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Dear Comrades,

7th January, 2017

News of Interest 7th Jan

“I’VE WORKED TOO HARD AND TOO LONG TO LET ANYTHING STAND IN THE WAY OF MY GOALS.
 I WILL NOT LET MY TEAMMATES DOWN AND I WILL NOT LET MYSELF DOWN. “

MIA HAMM

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5. RBI IMPOSES RS 3 CRORE PENALTY ON LAKSHMI VILAS BANK RESERVE BANK TODAY SAID IT HAS IMPOSED A PENALTY OF RS 3 CRORE ON LAKSHMI VILAS BANK FOR CONTRAVENTION OF INSTRUCTIONS ON OPENING AND OPERATION OF CURRENT ACCOUNTS, AMONG OTHERS
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Business Standard

1. RBI to give Nepal Rastra Bank Rs 1 bn in 100-rupee notes

After demonetisation in India, NRB had also lowered exchange limit of Indian banknotes

IANAS

The Reserve Bank of India (RBI) has agreed to provide Rs 1 billion to the Nepal Rastra Bank (NRB) after its request that the country was facing a shortage of INR 100 denomination banknotes.

The NRB's plan to import Rs 100 denomination notes was delayed due to the Indian government's move to demonetise Rs 500 and Rs 1,000 currency notes on November 8, according to a report in the Himalayan Times on Friday,.

The RBI had earlier told the Nepali central bank to wait till the situation normalises post demonetisation.

NRB officials have now said that the central bank is preparing to bring the amount from India within January.

After demonetisation in India, the Nepal Rastra Bank had also lowered exchange limit of Indian banknotes in Nepal.

Currently, it is providing an exchange facility of up to Rs 2,000 on basis of citizenship identification.

Similarly, it is providing Rs 10,000 to those who submit a copy of air or train ticket to travel to India and Rs 25,000 for those travelling to India for medical check-up.

Janak Bahadur Adhikari, an NRB official, said that the limit of Indian rupee exchange will not be reviewed until the RBI is able to provide regular exchange facility.

The RBI has been extending Rs 6 billion exchange facility to Nepal every year (based on Indian fiscal year calendar) but this year Nepal is unlikely to get this facility due to the demonetisation move, said Adhikari.

"NRB has brought only Rs 1.20 billion this year."

Currently, the NRB has around Rs 3.5 billion in its coffers and after bringing another Rs 1 billion, NRB will be able to provide exchange facility to Nepali and Indian nationals in Nepal for the next eight to nine months.

Financial Express

2. MCLR advantage: Savings up 6-fold from base rate switchover; more bank customers set to migrate

The savings from a switchover to the marginal cost of funds-based lending rate (MCLR) are now so large — almost six fold, in some cases — after this month's rate cuts that more customers might migrate to it, reports Shritama Bose in Mumbai.

By: [Shritama Bose](#)

The savings from a switch over to the marginal cost of funds-based lending rate (MCLR) are now so large — almost six fold, in some cases — after this month's rate cuts that more customers might migrate to it, reports Shritama Bose in Mumbai. For a Rs 50-lakh loan from State Bank of India (SBI) with a tenure of 20 years, the savings now are nearly Rs 6 lakh.

Given SBI's base rate is 9.25%, a customer would repay a total of Rs 1, 11,46,423 . A switch to the MCLR at 8.65% — 8% plus a spread of 65 basis points — would lower the repayable amount to Rs 1,05,28,082. Add the switchover fee of Rs.25, 000 and this would be Rs.1, 05, 53,082. That's a saving of R5.93 lakh. Earlier, at a base rate of 9.3%, the same customer would have repaid R1, 11, 85,574 at an interest rate of 9.5%. A switch to the MCLR at 9.3% — 8.9% plus a spread of 40 basis points — would have brought down the amount repayable to Rs.1, 10, 29,318. That's a saving

of Rs 1.56 lakh, but the switchover fee — at 0.5% of the outstanding amount, or Rs.25,000 — would lower that to R1.31 lakh.

However, switching over makes sense only for those who have a substantial amount of time left to pay off their loans. SBI managing director Rajnish Kumar said, "If the residual for the existing loan is much longer, then it makes sense. But if the residual is for a year or two years, then it doesn't make sense."

He added that the reason behind a low share of borrowers switching to the MCLR regime so far might have been the low differential between base rate repayable and MCLR-linked repayable. About 15% of the home loans on SBI's books are linked to the MCLR regime, Chairman Arundhati Bhattacharya had said on January 2.

