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Dear Comrades,

25th April , 2017

News of Interest 25th APR

MOTIVATIONAL QUOTES

"FOR EVERY COMPLEX PROBLEM THERE IS AN ANSWER THAT IS CLEAR,
SIMPLE, AND WRONG. "

H. L. MENCKEN

HIGHLIGHTS

1. YOU CAN NOW WITHDRAW 90% EPF TO BUY HOME, PAY EMI FROM ACCOUNT
2. NURTURE MORE SPECIALISTS: RBI TELLS PSBS
3. FINMIN IN TALKS WITH PSBS TO ASSESS NEXT 3-YEAR GROWTH, FUNDING PLANS
4. BANKS MAY HAVE TO SWALLOW LOSSES TO RESOLVE NPA ISSUE: ARUN JAITLEY
5. INDIA POST PAYMENT BANK TO OPEN 650 BRANCHES THIS YEAR
6. KARNATAKA BANK HOPES TO DOUBLE BIZ IN 3 YEARS
7. UNIONS FEAR TAKEOVER OF 4 PRIVATE BANKS IN KERALA

Business Standard

1. You can now withdraw 90% EPF to buy home, pay EMI from account

To be eligible for withdrawal, the member should have contributed to the fund for at least 3 years

Press Trust of India

Over four crore subscribers of the retirement fund body EPFO can now make down payment and pay EMIs from their EPF accounts to buy homes.

The subscribers of the Employees Provident Fund Organisation (EPFO) will be able to withdraw up to 90 per cent of their accumulations in their PF account for purchase of homes.

The EPFO has amended the scheme by inserting a new paragraph -- 68 BD -- to the Employees' Provident Funds (EPF) Scheme, 1952, to enable a subscriber to make down payment to buy homes and pay EMIs through the EPF account, a senior official said.

The official said, "Since the labour ministry has issued a notification for the purpose, the scheme stands amended."

Under the new provision, an EPF subscriber being a member of a co-operative or housing society with at least 10 members can withdraw up to 90 per cent from the fund for purchase of a dwelling house or flat or construction of a dwelling house and acquisition of site.

It also provides that monthly instalments for repayments of any outstanding payment or interest may also be paid from the amount to the government, housing agency, primary lending agency and banks concerned.

However, the withdrawal facility from the PF account will be available to only those PF members who fulfil the conditions prescribed. One, the member applying under this window should have contributed to the fund for at least three years.

The facility will be available only once to every member during his or her lifetime.

The rule applies to all those who together with their subscriber spouse have at least Rs 20,000 in their accounts.

2. Nurture more specialists: RBI tells PSBs

In wake of recent bond market squeeze, RBI emphasises on importance of expertise in such areas

Anup Roy

The Reserve Bank of India (RBI) wants public sector banks to create long-term career plans for people in specialised positions.

A currency or bond dealer should remain in the treasury department and progress through that particular vertical, instead of getting transferred across departments, is what a section of senior RBI officials have informally told PSBs, say sources.

Following the 'short squeeze' in the bond market, the central bank had sent advisories to all banks. It said the lenders, which control 70 per cent of the market between themselves, should not collude to create difficulties for other market participants. A few large PSBs had combined and refused to sell bonds in the overnight market in the first week of March.

This triggered panic, as foreign and private banks had created a huge short position after the central bank kept its policy rates unchanged in February. Bond yields had moved up from 6.4 per cent to 6.95 per cent in one month and PSBs feared loss on their bond portfolio ahead of the financial year's closing.

Angry, they refused to sell bonds to the short-sellers to cover their positions. The short-sellers had to do so by buying bonds at steep rates. Bonds rallied but the situation continued for two days. At which point, RBI started intervening through calls to the treasury rooms of various banks, to release bonds in the market.

The situation normalised soon after. And, all banks got an 'advisory' from the central bank. Subsequently, senior RBI officials overseeing bond and currency operations met treasury heads of banks. And, impressed upon the need for creating specialist positions where employees could work for at least seven-eight years and grow in the division till the rank of general manager. There was no formal communication in this regard.

The Reserve Bank had very recently, in late 2015, widened the short-selling space. Naked short-selling is still not allowed but banks can short their positions, after overcoming several restrictions. For example, they must have a subsidiary general ledger with RBI for traded securities. But, so far, there was no incidence of short-sellers moving the market. This time, it did. And, the market got divided between PSBs which went long and foreign banks that shorted.

According to bankers, RBI is a bit concerned about short-selling but that doesn't mean it would allow banks to 'gang up'. Besides, there is a limit as to how much a bank can short, and as long as the short-selling is within that limit, there is nothing wrong.

