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**Dear Comrades,**

**21st February , 2017**

**News of Interest 21st FEB**

**MOTIVATIONAL QUOTES**

**“SUCCESS IS THE RESULT OF PERFECTION, HARD WORK, LEARNING FROM FAILURE, LOYALTY, AND PERSISTENCE. “ COLIN POWELL**

- 1. FURTHER CONSOLIDATION IN PSU BANKS AFTER IMPROVEMENT IN NPA**
- 2. IDBI PRIVATISATION BACK ON GOVT AGENDA**
- 3. CANARA BANK'S RS 1,124 CR RIGHTS ISSUE TO OPEN ON MARCH 2**
- 4. GOING CASHLESS: INDIA HAS WORLD'S FASTEST CHANGING PAYMENTS LANDSCAPE; AFTER IMPS, BHIM, HERE COMES BHARATQR**
- 5. FREEING NON-BANK ENTITIES FROM LICENSING 'MAY NOT BE APPROPRIATE FOR PAYMENT INDUSTRY'**
- 6. RBI MUMBAI OFFICE SHUT ON TUESDAY**

**Business Standard**

**1. Further consolidation in PSU banks after improvement in NPA**

The meeting also discussed the problems faced by banks in faster resolution of stressed assets

**Press Trust of India**

Days after the Cabinet approved merging five associate banks with SBI, Finance Ministry officials today said further consolidation in public sector banking may have to wait till bad loans situation improves.

The government may not like to go in for further consolidation in public sector banks till the NPA situation improves, sources said. Merging PSU banks at their current health is not a good option as it has potential to undermine the performance of the merged entity, officials added.

Meanwhile, heads of the top 10 PSU banks, including SBI, PNB and BoB, had meeting with the Finance Minister where host of issues were discussed including

current NPA situation, capital infusion and GST implementation from the banks' perspective.

According to sources, the arrest of bankers by investigating agencies also came up during the meeting. Recently, former top officials of IDBI Bank were arrested by CBI in connection with Kingfisher Airlines case, putting bankers to become extra cautious resulting in slowdown in processing of loan proposals.

The meeting also discussed the problems faced by banks in faster resolution of stressed assets.

As on September 30, 2016 gross NPAs of public sector banks rose to Rs 6,30,323 crore as against Rs 5,50,346 crore by June end.

This works out to an increase of Rs 79,977 crore on quarter on quarter basis. As far as recapitalisation of public sector banks are concerned, the government may carry forward the fund infusion amount to next fiscal if there is no suitable candidate.

The remaining amount for bank recapitalisation (which is Rs 2,085 crore) can be carried forward to the next year, sources said.

With regard to IDBI Bank stake sale, sources said, it is very much on the government agenda.

The government is working on new strategy for IDBI Bank stake sale as the bank has huge real estate which investors are overlooking.

Bad bank proposal is not on the immediate agenda as the government wants to try private sector asset reconstruction companies, sources said.

## **2. IDBI privatisation back on govt agenda**

Will rework strategy, indicates FinMin, concerned at lender's worsening finances

Dilasha Seth

Strategic sale of government stake in IDBI Bank is back in consideration, likely with a different strategy to divest to under 50 per cent.

"Stake sale is on the table. There are issues with banking operations and assets that need to be addressed. Though banks operations are weak, it has substantial real estate assets. We might have to rework the stake sale strategy," a senior finance ministry official said.

Finance Minister Arun Jaitley had in his Budget speech for 2016-17 said, "The government is committed to reducing its stake in IDBI Bank to under 50 per cent." The government holds more than 80 per cent in IDBI Bank directly and through public sector entities like Life Insurance Corporation.

According to reports, global lenders Asian Development Bank and International Finance Corporation, as well as other investors, have been in talks for the earlier proposed Rs 3,771-crore stake sale via the qualified institutional placement route.

The lender's net loss widened to Rs 2,255 crore in the December quarter. Gross non-performing assets (NPA) jumped to 15.2 per cent of gross advances, from 13.1 per cent at end-September. A year before, gross NPAs were 8.9 per cent. The capital adequacy ratio deteriorated by 35 basis points from the previous quarter, to 11.3 per

cent. Tier-I capital was 7.24 per cent, lower than the regulatory requirement of 8.25 per cent by this March.

The government had earlier asked IDBI to reduce its risk-weighted assets. A section of officers and employees of IDBI Bank went on a strike last year, protesting against the government's plan to reduce its stake to below 50 per cent. There are 17,500 employees.

The government plans to carry forward its recapitalisation plan for public sector banks to the next financial year. This means the Rs 3,000 crore not given in 2016-17 would be added to the Rs 10,000 crore announced in the Budget for capital infusion to these lenders for the next financial year. Of the Rs 25,000 crore announced for 2016-17, the government used around Rs 22,000 crore towards recapitalisation.

### **3. Canara Bank's Rs 1,124 cr rights issue to open on March 2**

Proceeds will be utilised to fund business growth

Press Trust of India

State-owned Canara Bank's Rs 1,124 crore rights issue will open on March 2 and the proceeds will be utilised to fund business growth.

The bank will issue over 5,42,99,105 equity shares of face value of Rs 10 each for cash at Rs 207 per scrip (including a premium) for an aggregate amount of up to Rs 1,123.99 crore to the existing investors.

The issue will open on March 2 and close on March 16, according to the offer document filed by the company with markets regulator Securities and Exchange Board of India (Sebi).

In a rights issue, shares are issued to existing investors according to their holding at a pre-determined price and ratio.

"The objects of the issue are to augment our capital base to meet the business and capital requirements and growth in our assets," Canara Bank said.

The issue is being managed by SBI Capital Markets Ltd.

Last September, the bank had given its approval to raise an amount not exceeding Rs 1,128 crore including premium by way of rights issue with the Government of India contribution of Rs 748 crore and Rs 380 crore from the public shareholders.

The government currently holds 66.30 per cent stake in the bank. In case, the government does not want to dilute its stake, it has to subscribe rights issue equivalent to its shareholding.

Financial Express

### **4. Going cashless: India has world's fastest changing payments landscape; after IMPS, BHIM, here comes BharatQR**

NPCI's new technology makes card machines irrelevant

By: The Financial Express |

India has one of the fastest changing payments landscape in the world. It has not even been two months since the launch of BHIM based on UPI—UPI, which is an improvement of the earlier IMPS, is itself just a few months old—and National Payments Corporation of India (NPCI) has launched yet another revolutionary technology called BharatQR. Quick Response, or QR, codes are not new and most mobile wallets have been using them for a few years—any merchant on, say Paytm,

could generate a QR code which a user could scan with her phone in order to make a payment. Later, other wallets from banks also allowed generation of QR codes, but these were linked to cards like Visa, MasterCard or RuPay. A QR code allowed customers to make payments with their mobile phones instead of traditional swipe machines—to that extent, they lowered the transaction costs quite dramatically—but they had a limitation. Each debit/credit card was linked to just one system—MasterCard, Visa or RuPay. So, if you used HDFC Bank’s Payzapp which uses Visa, you couldn’t use it to make a payment to a merchant whose bank account was linked to, say, a MasterCard. What NPCI’s BharatQR does is to allow interoperability, so even someone who uses a wallet based on Visa can make a payment to a merchant who uses a MasterCard or RuPay. Potentially, this revolutionises payments and even does away with the need for swipe machines.

