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**Dear Comrades,**

**18th January, 2017**

**News of Interest 18th Jan**

**MOTIVATIONAL QUOTES**

**“PRESS FORWARD. DO NOT STOP, DO NOT LINGER IN YOUR JOURNEY, BUT STRIVE FOR THE MARK SET BEFORE YOU.**

**“GEORGE WHITEFIELD**

**HIGHLIGHTS**

- 1. BANKS RAISE RS 25,000 CRORE VIA AT-1 BONDS IN APR-DEC 2016**
- 2. RBI GUV TO BRIEF PAR PANEL ON DEMONETISATION ON WEDNESDAY**
- 3. SBI HITS OVERSEAS DEBT MARKET WITH \$500-MN 5-YEAR BOND SALE**
- 4. OVER 100 BANK EMPLOYEES PENALISED FOR MALPRACTICES DURING NOTE BAN**
- 5. MANY PSU BANKS MAY SKIP DIVIDEND PAYOUT THIS FISCAL**
- 6. RBI HAS NO IDEA HOW MUCH IT COST TO PRINT THE NEW NOTES**
- 7. BHIM MAY EXPOSE YOU TO DATA THEFT**
- 8. ROAD ACCIDENTS: GOVT LOOKING AT TIME LIMIT FOR FILING INSURANCE CLAIMS**

Business Standard

**1. Banks raise Rs 25,000 crore via AT-1 bonds in Apr-Dec 2016**

ICRA said the capital requirement for PSBs in 2016-17 is pegged at Rs 45,000-50,000 crore

Abhijit Lele

Commercial banks in India, especially public sector ones, have raised capital worth over Rs 25,000 crore through additional tier-1 (AT-1) bonds in April-December 2016, way higher than just Rs 3,800 crore raised via these bonds in financial year 2015-16.

Karthik Srinivasan, Senior Vice President, Icria said the pressure on internal capital generation, relatively better investor appetite and increased capital requirements helped banks raise Rs 25,030 of Additional Tier-1 (AT-1) bonds during nine months

ended December 2017. Public sector banks (PSBs) raised Rs 19,530 crore while their private sector counterparts raised Rs 5,500 crore.

More AT-1 issuances are expected during January-March 2017, as six public sector banks have not been able to meet the minimum tier-I capital stipulation for March 2017. The risk of servicing the coupon on these bonds is also higher, especially for weaker PSBs, which have been reporting losses and depletion of revenue reserves.

Many public sector banks have weak capital adequacy profiles and are suffering losses. In this backdrop, the government may need to increase the capital infusion plans beyond Rs 25,000 crore budgeted for FY17, if PSBs are not able to raise capital through AT-1 bonds.

ICRA said the capital requirement for PSBs in 2016-17 is pegged at Rs 45,000-50,000 crore. They have already raised Rs 19,530 crore via AT-1 issuances, while Rs 25,000 crore is budgeted for capital infusion by the Government of India. The balance can be plugged through more AT-1 bonds, equity issuances and divestment of strategic investments.

The sharp increase in issuances and improved investor appetite for AT-1 bonds can be driven by the decline in the yields, which have made these AT-1 bonds slightly more attractive in relation to other securities.

Also, given the call option after the fifth year of issuance, investors may effectively be treating these as five-year instruments, with higher yields and relatively lower risk of default. In case of losses or inadequacy of profits during the year, the distributable reserves can be used to service the coupon.

## **2. RBI Guv to brief par panel on demonetisation on Wednesday**

Meeting will discuss the demonetisation of Indian currency notes and its impact

### Press Trust of India

RBI Governor Urjit Patel will brief here on Wednesday a parliamentary panel about demonetisation and its impact on the economy and the steps taken by the central bank to deal with the cash crunch.

Besides, representatives of the Finance Ministry, including from the department of Economic Affairs, Financial Services and Revenue will brief the members of the Standing Committee on Finance headed by former Union Minister and senior Congress leader  
Veerappa  
Moily.

Also, representatives of Indian Banks Association (IBA), State Bank of India (SBI), Punjab National Bank (PNB) and Oriental Bank of Commerce (OBC) are scheduled to be present in the meeting.

The meeting will discuss the "demonetisation of Indian currency notes of Rs 500 and Rs 1,000 and the impact thereof".

The RBI Governor is also scheduled to appear before the Public Accounts Committee of Parliament on the same issue on January 20.