"In the meeting, RBI officials wanted to impress that using all types of legally allowed instruments is perfectly permissible. RBI also felt it is the lack of experience of some public sector treasury heads about things related to markets that led to the collusion. Hence, RBI suggested creating of people dedicated in these disciplines, so that they get well familiarized with the game," said a senior banker who was present.

According to another banker, RBI has for long been telling banks to create specialist positions and nurture these. However, PSBs have some compulsions. There is first the relatively low pay. Any experienced dealer can easily get lured away by private and foreign banks, offering a higher package. Hence, retaining of specialists is a major challenge. Second, a posting in the treasury department is seen as part of an all-round training process. In a PSB set-up, if a person doesn't have knowledge in all aspects of banking, especially core areas (and treasury isn't necessarily considered one), getting a promotion to higher management position is difficult. There are few instances of treasurers getting the top post of a bank.

However, PSBs say, they are creating specialist positions and willing to give them market-related compensation. For example, State Bank of India (SBI) recruits specialists for certain roles on a contractual basis; it pays them on a cost-to company basis, not through the traditional payroll structure of the bank. Recently, when SBI offered voluntary retirement schemes to the employees of associate banks, it barred specialists, bond and currency dealers from availing of it.

3. FinMin in talks with PSBs to assess next 3-year growth, funding plans

In the second tranche of capital infusion, government infused Rs 8,586 crore in 10 banks in March

[Press Trust of India](#)

The finance ministry has initiated detailed discussions with select public banks to assess their growth blueprint over the next three years and seek turnaround plans to check if they need more growth capital.

The Department of Financial Services will be meeting representatives of 10 state-owned banks that received funds in March this year.

"The ministry officials have sought business plans for the next three years and also wanted detailed turnaround plans. Banks will also have to submit stressed asset resolution plans," a senior public sector banker told *PTI*.

The officials will also be assessing capital needs of each bank for the next three years, a source added.

In the second tranche of capital infusion, the government had infused Rs 8,586 crore in 10 banks in March. For the full 2016-17, it had pumped in Rs 25,000 crore.

The recipients last fiscal were Bank of India (Rs 1,500 crore), Bank of Maharashtra (Rs 300 crore), IDBI Bank (Rs 1,900 crore), Indian Overseas Bank (Rs 1,100 crore), Central Bank of India (Rs 100 crore), Dena Bank (Rs 600 crore), UCO Bank (Rs 1,150 crore), Andhra Bank (Rs 1,100 crore), United Bank of India (Rs 418 crore) and Allahabad Bank (Rs 418 crore).

Talks are part of the Indradhanush plan which involved banks submitting detailed growth plans and indicating how they are going to deploy the funds to get additional money.

Some banks have already got calls from the ministry for the meeting and the bankers will be meeting individually.

The government funding is linked to strict parameters. The first tranche of capital infusion for fiscal 2017 was announced in July 2016.

As per the roadmap announced in August 2015, the government will infuse Rs 70,000 crore into the banks over four years while they will have to raise an additional Rs 1.1 trillion from the markets to meet their capital requirements, in line with global risk norms Basel-III.

Public sector banks are to get Rs 25,000 crore in each fiscal of 2016 and 2017 and Rs 10,000 crore each in fiscal 2018 and 2019. The Budget has allocated Rs 10,000 crore in the current financial year.

Financial Express

4. Banks may have to swallow losses to resolve NPA issue: Arun Jaitley

Banks may have to take "haircuts" - swallow losses - as one of the measures to resolve the sector's problem of non-performing assets (NPA) and this is a top priority for the government, Indian Finance Minister Arun Jaitley said here Monday.

By: IANS

Banks may have to take "haircuts" - swallow losses - as one of the measures to resolve the sector's problem of non-performing assets (NPA) and this is a top priority for the government, Indian Finance Minister Arun Jaitley said here Monday. Speaking at the Council for Foreign Relations, Jaitley said that after having successfully implemented measures for growth, NPAs in the banking sector was "one big challenge" that was adversely impacting investments in India. "This is a hurdle which we are now required to jump." To resolve the problem, he said "some precipitative action may be taken and this may involve some haircuts by the banks, which could be (on the basis of) bonafide commercial consideration". There were several measures in the pipeline to resolve the NPA problem, he said.

"Essentially, it would mean that the defaulting companies will have to find partners, they will have to go for change of management, they will have to get investors," he said. Overall, he said the issue was confined to 20 to 30 big accounts and "it is not a problem spread over hundreds or thousands of accounts" and given the size of the Indian economy, it is possible to deal with the NPAs. Jaitley blamed the anti-corruption law from the pre-liberalisation era of the 1980s as one of the factors that hindered a resolution of the NPA problem.

"One of the fundamental flaws in the law has been that erroneous decision-making, which may be taking haircuts to settle gets identified as corruption," he said. And this has made the banking bureaucracy defensive in tackling the NPA. He said that a parliamentary committee has approved changes to the law so that bureaucrats "can make decisions on commercial considerations than be constrained as to future consequences of the action itself." He said he hoped Parliament would take up the reforms in the next session.

Business Line

5. India Post Payment Bank to open 650 branches this year

G. NAGA SRIDHAR

India Post Payment Bank (IPPB) is planning mega expansion to open 650 branches this year.

The first two branches of IPPB have been opened in January 2017 in Ranchi and Raipur.

"We intend to open at least one branch per district across the country. Each branch will be networked with about 1200 to 1500 post offices in a district," B V Sudhakar, Secretary, Department of Posts, Government of India told newsmen at a press conference here on Monday.

When asked whether such a ramp was possible in a short span of time, the official said: "Technology will allow us to do so."

There are 978 standalone ATMs for the Department now. The payment bank is also expected to install more ATMs with tie-ups with other banks. "By December 2017, we will integrate core system software including core banking, postal operations and savings bank which will also help us," he added.

The focus of the payment bank will be on door-step banking, a survey conducted by the department showed "huge" potential for door-step banking.

It will primarily focus on three products of financial inclusion, direct benefit transfer and door step banking.

The department will also be recruiting 55,000 Gramin Dak Savekas in rural areas out of which the process for filling up of 14,406 vacancies has already commenced.

SPEED POST

The department is also ramping up its focus on speed post as a premium product for revenue generation. "Speed post facility will be made available in all branch post offices across the country by end of April," Sudhakar said.

The revenue from speed post services had gone up from Rs 1605 crore during 2015-16 to Rs 1740 crore in 2016-17.

PASSPORT

Post office passport Seva Kendras will also be opened in all 811 head post offices across the country in country by March 2018. As of now, the service is available in 42 post offices across India.

The issue of passports in post offices have commenced in January 2017. So far 31,500 passports have been issued.

“Apart from convenience to people, issue of passports could bring us (projected) revenue of Rs 750 crore,” Sudhakar said.

REVENUE

India Post is also expecting to bridge the gap between revenue and expenditure in next two years with a slew of initiatives being taken. For year 2015-16, it reported a revenue of Rs 13,000 crore and an expenditure of Rs 19,000 crore.

6. Karnataka Bank hopes to double biz in 3 years

OUR BUREAU

Karnataka Bank is targeting another ₹90,000 crore of business in the next three years, according to Mahabaleshwara MS, Managing Director and CEO of the bank.

Addressing the regional heads of the bank at a review conference here on Monday, he said that the bank is all poised to increase its turnover to ₹1.8 lakh crore in the next three years from the present ₹94,000 crore.

New customers

The bank will acquire at least 50 lakh new customers in the next three years.

With this, the bank is targeting to take the total base of its customers to 1.3 crore from the present 80 lakh.

Referring to the demonetisation move of the government and the digital revolution taking place in the country, he said the stage is all set to make every Indian banking-literate.

“Banking is into an exciting phase, and Karnataka Bank is in an advantageous position on account of its customer-centric approach and user-friendly and secured e-banking products,” he said.

7. Unions fear takeover of 4 private banks in Kerala

V. SAJEEV KUMAR

Bank labour unions have expressed concern over the possibility of a move to take over four old-generation private banks in Kerala.

Bank Employees Federation of India (BEFI) said that “any such attempt would have far-reaching consequences.”

Established in the first half of the 20th century, Dhanlaxmi Bank, South Indian Bank, Catholic Syrian Bank and Federal Bank have played a vital role in the society, especially in extending initiatives such as mass banking and imparting financial literacy for the well-being of the rural folk.

BEFI said that certain large corporate banks are eyeing these banks, which is evident from the accumulation of shares in bulk. Alleging that a major part of the shares now being purchased are by NRI investors whose interest is only in trading profits, T Narendran, president, BEFI-Kerala, said this assumes greater significance in the context of the merger of associate banks with State Bank of India. He said there are hardly any legal bottlenecks in the country for merger of banks in the existing framework. Besides, the Centre's decision to increase NRI participation in private banks to 74 per cent has made things easy, he added.

BEFI also alleged that the Centre is going ahead with its plan to merge the remaining 22 public sector to create six large banks. He said BEFI has chalked out a strong action plan against, among others, the closing down of branches and outsourcing work to third parties.

With kind regards,

Yours Comradely,

A handwritten signature in blue ink, appearing to read 'N. Govindrajulu', with a long, sweeping flourish extending to the right.

(N. GOVINDRAJULU)
GENERAL SECRETARY