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Dear Comrades,

27th December , 2017

**News of Interest 27<sup>th</sup> DEC**

**MOTIVATIONAL QUOTES**

**“THE PAST CANNOT BE CHANGED. THE FUTURE IS YET IN YOUR POWER.”**  
UNKNOWN

**HIGHLIGHTS**

- 1. CANARA BANK TO RISE UP TO RS 3,500 CR THROUGH QIP**
- 2. EMPLOYEE UNIONS OF PUBLIC SECTOR BANKS DEFER STRIKE**
- 3. THIS IS WHY FINANCE MINISTRY WANTS PUBLIC SECTOR BANKS TO CLOSE SOME OF THEIR BRANCHES**
- 4. GOT MONEY STOLEN FROM YOUR ATM/CARD? HERE'S HOW MUCH YOUR BANK IS LIABLE**
- 5. BANKRUPTCY CODE: BABY-STEPS TOWARDS RECOVERY OF BAD LOANS**

**Business Standard**

**1. Canara Bank to raise up to Rs 3,500 cr through QIP**

Canara Bank said stock closed 1.26 per cent higher at Rs 374.60 apiece on the BSE  
[Press Trust of India](#)

Canara Bank on Tuesday said it will raise up to Rs 3,500 crore capital through a qualified institutions placement (QIP) route.

The decision in this respect was taken at the bank's board meeting held today.

"The board of bank at its meeting held on December 26, 2017 has decided to raise additional equity share capital amounting up to Rs 90 crore through qualified institutional placement (QIP) route, by issuing up to 9 crore equity shares of a face value of Rs 10 each with a premium to be decided as per the applicable guidelines/regulations for an aggregate amount not exceeding Rs 3,500 crore

inclusive of such premium," it said in a regulatory filing.

Canara Bank said stock closed 1.26 per cent higher at Rs 374.60 apiece on the BSE today.

## **2. Employee unions of public sector banks defer strike**

AIBEA and AIBOA had threatened to go on strike on Dec 27 in support of their demand for early wage revision

Press Trust of India

Employee unions of public sector banks have deferred their tomorrow's strike, various state-run lenders said today.

The All India Bank Employees Association (AIBEA) and All India Bank Officers Association (AIBOA) had threatened to go on strike on December 27 in support of their demand for early wage revision.

"We have now been informed by the Indian Bank's Association that the strike called for December 27, 2017 has been deferred," Andhra Bank said in a regulatory filing.

Punjab and Sindh Bank in a separate filing said the IBA has advised it about the deferment of the proposed strike.

The strike was proposed to support IDBI Bank employees and staff related to their issues about the undue delay of about five years in implementation of wage revision.

AIBEA General Secretary C H Venkatachalam said the management of IDBI Bank has assured that the wage settlement issue will be resolved within a month because of which the union has deferred the strike.

The wage revision in IDBI Bank has been due since 2012, he said, adding that the Chief Labour Commissioner has called conciliatory meeting on December 20

## **Financial Express**

### **3. This is why finance ministry wants public sector banks to close some of their branches**

As a part of the reform process to strengthen the financial, the finance ministry has asked public sector banks (PSBs) to look at rationalising their domestic and overseas branches as part of the reform process to strengthen their financials

By: FE Online |

As a part of the reform process to strengthen the financial, the finance ministry has asked public sector banks (PSBs) to look at rationalising their domestic and overseas branches as part of the reform process to strengthen their financials, reported PTI.

The banks have been advised to pursue closure of loss making domestic and international branches as part of capital saving exercise, official sources told PTI. There is no point in running loss making branches and putting burden on the balance sheet, so banks should look at not only big savings but also small savings like these for improving overall efficiency, people in the know said.

Many banks, including State Bank of India (SBI) and Punjab National Bank (PNB), have already taken initiative. Indian Overseas Bank has also rationalised the number of regional offices in the country by reducing 10 regional offices from existing 59 with an objective of optimum utilisation of resources and reduction in administrative costs.

With regard to overseas branches, the ministry has asked the lenders to discuss consolidation and take a final call on closing some unviable operations.