In the past, the problem was that the government wasn’t really promoting BHIM except through its DigiDhan Melas. In that situation, if a Paytm was spending crores to promote its wallet – its FY16 losses rose four-fold, to Rs.1,591 crore—it was more likely to sew up the market since, at the end of the day, merchants have to be incentivised to generate QRs and place laminated copies prominently so that users can scan them with their mobile phones to make a payment. But with BharatQR now assuring interoperability, it doesn’t matter which bank is spending the money—no matter whose wallet you use, BharatQRs will ensure seamless payments. After a while, even Paytm will have to get on the platform to take advantage of this. BHIM has other advantages—your telephone number can be your address and AadhaarPay offers digital payment facilities by just using your biometrics—but even if the government doesn’t actively promote it, India’s digital payments landscape has just got another big push.

## **5. Freeing non-bank entities from licensing ‘may not be appropriate for payment industry’**

### OUR BUREAU

Calls to free up the licensing mechanism for non-bank entities may not be appropriate for the payment industry, according to R Gandhi, Deputy Governor, Reserve Bank of India.

Gandhi observed that there is an implied suggestion that this (non-bank) sector needs to be freed of the licensing mechanism, and once a set of criteria are fixed any number of entities meeting those criteria should be allowed to function. However, the RBI differs from this idea.

“Such a free entry may not be appropriate for the ‘payment industry’. We must remember that the payment service provider is ‘entrusted’ with money and, therefore, “fit and proper” criterion is of utmost importance and consequently, “free entry” based on tick-box exercise will be a risky phenomenon,” he said at the launch of ‘Bharat QR Code’.

As regards the opening up of access to various systems and activities for non-bank entities, Gandhi felt that the RBI has been opening up the space and allowing entry to non-bank entities. He added that it is a misconception that non-bank entities are being discriminated against, as compared to banking entities.

The Deputy Governor emphasised that at origination, in between the originating and destination banks and at the receiving end, there is no restriction for a non-bank entity to be present. Examples include the pre-paid instrument (PPI) issuers, Bharat Bill Payments Service (BBPS) operating units, Trade Receivables Discounting System (TreDS), White Label ATMs (WLAs), payment aggregators, etc.

## **Maintaining an 'account'**

On why a non-bank cannot be allowed to keep "accounts", Gandhi said: "Our answer is simple. If you maintain "an account", then you are a bank and you need a banking licence.

"When you keep the money of the public in "an account", you are a financial entity taking deposits and you must be public trustworthy and so be regulated as a deposit-taking financial entity."

Citing one of the recommendations of the Ratan Watal Committee (to review the payments systems in the country and recommend appropriate measures to encourage digital payments) that the law should be amended to explicitly cast responsibility on the regulator to promote competition and innovation in the payment industry, Gandhi said though the RBI does understand the spirit behind this recommendation, it differs in the way in which it is sought to be achieved.

"For competition, there is a separate statue and authority associated. Enshrining it within PSS (Payment and Settlement Systems) Act can lead to overlapping jurisdictions which can best be avoided.

## **Defining innovation**

"Likewise, if promoting innovation is to be hard coded in the Act, defining what would constitute "an innovation" would be difficult," explained Gandhi.

Flagging another recommendation of the Committee relating to data protection and consumer protection, the Deputy Governor emphasised that the RBI agrees that data protection and consumer protection are essential.

"The role of the regulator and supervisor of payment systems is to ensure the safety, security and soundness of the systems and hence consumer protection is a very relevant objective. However, the concept of data protection is relevant much beyond the payment system; it should in fact encompass any digital data.

"Appropriately, this should be enshrined in Information Technology Act; otherwise, again there will be overlapping jurisdictions, which is best avoided," he said.

## **6. RBI Mumbai office shut on Tuesday**

The RBI on Monday said its Mumbai offices will remain closed on February 21 on account of Municipal Corporation elections in Greater Mumbai, Thane and Ulhasnagar. In exercise of powers under Section 25 of the Negotiable Instruments Act, the Maharashtra Government has also declared February 21 as public holiday within the jurisdiction of 11 Zilla Parishads and 118 Panchayat Samitis under these Zilla Parishads. Further, it will also be a public holiday in the jurisdiction of 10 Municipal Corporations. Our Bureau

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)  
GENERAL SECRETARY**