In a surprise move on November 8, Prime Minister Narendra Modi had announced the demonetisation of old Rs 500 and Rs 1,000 notes.

Following the decision, the RBI had put restrictions on withdrawal of cash from ATMs

as well as from banks to deal with shortage of new high denomination currency notes. This led to long queues at ATMs and bank branches.

The cash situation has improved gradually with supply of new Rs 500 and Rs 2,000 notes. Yesterday, the RBI increased the daily withdrawal limit from ATMs to Rs 10,000, though it kept the weekly ceiling at Rs 24,000.

All over the country, the banks had to deal with huge rush of people who thronged their branches to deposit the junked notes. The deadline for depositing old notes with banks ended on December 30

### **3. SBI hits overseas debt market with \$500-mn 5-year bond sale**

SBI last raised overseas debt by issuing \$300 million last September, \$1.25 billion in Feb, 2014

#### Press Trust of India

The nation's largest lender State Bank of India (SBI) has hit the international debt market with a benchmark issue to raise around \$500 million as part of its \$10-billion medium-term notes programme through a five-year dollar money sale.

"The SBI is in the international debt market with a benchmark issue to raise around \$500 million in US dollar-denominated bonds. The money will be raised through its London branch and will be listed on the Singapore Exchange," said two investment banking sources.

When contacted, SBI refused to comment, citing confidentiality clause as the market moving nature of the information.

All the three international rating agencies have accorded investment grade ratings to the proposed \$500-million bond sale by SBI, which has been away from the overseas debt market for some time now.

SBI last raised overseas debt by issuing dollar-denominated notes worth \$300 million last September and prior to that in February 2014, it had raised \$1.25 billion in another dollar money sale.

The bank has so far raised \$3.5 billion out of its \$10 billion medium-term note (MTN) programme, including \$400 million in perpetual bonds. The bank had also concluded AT1 Basel III-compliant non-convertible, perpetual non-call five-year subordinated, unsecured notes at a coupon 5.5 per cent payable semi-annually under \$10 billion Reg S bond programme.

Moody's has assigned a 'Baa3' rating to the senior unsecured notes, issued under its \$10-billion MTN programme.

The drawdown will be carried out from its London branch, and the bonds will be listed on the Singapore Stock Exchange, Moody's said in a statement.

Fitch has also assigned 'BBB-' ratings to the programme that constitutes direct, unconditional, unsubordinated and unsecured obligations of the issuer. "The issue will at all times rank *pari passu* among themselves and with all other unsubordinated and unsecured obligations of State Bank," Fitch said, adding the tenor of the issue is expected to be around five years.

S&P too assigned 'BBB-' long-term issue rating in line with the sovereign rating, to the proposed issue of SBI's senior unsecured notes.

The rating on the notes reflects the long-term counterparty credit rating on SBI, S&P said.

According to Moody's, SBI's final 'Baa3' rating incorporates a one-notch uplift due to its assumption of the bank's very high level of support from the government in a stressed situation.

The assumption of high government support is based on a combination of SBI's large size and the critical role it plays in the country's banking system, representing around 16.3 per cent of system loans and 17.6 per cent of system deposits as of March 2016, its nationwide reach, and the government's 60.18 per cent ownership in the lender.

Fitch said after this issue, SBI's core capitalisation is set to improve in the year to March 2017 from a core equity tier 1 ratio of 10.3 per cent in September 2016.

Fitch said the bank is likely to receive around \$835 million in new capital from the government shortly out of the total \$1.1 billion earmarked for this financial year, which is around five per cent of its 2015-16 equity and has plans to raise an additional \$2.2 billion directly from the market, for which it has received shareholder approvals.

Economic Times

#### **4. Over 100 bank employees penalised for malpractices during note ban**

By Dheeraj Tiwari, ET Bureau

The government has suspended or transferred more than a hundred employees of banks for mismanagement during the demonetisation drive.

While some employees from state-run lenders have been suspended, others have been transferred, a senior government official told ET.

"Investigations are on in some cases and if they are found to be guilty, they will be removed from their jobs," said the official, who did not wish to be identified.

Investigating agencies have also zeroed in on some of the most common methods used to launder money, the official said.

The government had on November 8 announced withdrawal of Rs 500 and Rs 1,000 notes as legal tender, rendering worthless nearly 86 per cent of the total currency in circulation.

"In some cases it was found that an account was opened without fulfilling the know your customer (KYC) norms and cash (in old currency) was deposited in these accounts, only to close the account the next day, and a demand draft was issued for the amount deposited," said another official aware of the investigations.

The other method, which was also used in connivance with bank officials, was to use the suspense account of the bank. Suspense account is an account where transactions, both deposits and withdrawals, are kept until they are classified. "The demonetised currency was deposited in the suspense accounts and later the amount was transferred into various accounts," the second official said.

The other common methods which were used across banks and branches were loan foreclosures, backdated fixed deposits and new salary accounts opened for a firm. "The misuse of Jan Dhan accounts came down drastically after the first week, as it was highlighted the most and both banks and agencies were quick to react," said a bank official.

"Also, the impact of exchanging old demonetised notes for new currency was put to check by swift action from the government."

On November 25, the government revoked the cash exchange facility under which the demonetised Rs 500 and Rs 1,000 notes were allowed to be exchanged for new currency. This was announced a week after the government curtailed the exchange limit from Rs 4,500 to Rs 2,000 a day.

Banks are also proactively looking into large deposits or withdrawal done by their staff in their accounts.

"If there have been some large deposits made in an employee's account after demonetisation was announced, explanation has been sought," said a senior official of State Bank of India BSE 0.16 %, the country's largest bank.

## **5. Many PSU banks may skip dividend payout this fiscal**

By PTI

Hit by demonetisation and mounting bad loans, some public sector banks (PSBs) may skip paying dividend which will have implications for government receipts in the current fiscal.

Some PSU bankers have already indicated to the Finance Ministry that it may not be possible for them to pay dividend as their profits are likely to remain subdued due to lower credit offtake and rising NPAs, sources said without specifying the names of the banks.

As a result, they said, it is expected that the revenue from dividend from public sector banks is likely to be less than Rs 1,000 crore as many banks are going to skip dividend payment this financial year.

Gross NPAs of PSBs rose to Rs 6,30,323 crore at the end of September 30, as against Rs 5,50,346 crore by June, 2016.

According to analysts, normal banking operation was hit for almost two months due to demonetisation leading to decline in income operation of banks. The credit offtake hit a record low of 5.3 per cent following note-ban.

At this point of time, it seems difficult proposition that banks would be able to pay dividend this year when all of them are seeking higher capital, sources said.

Last fiscal, as many as 16 PSBs, including PNB BSE 1.48 %, BoB and Canara Bank BSE 1.99 %, skipped paying dividend in 2015-16, leading to three-fold decline in government receipts to Rs 1,444.6 crore.

Only six state-owned banks including SBI declared dividend, though at a lower rate, for the financial year ended March 2016.

Under the existing guidelines, profit making banks have to pay a minimum dividend of 20 per cent of their equity or 20 per cent of their post tax profit, whichever is higher.

The government, which is the majority shareholder in all the public sector banks, witnessed 67 per cent decline in dividend receipt from PSU banks at Rs 1,444.6 crore as against Rs 4,336.22 crore in the previous fiscal.

According to the Finance Ministry data, the highest dividend was paid by SBI to government at Rs 1,214.6 crore during 2015-16, 22 per cent lower than the previous fiscal.

As regards Union Bank of India, the dividend payout was one-third of the previous fiscal at Rs 85 crore. For Oriental Bank of Commerce BSE -0.04 %, it was one-fifth compared to the previous financial year at Rs 12.4 crore despite increase in government holding due to capital infusion.

Those which skipped dividend payments included Allahabad Bank BSE -0.15 %, Bank of Baroda BSE -0.31 %, Bank of India, Canara Bank, Central Bank of India, Corporation Bank, Punjab National Bank, Dena Bank and Syndicate Bank BSE -0.31 %.

Business Line

## **6. RBI has no idea how much it cost to print the new notes**

SURABHI

The country's central bank has astonishingly revealed that it doesn't know how much money was spent on printing the new currency notes.

To a Right to Information query filed by *BusinessLine* on November 25 on the cost of printing the new ₹500 and ₹2,000 notes, the RBI said "the information sought is not available with us".

"Bank notes are printed by presses under the Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL) and the Security Printing and Minting Corporation of India (SPMCIL)," the central bank said, while transferring the query to the two agencies.

According to the RBI's weekly statistical supplement, the total currency in circulation is pegged at ₹8,734.16 lakh crore as on January 6. This includes lower denomination notes as well as the new high denominates notes. While the Bengaluru-based BRBNMPL is yet to respond to the query, the Delhi-based SPMCIL said it has not calculated the cost of printing ₹ 500 notes.