The ministry is of the view that there is no need of multiple banks in a single country, people in the know said, adding that banks can explore a single subsidiary formed with five-six banks coming together for conserving capital and realising economy of scale.

Besides the subsidiary model, public sector banks are also looking to close down branches or selling off subsidiaries to focus on markets that give them maximum returns.

As part of the rationalisation strategy, PNB is exploring possibility of selling a stake in its UK subsidiary PNB International. Bank of Baroda and SBI are also examining the issue of consolidation.

Bank of Baroda has presence across 24 countries through 107 branches/offices. It has 59 branches in 15 countries, while 47 branches operate through Bank's 8 overseas subsidiaries. The country's largest lender SBI has 195 foreign offices spread across 36 countries.

## **Economic Times**

### **4. Got money stolen from your ATM/card? Here's how much your bank is liable**

ET Online

Bank thefts are getting sophisticated by the day. Let alone retrieving your money, you can't even get to know how it was stolen in many cases. Two weeks ago, several people complained about having lost money from their accounts after using an ATM in Kalkaji in Delhi. But police has yet to find out how the money was stolen as no prevalent ways such as a cloning device were used. Some customers even lost lakhs of rupees after using that ATM. Police suspect a gang might have hacked the machine's computer system.

With new security threats emerging every day, customers must know how much liability the bank shares in cases of unauthorised transactions. In July, the Reserve Bank of India (RBI) had revised its norms to limit the liabilities of consumers for unauthorised electronic transactions in their bank accounts, establishing a safety net for the citizens amid the national drive toward digital transactions and rising incidents of fraud. Read below to know how much the bank and the customers are liable in cases of unauthorised transactions:

#### **Zero liability**

A customer will be entitled to zero liability where the unauthorised transaction occurs in the following events—contributory fraud/ negligence/ deficiency on the part of the bank (irrespective of whether or not the transaction is reported by the customer); third-party breach where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system, and the customer notifies the bank within three working days of receiving the communication from the bank regarding the unauthorised transaction.

#### **Limited liability**

A customer will have limited liability for the loss occurring due to unauthorised transactions in the following two cases:

1. In cases where the loss is due to negligence by a customer, such as where he has shared the payment credentials, the customer will bear the entire loss until he reports the unauthorised transaction to the bank. Any loss occurring after the reporting of the unauthorised transaction shall be borne by the bank.

2. In cases where the responsibility for the unauthorised electronic banking transaction lies neither with the bank nor with the customer, but lies elsewhere in the system and when there is a delay (of four to seven working days after receiving the communication from the bank) on the part of the customer in notifying the bank of such a transaction, the per transaction liability of the customer shall be limited to the transaction value or the amount mentioned on the website of RBI,, whichever is lower.

Further, if the delay in reporting is beyond seven working days, the customer liability shall be determined as per the bank's Board approved policy. Banks shall provide the details of their policy in regard to customers' liability formulated in pursuance of these directions at the time of opening the accounts. Banks shall also display their approved policy in public domain for wider dissemination. The existing customers must also be individually informed about the bank's policy.

For more details, visit the RBI website.

## **Business Line**

### **5. Bankruptcy code: Baby-steps towards recovery of bad loans**

KR SRIVATS

A lot of hope is pinned on the Insolvency and Bankruptcy Code (IBC) to provide the much-needed cure to all the ills in the banking system.

Year 2017 was eventful when it came to taking the initial steps in loan recovery. The Reserve Bank of India's first list of 12 large defaulters — who in aggregate owed ₹2.6 lakh crore to the banking system — has been able to draw the attention of buyers, including global investment funds. These 12 accounts constituted 25 per cent of the gross non-performing assets (NPAs) in the banking system.

The reason for excitement among buyers for the assets referred to the National Company Law Tribunal (NCLT) is not far to see. They hope to bag great bargains, as India goes about setting its stressed assets house in order. The idea is to get hold of good assets at a fraction of the costs of building new ones. Aiding the buyers in this quest has been a controversial government decision to keep out existing promoters from bidding for the stressed assets. The silver lining is that the existing promoters could bid if they repay the dues to the banking system, which is a tough ask.

