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Dear Comrades,

3rd April , 2017

News of Interest 2nd APR

MOTIVATIONAL QUOTES

“IN ORDER TO CARRY A POSITIVE ACTION WE MUST DEVELOP HERE A POSITIVE VISION. “

DALAI LAMA

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Business standard

1. SBI merger good first step; scope for more consolidation: NDB's Kamath

Kamath also underlined the need for a bad bank to deal with rising NPAs

Press Trust of India

Veteran banker and New Development Bank (NDB) President K V Kamath has described the merger of SBI's associate banks with the parent a "good first step", saying there is scope for further consolidation as large banks are needed to cater to the growing economy.

Kamath also underlined the need for a bad bank to deal with rising non-performing assets (NPAs) of the banking sector with a rider that it should be created only after putting in place a proper funding mechanism.

"If you look at the size of our economy, we need a few more large banks. So clearly there is space for consolidation in the public sector and possibly in the private sector also because you need much larger banks to cater to this economy," said Kamath, the first head of the Shanghai-based multilateral lending institution NDB.

He is here in connection with the second annual meeting of the BRICS-created NDB.

Kamath said in India either banks need to grow organically to that scale or go in for consolidation process.

With the regard to merger of five associate banks — State Bank of Bikaner and Jaipur, State Bank of Mysore, State Bank of Travancore, State Bank of Patiala and State Bank of Hyderabad — with SBI, he said, "On a broad basis, consolidation had to happen, so it is a good first step".

However, he added that in the consolidation process one has to be careful that the merged entity remains healthy and is able to meet the challenges.

"It cannot be an arithmetic addition of few banks together or two banks together," he told PTI in an interview.

On the idea of bad bank, Kamath opined, "I look at it in a simple way. If a bad bank can be funded with enough capacity to take these (bad) loans off the books of the existing banks, it's a great solution.

"But first we will have to get the funding in place. Then we have to look at the timelines to get these things organised because we do not have much time".

On whether the NDB would be willing to fund a bad bank, he said, "No. Our focus is on infrastructure funding".

The idea of a bad bank was floated in the Economic Survey, which suggested creation of the 'Public Asset Rehabilitation Agency' (PARA) to help tide over the enormous problem of stressed assets, which have touched double digit.

The gross NPAs of public sector banks have risen from Rs 5.02 lakh crore at the end of March 2016 to Rs 6.06 lakh crore in December 2016.

2. NPAs biggest challenge facing economy; RBI needs to step in: Assocham

Stresses on quick resolution of stalled projects

Press Trust of India

The banking system in India is facing the challenge of bad loans and the Reserve Bank of India (RBI) should focus on resolving it for the time being, an industry body has said.

Even though interest rates are benign, credit offtake has remained at historic lows, clearly pointing out that the biggest problem the economy is facing is stressed assets, Assocham said.

The estimated bad and stressed assets are at around Rs 7 lakh crore, it said, adding that the focus of the upcoming meeting of RBI's Monetary Policy Committee next week has to be on working closely with the government and banks to resolve the mounting non-performing assets (NPAs).

"Even though it may not be politically easy to allow banks to take hair cuts along with promoters of the troubled projects, the fact of the matter is such hair cut is already

being taken by way of huge provisioning in balance sheets of the banks quarter after quarter," Assocham pointed out.

Suggesting different solutions for different cases, the industry body said "there is no point to be in denial mode".

"There would be cases where part of debt would have to be converted into equity; there could be cases where ownership, if necessary, of the projects could be changed," it said.

"Irrespective of ownership, assets which are losing value in stalled projects, leveraged projects and non-functional firms belong to the nation. By delaying resolution of the problem, we should not allow this asset to further lose value," Assocham Secretary General D S Rawat said.

3. RBI Governor Urjit Patel's basic pay jumps to Rs 2.5 lakh from Rs 90,000

Still, their salaries are much lower than the top executives of various banks regulated by the RBI

Press Trust of India

Reserve Bank of India (RBI) Governor Urjit Patel and his deputies have got a big pay hike with the government more than doubling their basic salary to Rs 2.5 lakh and Rs 2.25 lakh per month, respectively.

The "basic pay of the Governor and Deputy Governors" has been revised retrospectively with effect from January 1, 2016, and marks a huge jump from Rs 90,000 basic pay so far drawn by the Governor and Rs 80,000 for his deputies.

Still, their salaries are much lower than the top executives of various banks regulated by the RBI.

The monthly emoluments of these top RBI officials include 'basic pay', dearness allowance and 'other payments', which totalled Rs 2,09,500 in case of Patel as on November 30, 2016, as per the latest information disclosed on the RBI website.

In response to a query by PTI under the Right to Information (RTI) Act, the central bank has now disclosed that as per a Finance Ministry communication, dated February 21, the basic pay of the Governor and Deputy Governors has been revised.

Following the revision, the basic pay of the Governor stands increased to Rs 2,50,000 per month while the same for a Deputy Governor would be Rs 2,25,000, RBI said.

The pay hike is "with effect from January 1, 2016".

Dearness Allowance would be notified by the central government from time to time while "all other allowances (are) to be paid at existing rates as if the pay has not been received with effect from January 1, 2016," the RTI reply said.

The RBI, however, did not disclose the new gross pay for Patel and his deputies following the revision in basic pay.

With the earlier basic pay of Rs 90,000, Patel got a DA of Rs 1,12,500 and 'other payments' of Rs 7,000 — totalling to a gross pay of Rs 2,09,500. The increase in the basic itself would take his gross pay to nearly Rs 3.70 lakh.

Patel, who took over the reins of the central bank in September 2016, had received a salary of Rs 2.09 lakh in October — the first full month in office. This amount was same as drawn by his predecessor Raghuram Rajan in August that year.

Rajan assumed RBI governorship from September 5, 2013, at a monthly salary of Rs 1.69 lakh. His salary was revised to Rs 1.78 lakh and Rs 1.87 lakh respectively during 2014 and March 2015. His salary was raised to Rs 2.09 lakh from Rs 2.04 lakh in January 2016.

It was not clear whether Rajan, who left the RBI on September 4, 2016, would be eligible for arrears as the basic pay for Governor has been revised retrospectively while covering little more than nine months of his tenure.

Currently, RBI has four deputy governors — R Gandhi, S S Mundra, N S Vishwanathan and Viral V Acharya.

At the end of November last year, Gandhi, Mundra and Vishwanathan were taking home a basic pay of Rs 80,000 per month. Acharya took charge in January this year.

Financial Express

4. RBI set to crack down on violators; will open 'separate' enforcement department on Monday

With an aim to check possible breaches of rules, the Reserve Bank of India on Monday will open a separate enforcement department

By: [FE Online](#)

With an aim to check possible breaches of rules, the Reserve Bank of India on Monday will open a separate enforcement department. The department will also take punitive actions against those who violate norms of the central banking institution of the country. The department will serve as a centralised wing to deal with banks only for enforcement action. "The Enforcement Department shall, inter alia, develop a broad policy for enforcement and initiate enforcement action against the regulated entities for violation consistent with such policy," Minister of State for Finance Santosh Kumar Gangwar had said in a written reply to the Lok Sabha.

Gangwar said, RBI has informed that as part of the package of measures announced on August 25, 2016 for development of fixed income and currency markets, in connection with developing the market for rupee denominated bonds overseas, it has been decided to permit banks to issue Perpetual Debt Instruments (PDI) qualifying for inclusion as Additional Tier 1 capital and debt capital instruments. It was also decided to allow banks to issue rupee denominated bonds overseas under the extant framework of incentivising issuance of long term bonds by banks for financing infrastructure and affordable housing, he said. The RBI has taken various measures to deepen the corporate bond market, he had added.

Meanwhile, an industry body has opined that the banking system in India is facing the challenge of bad loans and the RBI should focus on resolving it for the time being. Even though interest rates are benign, credit offtake has remained at historic lows, clearly pointing out that the biggest problem the economy is facing is stressed assets, Assocham said. The estimated bad and stressed assets are at around Rs 7 lakh crore, it said adding that the focus of the upcoming meeting of RBI's Monetary Policy Committee (MPC) next week has to be on working closely with the government and banks to resolve the mounting non-performing assets (NPAs).

"Even though, it may not be politically easy to allow banks to take hair cuts along with promoters of the troubled projects, the fact of the matter is such hair cut is already being taken by way of huge provisioning in balance sheets of the banks quarter after quarter," Assocham pointed out. Suggesting different solutions for different cases, the industry body said "there is no point to be in denial mode".

"There would be cases where part of debt would have to be converted into equity, there could somewhere where ownership, if necessary, of the projects could be changed," it said. "Irrespective of ownership, assets which are losing value in stalled projects, leveraged projects and non-functional firms belong to the nation. By delaying resolution of the problem, we should not allow this asset to further lose value," Assocham Secretary General D S Rawat said.

