure as RBI Governor since liberalisation began in 1991, decided not to seek a second term after unbridled political attacks on him led by BJP MP Subramanian Swamy.

On the proposed new monetary policy committee (MPC) that will move interest rate setting powers from the RBI Governor to a broader panel, Subbarao felt that MPC is the way we should be going.

Subbarao added that the professional competence of the RBI is best in the world.

## **9. Digital payments will touch \$500 b in India by 2020, says report**

OUR BUREAU

If you still pay for your milk and groceries with cash, you could soon be part of a dwindling customer base.

Massive discounts, cash-back offers and vouchers by companies such as Paytm, Mobikwik and Oxigen wallet seem to be bearing fruit as digital payments are fast becoming the preferred choice of consumers.

Consider these numbers: in 2015-16, around 747 million transactions occurred through mobile wallets and prepaid cards combined. And 390 million transactions happened through mobile banking.

Digital payments, which include direct bank transfers such as RTGS and NEFT, online payments and use of mobile wallets, have grown from a mere 2 per cent in 2005 to 7 per cent in 2015 and are expected to grow 10 times in the next four

years to \$500 billion, according to a report by Google and Boston Consulting Group.

### **Rapid transformation**

"The smartphone explosion will usher in a new era in digital payments in India over the next few years that will see digital payments exceed \$500 billion by 2020 and non-cash transactions exceed cash transactions by 2023" said Alpesh Shah, Senior Partner & Managing Director, The Boston Consulting Group, India.

However, perceived complexities around digital payments and the habit of paying in cash, still act as a hurdle. Nevertheless, cash transactions in India have come down from 92 per cent of all transactions in 2005 to 78 percent now.

"Today, mobile wallets are accepted by millions of Indian users as a preferred mode of payment. Factors such as increased adoption of smartphones will contribute in driving a digital payments revolution," said M. Sinha, COO, MobiKwik.

The interest in digital payments can be seen with Google queries for digital wallets shooting up 20 times in the last one year.

"With Aadhar, we are confident that in the next five years, India will have the most advanced digital payments ecosystem," said Rajan Anandan, VP, SEA & India, Google. "Much like how India leapfrogged fixed internet to mobile internet, our belief is that we will leapfrog traditional payments."

The limited acceptability of digital payments is the biggest challenge for the growth of digital payments in India, says the report.

With over 80 broad categories of spends for average households, only 15 categories are currently served by digital payments and of these, only three have seen decent transaction volumes.

These include prepaid mobile recharges, utility bill and ecommerce payments and travel bookings. The opportunity for mobile wallet firms to expand is huge.

### **10. Bank unions call for strike on July 29**

#### **OUR BUREAU**

State Bank of Mysore (SBM) has informed the exchanges that the United Forum of Bank Unions (UFBU) has called for an all-India bank strike on July 29 (Friday). In the event of the strike taking place, normal banking operations may get affected on July 29.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)  
GENERAL SECRETARY**