According to a recent Motilal Oswal Securities report, tightening the eligibility norms in bidding for stressed assets might lead to higher haircuts for banks in the short run. However, in the long run, it would prevent the re-entry of willful defaulters in the system and promote transparency, it added.

### **Interested buyers**

From London-based Arcelor Mittal, Korea's POSCO, Blackstone, TPG Capital to domestic biggies like the Tata Group, Mumbai-based Shapoorji Pallonji Group, Ajay Piramal-controlled Piramal Enterprises and Sajjan Jindal's JSW Steel, there is now a good line-up of interested buyers for the stressed assets/companies referred to the NCLT under the insolvency process.

In India, the total outstanding amount for top 50 stressed borrowers, funded by scheduled commercial banks, stood at ₹3,72,379 crore as on September 30, 2017, according to the RBI.

### **Banks' haircuts**

The main issue is how banks are going to play the insolvency game. Rather than holding on to stressed assets in their balance sheets, will they be ready to take big haircuts? The grapevine in the market is that many prospective buyers are looking for an average 50 per cent haircut in large cases. All eyes are on banks to see if they would take the plunge and accept the haircuts.

Of course, the buyers' response has been good only for large corporates. There are few takers for small and medium companies.

Going by the recent case of resolution at Murli Industries, banks had to settle for as high as 75 per cent haircut, which is not a happy situation for the lenders.

However, Pawan Agarwal, Chief Analytical Officer, Crisil, felt that the quantum of haircuts were more a function of specific cases. High haircuts may be reflective of lower economic value and viability of the businesses being referred, rather than it being a reflection of the IBC process, Agarwal said. "In future, once the resolution process is initiated early, the haircuts are expected to be lower," he said. Tarun Bhatia, Managing Director, Kroll, a global risk consulting firm, said that ultimately recovery for the banks will be market determined and "we anticipate meaningful write-offs".

He said these are early days for the IBC and one needs to see how many accounts achieve meaningful resolution or successful liquidation.

Meanwhile, the Motilal report highlights that haircut at 70 per cent of net stressed loans can impact net worth of lenders by 37-100 per cent. Private Banks are better placed than PSU banks in terms of capital availability to absorb such potential losses. However, the government's recapitalization plan will enable the PSU banks to make necessary provisions towards such assets, according to the report.

### **Some visibility**

By April 2018, there should be some visibility on how the entire IBC process is moving, said an economy watcher. Metal (mainly steel) and power assets form bulk of the cases referred to the NCLT (45 per cent in the RBI's two lists taken together). Healthy recovery in these sectors is critical to assess the success of the NCLT route.

One of the many challenges faced in resolution of accounts under IBC is the RBI's norm of classifying interim debt as standard, which will encourage bankers to go for interim lending in case of operating companies witnessing cash crunch, and thus, help them make a turnaround. Crisil's Agarwal said that 2018 will be a critical year where one would get to know the effectiveness of the IBC, especially about the key expectation of a time-bound resolution. In particular, progress in resolution of large NPAs referred by banks can materially change the asset quality picture of banking system, according to Agarwal.

"2017 can be considered as an initial phase of implementation of an effective IBC in India. Even as the rules, infrastructure, and skills of Insolvency Resolution Professionals are falling in place, the number of cases initiated under the code has gathered pace. Even in this initial phase, the IBC has restored the much-needed balance between lenders and borrowers," Agarwal added.

## **Litmus tests**

According to Kroll's Bhatia, 2018 will be a critical year as IBC will be tested for: i) Can promoters really be kept out despite the recent ordinance disallowing them from participating? ii) Will IBC be as relevant for mid and small accounts? iii) Who will be held accountable for the write-offs. Will the borrower/defaulters be tried for fraud?

"With promoters being kept out, as of now we see only the top 25-50 accounts having meaningful outside interest," Bhatia said. Pankaj Dutt, Managing Partner, Alexander Hughes, a global executive search firm, said the Indian banking system could have avoided the current NPA mess had public sector banks given enough attention to the 'risk management' function and focused on having a chief risk officer at a level next to the board.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)  
GENERAL SECRETARY**