"At present, currency presses under SPMCIL are printing ₹ 500 (new) and below denomination notes. The average cost of printing new ₹500 currency note has not been worked out yet," it said in its response on January 10, while forwarding the query to two currency printing presses at Dewas and Nashik. A further response is still awaited. In a bid to curb black money and counterfeiting, Prime Minister Narendra Modi had on November 8 announced the withdrawal of the old series ₹500 and scrapping of the ₹1,000 notes, which constituted over three-fourths of the currency in circulation.

The Finance Ministry and the RBI have not answered questions on the cost of printing the new notes, though officials peg it between ₹12,000 crore and ₹17,000 crore.

The cost of printing a note depends on the size and security features, according to a source. It varies between 0.50 paise and ₹4 per note, depending on the denomination, he added.

Between July 2015 and June 2016, the RBI spent ₹3,420 crore on security printing, compared with ₹3,760 crore during 2014-15.

## **7. BHIM may expose you to data theft**

VARUN AGGARWAL

Serious security flaws discovered in the government's BHIM app could dent its digital push. Security experts have found that hackers can gain access to a user's account details with just basic programming skills.

"The BHIM app is written in a very amateur way and the entire code is unprotected, which means it can be easily downloaded and modified by anyone," said Mumbai-based security expert Prashant Mali.

A hacker could download the .apk file of the app and modify parts of the code in such a way that once the user's bank details are keyed in, the hacker could take control of the account. (APK refers to Android application package, the file format used by the Android operating system for distribution and installation of mobile apps.) And since the code is easily procured, fake apps resembling the original can be generated with little effort.

### **Other vulnerabilities**

"The app also has SQL injection vulnerability, using which hackers can extract bank account details easily," Mali said. SQL stands for Structured Query Language, used to communicate with a database. He added that the app is also vulnerable to a 'denial of services' attack, wherein hackers flood servers with fake transactions to bring them down.

Experts believe the app was written in haste, due to which such errors were not rectified in the testing phase. The Centre has been pushing citizens to adopt digital payment methods with the result that most companies developing apps have put them through inadequate tests.

There have been issues with other digital payment platforms, too. During the demonetisation drive, Paytm launched its merchant app, which allowed traders and shopkeepers to accept credit and debit cards without investing in a PoS terminal. However, it was withdrawn a day later after experts pointed out holes in its system.

## **8. Road accidents: Govt looking at time limit for filing insurance claims**

SURESH P IYENGAR

The government is considering a time limit for filing insurance claims in road accidents to make the process of giving compensation more efficient and faster.

The General Insurance Council, the association of 30 insurance companies, has recommended a deadline of one year for insurance claims in case of death in road accidents and six months for injuries.

R Chandrasekaran, Secretary General, General Insurance Council, said the Motor Vehicles Act provided for a similar deadline till 1994 but was removed by Parliament after the Supreme Court observed in one of its judgments that compensation should not be denied on account of delay in filing of a case.

"Way back in 1994, there were only four (general) insurance companies. But now the insurance sector has undergone a sea change and there are scores of private companies with well-defined claim processing systems," he said.

In this age of computerization and online filing of first information report (FIR), it is not very difficult for both the police and the consumer to work on a fixed deadline, said Chandrasekaran.

The move, he said, will also bring down rampant forged claims that are made years after the accident. The Council made a submission in this regard before the Parliamentary Standing Committee on Transport, Tourism and Culture last November.

With road accidents rising, there are about 10 lakh accidents cases waiting for insurance claim settlement and about six lakh cases are being added every year.

### **Accident report**

Of the overall pending cases, about 70-75 per cent pertains to minor injuries, such as bruises and fractures, where the claim is not more than ₹2.5 lakh. On an average, a claim is settled in seven to eight years due to various delays.

The Council has also recommended that the government implement the provision available under law, that is, allow the police to submit a copy of the Detailed Accident Report (DAR) to the insurance company and the court simultaneously.

In 2009, the Delhi High Court took cognisance of a judgment passed by the Supreme Court and directed the police to submit a copy of the DAR to the respective insurance company. Following this, Chandrasekaran said most claims in Delhi are being settled within one year against seven years in other States.

The precious time of courts need not be wasted if a copy of the DAR is provided to the insurance company and there is no dispute between the insurer and the insurance company, he added.

Following in the steps of the Delhi High Court action, the Madras and Bombay High Courts have given instructions to the police to follow suit.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)**  
**GENERAL SECRETARY**