Economic Times

5. Karnataka Bank targets Rs 1,10,000 crore turnover for 2017-18

By PTI

The city-based Karnataka Bank, a premier private sector bank in the country, is targeting a business turnover of Rs 1,10,000 crore in 2017-18 fiscal.

It was eyeing deposits of Rs 64,500 crore and advances of Rs 45,500 crore, a top bank official said here yesterday.

Managing Director and Chief Executive Officer of the bank P Jayarama Bhat highlighted its performance during the financial year 2016-17 and rolled out the business agenda for the new fiscal.

As on March 31, 2017, the bank has 2,145 service outlets comprising of 765 branches and 1,380 ATMs across the country.

The bank also has 110 e-lobbies and mini e-lobbies.

He said 2016-17 was a year of 'satisfactory' growth considering the prevailing economic conditions in the global and domestic economies and the impact of demonetisation on the banking industry in the country.

The growth outlook for 2017-18 was positive and the bank should be able to utilise all its growth opportunities, Bhat said.

He said the bank would open 35 new branches including nine financial inclusion branches to take its tally to 800 branches by March 2018.

The number of ATMs would be increased from the present level of 1,380 to 1,450.

During last year, the bank had rolled out several innovative technology-based products like co-branded credit cards in collaboration with SBI Card and RuPay International Debit card.

The bank had also introduced National Pension Scheme besides tying up with Bajaj Allianz for distribution of General Insurance products, a bank press release here said.

6. Only five large banks can survive in the long-term: Uday Kotak

By PTI

Banker Uday Kotak feels there will be strong consolidation in the financial services sector and eventually only five players will dominate the space just like in the global space.

"Globally, in most countries, there are only three to five large banks which dominate. This is how the future will be in our country as well," Kotak, vice-chairman of Kotak Mahindra Bank, told PTI in an interview over the weekend here.

India will be no exception to this global trend of having a few dominating players, he added.

When asked about the names of banks which will dominate the domestic banking space, Kotak declined to specify the names but said State Bank of India will be one among them.

"The rest who knows? Can't say anything about ourselves but each of us will have to do our bit to get ourselves onto the high table. You just can't take it for granted," he said.

Kotak, whose bank is widely speculated to be interested in buyouts, acknowledged that consolidation is something his bank is interested in.

"We are open to change that is bold and that can be game-changing in the financial services industry," he said, but quickly added that there is nothing to announce now.

The board of the bank last week decided to raise over Rs 5,300 crore by diluting 3.3 per cent of the promoters holding, for pursuing a host of opportunities, including consolidation.

When asked if his bank which completed an integration with ING Vysya Bank, is ready for another such exercise, Kotak replied in the positive.

"Do you think we are fatigued? We are alive and kicking, and have learnt a lot from the merger. That does not mean we are rushing into a merger but we are always open and keep our eyes and ears open for consolidation," he said.

He said the share of private sector lenders should eventually grow beyond the present 25 per cent or thereabout.

"Competition may be from government banks, new players. You have to be alert, agile and paranoid," he said.

Kotak also made a strong pitch for having norms on "bank mortality", underlining that not all the players who enter due to liberal rules can't make it commercially, and should thus be given exit options.

"That is a big issue. Who is thinking about mortality in banking? We have to see in the long-term how it happens. As you make entry easier, mortality always have to be thought about," Kotak said.

When asked about if e-wallets will succeed, Kotak said, "to some of those models, you need to ask the question- how will you get stickiness and ultimately monetise?"

Advocating a faster push on growth, Kotak said he is getting the vibes of an uptick in growth.

"Macroeconomic stability, now combined with political stability, is a very big plus for the country to embark faster on the growth side. This is our opportunity," he said.

When pointed to the continuing reluctance of private sector to invest since the past three years now, Kotak said, "We need to be bold and get the animal spirits back. We will get it back, people should feel excited to invest."

He said a newer breed of entrepreneurs will emerge and the "historical Lalas" will change.

On whether government can meet divestment targets and if the markets will continue to rally, he said the present bullishness in the capital markets will help government achieve the aggressive divestment plans in fiscal 2018.

On his expectations from the forthcoming monetary policy review, Kotak said he expects the apex bank to go in for a status quo at the next week's review.

7. RBI must focus on NPA resolution for now: Assocham

PRESS TRUST OF INDIA

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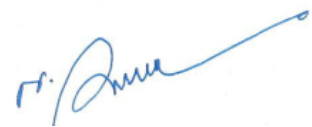
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With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**