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3. Narendra Modi's dream of cashless economy comes alive at Sabarimala, sales revenue via e-payments rises to 15%

Swamy Ayyappa, the deity at the famous hill shrine of Sabarimala in southern Kerala, seems to have taken PM Narendra Modi's dream of a cashless economy very seriously, with digital payments now accounting for nearly 15% of the daily revenue that...

By: [Rajesh Ravi](#)

Swamy Ayyappa, the deity at the famous hill shrine of Sabarimala in southern Kerala, seems to have taken PM Narendra Modi's dream of a cashless economy very seriously, with digital payments now accounting for nearly 15% of the daily revenue that accrues from sale of prasadam, puja and offerings.

Thousands of pilgrims flock to the shrine between November and January, bringing cash, precious metals and jewels in offerings. Fifteen swipe machines were installed by Dhanlaxmi Bank in response to the demand from pilgrims who recounted practical difficulties in the wake of demonetisation.

Pilgrims are swiping an average of Rs 10-15 lakh a day at the shrine as offerings and to buy prasadam, MR Manjith of Dhanlaxmi Bank, official bankers of the Travancore Devaswom Board (TDB), said. "On the first day the pilgrimage season, the collection from digital payment was Rs 5 lakh and it has moved up very quickly," he added.

Devotees can also transact any amount of money to the deity as offering through the 'e-hundi' and put the receipts in a conventional hundi kept beside. All types of credit and debits cards of all banking institutions could be used at the e-hundi counter and for a credit card, up to a low of R1 can be transacted. Bank sources said that digital payment is preferred mostly for buying prasadam and has a share of 15-20% of the daily sales of Aravanaa and Appas out of the total sales of Rs 70-80 lakh.

"Devotees still prefer to use cash as offerings in the 'hundi' and the 'e-hundi' offering is limited to R20,000-25,000 per day," bank sources at the temple said. Hundi collections for the current season is seen around R6.65 crore

Dhanlaxmi Bank sources said that the shrine has six ATM machines at the top of the hill and one at the base camp.

Money control

4. Account balance in Jan Dhan accounts jumps 140% in one year The number of accounts stood at 262 million compared to 198.3 million on a year-on-year basis. The biggest gain was seen post demonetisation.

M Saraswathy Money control

The account balance in the Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts has jumped 143 percent to Rs 71036.58 crore as on December 28, 2016 compared to Rs 29225.56 crore in December 30, 2016. The number of accounts stood at 262 million compared to 198.3 million on a year-on-year basis.

The biggest gain was seen post demonetisation where the account balance jumped from Rs 45636.60 crore on November 9 to Rs 64252.15 crore on November 16, merely in a week. It further rose to Rs 72834.72 crore on November 23. Among them, public sector banks had 209 million accounts opened whereas regional rural banks and private banks accounted for the rest.

Under the original scheme, the government envisaged opening 150 million accounts. While there were unconfirmed reports stating that some of these accounts were being used to store unaccounted money, banks said that large deposits of money have reduced. The government has cautioned people against letting others use their accounts for fraudulent activities and has warned that they will be penalised for this.

PMJDY is a National Mission on Financial Inclusion envisages universal access to banking facilities with at least one basic banking account for every household, financial literacy, access to credit, insurance and pension facility. In addition, the beneficiaries would get RuPay Debit card having inbuilt accident insurance covers of Rs 1 lakh.

The scheme also provides a life cover of Rs 30,000 payable on death of the beneficiary, subject to fulfilment of the eligibility condition. Further, overdraft facility upto Rs 5000 is available in only one account per household, preferably lady of the household.

5. RBI imposes Rs 3 crore penalty on Lakshmi Vilas Bank Reserve Bank today said it has imposed a penalty of Rs 3 crore on Lakshmi Vilas Bank for contravention of instructions on opening and operation of current accounts, among others

Reserve Bank today said it has imposed a penalty of Rs 3 crore on Lakshmi Vilas Bank for contravention of instructions on opening and operation of current accounts, among others.

The penalty on the bank, RBI said, has been imposed for "contravention of instructions" relating to opening and operation of current accounts, extending bill discounting facilities to non-constituents and walk-in customers and non-adherence to KYC norms.

The RBI, however, added that the action on the bank is based on deficiencies in regulatory compliance and "is not intended to pronounce upon the validity of any transaction or agreement entered into by the bank and its customers." Earlier, the Reserve Bank had received a complaint regarding irregularities in bill discounting/purchasing at one of the bank's branches.

An examination of the irregularities, and explanation from the bank was also obtained by RBI.

On the basis of the examination of RBI and explanation furnished by the bank, a show cause notice was issued to the bank for violation of certain regulations and instructions.

After considering the bank's reply, as also, personal submissions, information submitted and documents furnished, the RBI said, it came to the conclusion that the violations were substantiated and warranted imposition of monetary penalty.

Business Line

6. IOB, Syndicate Bank cut MCLR

OUR BUREAUS

Indian Overseas Bank has reduced its MCLR (marginal cost of fund-based lending rate) by 85 basis points over the October 2016 levels across all the tenors.

The new MCLR will be 8.65 per cent for one year. For the overnight tenor, the MCLR will be 8.45 per cent. One-month tenor will attract 8.50 per cent while those for three and six months will be 8.55 and 8.60 per cent, respectively.

The bank will levy 8.75 per cent and 8.85 per cent for two-year and three-year tenors respectively. The revised rates are with effect from January 7.

Syndicate Bank has also announced a reduction in its MCLR) by 70-100 basis points across various tenors. The changes come into effect from January 10.

The revised MCLR are: overnight 8.30 per cent (existing 9.30 per cent); one-month 8.35 per cent (9.35 per cent); three-month 8.40 per cent (9.35 per cent); six-month 8.60 per cent (9.40 per cent); and one-year 8.75 per cent (9.45

On Thursday, Chennai-headquartered Indian Bank reduced its MCLR by 75 bps to 8.60 per cent for one year. This will also be effective from January 7.

7. Bank transactions before and during demonetisation under FIU scanner

K RAM KUMAR

The Financial Intelligence Unit (FIU) is undertaking a statistical analysis of the average daily deposit and withdrawal transactions at bank branches between August 1 and November 8, 2016, and that during the 50-day demonetisation period to zero-in on cases of conversion of tax-evaded (black) money into legitimate (white) money.

This exercise is aimed at enabling the revenue authorities — Income Tax and Enforcement Directorate — to go after those who have deposited tax-evaded money either into their own account or into the accounts of those who acted as money mules.

Bankers say the FIU, which is the national agency responsible for receiving, processing, analysing and disseminating information relating to suspect financial transactions, wants to match the deposit/withdrawal activity in accounts in the three-odd months prior to demonetisation with that during the demonetisation period and link this information to the profile of the customers to arrive at appropriate conclusions.

If the activity is not legitimate, the revenue authorities will move in to take action.

Dormant accounts

Also on the FIU's radar are dormant accounts which got reactivated (deposits and withdrawals from these accounts) during the demonetisation period (November 9 to December 30, 2016) and loan repayments made in de-notified ₹500 and ₹1,000 bank notes. The demonetisation period saw a surge in deposits amounting to about ₹4.20 lakh crore. A senior official of a public sector bank observed that after the front-office (branch) staff of banks strained every nerve to serve the public during the 50-day demonetisation period, it is now the turn of the back-office staff to do the same to meet the post-demonetisation information demand of authorities, especially the FIU.

A senior official of an urban co-operative bank said: "After the demonetisation exercise ended, we have been receiving demands for transaction-related information almost every day.

"A few days back, we received an urgent message from FIU at 5.30 pm seeking account-related information by 6.30 pm. With such tight deadlines, there is a high possibility of reporting mistakes happening."

8. Insurance agent viewed as least reliable by policy buyers: study

PRESS TRUST OF INDIA

An insurance agent is considered the least trustworthy in the sales chain of insurance policy across different segments among the financially literate as well as non-literate consumers, according to a study.

In the Assocham study, 72 per cent with no specific knowledge of insurance and finance in the age group of 18-60 years said their agent/sales person is the least trustworthy source when it comes to insurance policy sale.

The second is the insurer itself, though the percentage of respondents who believe so is much less at 29 per cent.

Misrepresentation of benefits remains an area of concern.

Among those covered, the financially-suave in the age group 25-40 years felt more let down, with 65 per cent of them facing issues in this regard.

A good 43 per cent of the not-so-financially educated too encountered the problem of misrepresentation.

"There is a need for simplification of processes and procedures of insurers to take away the awe and fear of the common man on different products.

"Demystification of insurance concepts is a necessary requirement for people to take to this in a large way, particularly against the backdrop of low financial literacy," Assocham Secretary-General DS Rawat said.

He suggested that the industry needs to hasten the process of insurance inclusion, pointing out that the product space is cluttered with a number of complex policies.

The study suggested that since the insurance agent or sales person is the face of the industry, it is of utmost importance that we select these ambassadors very cautiously.

"Right from spreading awareness to conducting the need analysis for a sale to servicing the customers' request in time to explaining and supporting customers in times of claim, sales representative must do it," the study added.

"The lack of information of our customers is what creates the disconnect. Once that is taken care of, all apprehensions will slowly begin to disappear."

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY