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Dear Comrades,

6th December , 2017

News of Interest 6th DEC

MOTIVATIONAL QUOTES

“MOST GOOD RELATIONSHIPS ARE BUILT ON MUTUAL TRUST AND RESPECT. “
MONA SUTPHEN

HIGHLIGHTS

1. MONETARY POLICY MEET: RBI EXPECTED TO MAINTAIN STATUS QUO TODAY
2. GOVT SIMPLIFIES EXPORT PROCEDURES
3. AS BITCOIN RALLIES TO NEW HIGHS AND INVESTOR INTEREST REVIVES, RBI WARNS OF MAJOR RISKS
4. 'DELINQUENCIES IN CV LOANS, HOMELOANS TO STAY STABLE IN 2018'
5. EMPOWER RBI TO PUBLISH LIST OF DEFAULTERS WHO OWE MORE THAN RS 1 CR: AIBEA

Business Standard

1. Monetary policy meet: RBI expected to maintain status quo today

While the policy stance would likely remain at 'neutral', many economists say it could be the end of rates easing cycle

Business Standard

There is a consensus in the market that the six-member monetary policy committee won't change the policy repo rate in their two-day meet that concludes on Wednesday.

Not only rising inflation, but hardening bond yields, and tightening liquidity also reduce the scope for the central bank to go lenient on rates for now. As

such, the policy repo rate is expected to stay at 6 per cent, said a 10-member BS poll of economists and bond dealers.

While the policy stance would likely remain at 'neutral', many economists say it could be the end of rates easing cycle.

The Reserve Bank of India (RBI) possibly cannot lower its rates at a time when global central banks are tightening their monetary stance. The interest rate spread has to be maintained for foreign investors to put their money in Indian stocks and bonds.

The central argument against the rate cut continues to be rising inflation. The retail inflation in October was at 3.58 per cent, and according to many economists polled, the reading could be around 4.5 per cent for the rest of this financial year. While Moody's did upgrade India, other rating agencies are yet to change their stance and therefore the RBI would unlikely consider the better rating by one agency to justify a rate cut, economists said.

2. Govt simplifies export procedures

National trade facilitation panel will be set up that will cover simplification of procedures, infra, and risk-based assessment

Ishan Kumar Bakshi

In the mid-term review of the foreign trade policy, the government has unveiled several initiatives to improve the ease of doing business

The government has introduced a new scheme that allows duty-free import of inputs for exports production after a self-declaration, as against the earlier exercise of getting ratification from the norms committee first. This scheme, which will initially be available to authorised economic operators, will help reduce the turnaround time in sectors such as pharmaceuticals, chemicals, textiles, and engineering.

"The trust-based self-ratification scheme to procure raw materials duty free with a self-declaration, as against getting the same ratified with the norms committee for inputs to be used in the manufacture of export products, is certainly going to scale up the capacity to cater to the global demand," said Aditya Singhanian, deputy general manager, GST, Taxman.

"This is a strategic step, which will significantly reduce the time taken in getting the clearances from the norms committee for duty-free procurement. With this step, the exporters can self-certify the requirement of duty-free inputs and take authorisation from the DGFT (Directorate General of Foreign Trade)," Singhanian said.

The government has made the import of second-hand goods for the purpose of repair/re-furbishing/re-engineering free, which it says would facilitate employment generation. To improve the ease of trading, the mid-term policy has envisaged the creation of professional teams to handhold, assist, and support exporters with their problems, accessing export markets, and meeting regulatory requirements. It has also called for reducing the dwell time at inland container depots, ports, and airports through coordination among the customs and infrastructure ministries.

A national trade facilitation committee will be set up which would cover issues such as simplification of procedures, infrastructure, and risk-based assessment. The round-the-clock customs clearance facility has been extended to 19 seaports and 17 air cargo complexes. Separately, the CBEC

has done away with routine printouts of documents such as GAR 7 forms/TR6 challan, shipping bills, etc.

The review calls for the creation of a new logistics division, which will facilitate the integrated development of the logistics sector by suggesting changes in the policy, identification of bottlenecks, and improvement in existing procedures.

Further, it states that procedures for applying for IEC are being simplified, while procedures for the export obligation period extension have been simplified as has the procedure for the installation of machinery under the EPCG scheme.

Export-oriented units (EOU), and electronic hardware and software technology parks (EHTP, STP) have been allowed to import from bonded warehouses in domestic tariff areas (DTA) without payment of customs duty and integrated tax and GST compensation cess, while inter-unit transfer from one EOU/EHTP/STP to another has been allowed after the payment of duties and taxes.

Financial Express

3. As Bitcoin rallies to new highs and investor interest revives, RBI warns of major risks

Even as Bitcoin touches new highs fuelling investor interest, the Reserve Bank today warned the public of the risks of virtual currencies (VCs). Citing its earlier warnings on the subject, the central bank said, "in the wake of significant spurt in the valuation Offerings (ICOs), RBI reiterates the concerns"

By: [FE Online](#)

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Offerings (ICOs), RBI reiterates the concerns". It can be noted that the price of a single Bit coin, which is not regulated by any monetary authority, had skyrocketed to up to USD 11,000 last week in a rally which puzzled watchers. "There is no underlying or backing of any asset for VCs. As such, their value seems to be a matter of speculation. Huge volatility in the value of VCs has been noticed in the recent past. Thus, the users are exposed to potential losses on account of such volatility in value," the central bank had said in a December 24, 2013 note.

Bit coins or other VCs do not yet have a wide acceptance as tender for settling trade transactions. They are 'minted' using algorithms which are based on block chain technologies, according to experts. Those backing the instrument say no one has been able to crack the code which mints the 'currency' and stress the fact that such instruments are the future of finance in an inter-connected world. The Reserve Bank has been repeatedly saying since late 2013 that they possess "potential financial, operational, legal, customer protection and security related risks".

The apex bank had said that it was studying the sector but emphatically clarified that it is uncomfortable with "non-[fiat](#)" crypto currencies. "As regards non-fiat crypto currencies, I think we are not comfortable," its

executive director Sudarshan Sen said an industry summit in September this year. "The creation, trading or usage of VCs including Bit coins, as a medium for registration or authorisation is stated to have been obtained by the entities concerned for carrying on such activities," it had said in its first comments in September 2013.

Such currencies, stored in electronic wallets, are prone to losses arising out of hacking, loss of password, compromise of access credentials, malware attack, it had said. The RBI had also said that the exchange platforms on which the Bit coins are traded are set up in various jurisdictions whose legal status is also unclear. In September this year, media reports had said the finance ministry is mulling over launching a crypto currency called "Lakshmi" and has set up a committee for the same.

4. 'Delinquencies in CV loans, home loans to stay stable in 2018'

PTI

The delinquency rate in commercial vehicle loans and home loans are likely to remain stable in 2018 aided by healthy economic growth, says a report.

The country's auto asset-backed securities (ABS) backed by commercial vehicle loans issued in 2018 will have positive credit characteristics that, along with healthy economic growth, will support the performance of these deals," Moody's said in a report today.

"We expect delinquency rates for commercial vehicle loans backing outstanding auto ABS will remain stable at around 5.4 per cent for loans on new vehicles and 6.8 per cent for loans on used vehicles in 2018, supported by healthy economic growth," the agency's vice president analyst Dipanshu Rustagi, said in the report.

Auto ABS backed by commercial vehicle loans account for around 45 per cent of the total volume of outstanding ABS in the country, and the agency expects such deals will continue to account for a significant proportion of issuance in 2018.

In the residential mortgage-backed securities (RMBS) sector, it expects delinquencies to remain around low levels of one per cent in 2018, with stable interest rates and home prices supporting performance.

The majority of mortgage borrowers in the country are salaried employees with steady earnings and mainly use these loans to buy properties for self-occupation, which signifies that such borrowers have a good credit profile, it said.

The report, however, said delinquency rates in ABS deals backed by loans against property (LAP) to SMEs will increase in 2018 because of the tougher operating environment for SMEs.

"The introduction of a GST in July this year and the government's demonetisation policy have placed stress on the SME sector," Rustagi said.

He, however, said the credit quality of new Indian ABS backed by LAP to SMEs will benefit from more stringent underwriting standards applied by lenders over the past year.

The more stringent underwriting standards for LAP reflect a more cautious approach by lenders in view of rising delinquencies and the subdued operating environment for SMEs, the agency said.

Business Line

5. Empower RBI to publish list of defaulters who owe more than Rs 1 cr: AIBEA

VINSON KURIAN

The All India Bank Employees' Association (AIBEA) has demanded that the Centre empower the Reserve Bank of India to publish the list of defaulters who owe the banks in excess of Rs. 1 crore.

This is among the demands listed in the Budget wishlist to be submitted by the association, which claims to represent the interests of a million bank employees working in public sector banks, private banks, foreign banks, regional rural banks and cooperative banks.

PUBLISH DEFAULTERS' LIST

A defaulters' list should be published every six months with updates. Wilful defaulters should be prohibited from contesting elections - local, legislative or Parliament. Those holding high office should be asked to relinquish their positions.

Fast-track courts should be vested with more powers to recover bad loans and stringent laws enacted to ensure more recovery. Asset reconstruction companies should be closed down; instead, focus should be on recoveries.

Banks should be advised to institute a separate vertical headed by a General Manager for recovery of 'prudentially written off/technically written off' accounts, C.H. Venkatachalam, General Secretary, AIBEA, said.

The association has further demanded that details of such recovery should be placed before the boards of the banks and submitted to the Ministry of Finance on a quarterly basis.

ENSURING ACCOUNTABILITY

Laws should be amended to confiscate the assets of directors in case of default by a company, the AIBEA demanded.

Managing Directors & CEOs/ Managing Directors/ Executive Directors of public sector banks should be made accountable and responsible in respect of sanction of credit that ultimately gets categorised as distressed assets/quick mortality cases.

Periodical reviews should be initiated to identify persons whose debts/ loans have been written off with interest. Corporate houses raising external commercial borrowings should be monitored to check if rules have been adhered to.

Wilful default of bank loans should be declared a criminal offence through suitable amendment law. More debt recovery tribunals and fast-track courts need to be set up to recover high-volume bad loans.

The government should hold full control of public sector banks with 100 per cent equity holding and should not disinvest from them. It should ensure adequate capital with hassle-free infusion to help these banks tide over the immediate crisis.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY