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Dear Comrades,

10th July , 2017

News of Interest 10th JULY

### MOTIVATIONAL QUOTES

“FREEDOM MEANS THE OPPORTUNITY TO BE WHAT WE NEVER THOUGHT WE WOULD BE. “  
DANIEL J. BOORSTIN

### HIGHLIGHTS

1. RBL BANK TO RAISE RS 1,680 CR FROM INSTITUTIONAL INVESTORS
2. IDFC BANK, SHRIRAM CAPITAL ENTER 90-DAY MERGER TALKS
3. M&AS IN INDIAN BANKING SECTOR NOT THREAT FOR FINTECH PLAYERS
4. SUSPENSE OVER DEMONETISED NOTES MAY FINALLY END IN NEXT TWO WEEKS
5. UCO BANK OFFICERS TO STRIKE WORK ON JULY 15
6. ANDHRA BANK TO SELL SOVEREIGN GOLD BONDS FROM TODAY

Business Standard

#### 1. RBL Bank to raise Rs 1,680 cr from institutional investors

HDFC Life, ICICI Lombard, ABG Capital, CDC Group, Global IVY Ventures among key investors

Nikhat Hetavkar

RBL Bank on Friday got approval from its board to raise Rs 1,680 crore as equity, by issuing 32.6 million shares on a preferential basis to institutional investors. The money will be used to augment its tier-I capital, the core capital of a bank, to support organic growth and capitalise on inorganic opportunities.

ABG Capital, CDC Group, Global IVY Ventures, HDFC Standard Life Insurance Company, ICICI Lombard general insurance company, and LTR Focus Fund are among the key investors.

The lender's board has approved the issuance of shares at a face value of Rs 10 at Rs 515 each. The bank had earlier raised Rs 832 crore in 2016, Rs 488 crore in 2015 and Rs 376 crore in 2013. Its tier-I capital increased to Rs 4,321 crore in FY17 from Rs 2,972 crore in FY16, whereas tier-II capital increased to Rs 867 crore in FY17, as compared to Rs 491 crore in FY16.

The lender saw a profit of Rs 446 crore in FY17, a 55 per cent increase from Rs 292 crore in FY16. Its net worth currently stands at Rs 4,336 crore. The capital adequacy ratio of the bank was at 13.7 per cent in FY17, as opposed to 12.9 in FY16.

Its net advances rose 38.7 per cent to Rs 29,449 crore at the end of March 2017, from Rs 21,229 crore on March 31, 2016. The deposits were up 42 per cent to Rs 34,588 crore in FY17, from Rs 24,349 crore at the end of March 2016.

## **2. IDFC Bank, Shriram Capital enter 90-day merger talks**

The entire merger process, including approvals, will take 12 months to complete

Anup Roy & Abhijit Lele

IDFC and the Chennai-based Shriram group on Saturday said they had entered 90 days of merger talks.

Under the tentative arrangement, IDFC Ltd will be the holding company of the merged entity; Shriram City Union Finance, the retail lending arm of Shriram Capital, will be merged with IDFC Bank; and Shriram Transport Finance will be a fully owned subsidiary of IDFC, which will also own 75 per cent of the life and general insurance arms of Shriram Capital.

Disclosing this, Rajiv Lall, managing director of IDFC Bank, said it was a "complex transaction".

"This is an exclusive arrangement for 90 days to jointly explore a merger. No transaction has taken place and valuations have not been fixed," said Ajay Piramal, chairman of Shriram Capital.

"This gives us an opportunity to create a financial conglomerate with a universal bank at its centre, whose focus will be to provide a full range of products to millions of small customers and entrepreneurs," Piramal said.

The groups are clear that the merger should be beneficial for shareholders. "If it is not going to benefit all shareholders, we will not pursue it," said R Thyagarajan, founder of the Shriram group.

After the merger, the mutual fund arm of IDFC would be integrated with Shriram Asset Management and could be listed, Lall said. Shriram Transport Finance, which has assets under management of Rs 80,000 crore and a customer base of 1.4 million, may be delisted, post-merger.

The merger would provide IDFC Bank, floated in October 2015, a deeper retail presence and the Shriram group would benefit from lower cost of funds and the wholesale banking exposure of IDFC, said Deepak Parekh, former chairman of IDFC.

IDFC Bank's network will expand by more than 2,000 points of presence through this merger.

The Shriram group had backed out after applying for a universal bank licence in 2013. The Reserve Bank of India does not allow a non-banking finance company and a bank with similar business under one holding company. Post-merger, the transport finance arm will act as an independent NBFC.

Piramal clarified this was not a "backdoor entry" into banking by Piramal Enterprises. The RBI does not allow industrial houses to own banks. "We will follow in letter and spirit whatever the RBI rules and guidelines are. We are not so naive," Piramal said.

Even as the holding company would be IDFC, the brand names of Shriram would continue, Piramal said.

The addition of Shriram City Union Finance will expand the assets of IDFC Bank by Rs 23,000 crore and by 4 million customers.

Once the proposal is cleared by shareholders, the groups will approach regulators. The approval process was expected to take 12 months and integration could take another 24 months, Lall said.

When asked despite being much larger in size among the two, why it is not ideally Shriram Holding taking over IDFC Ltd, instead of the vice versa, Ajay Piramal said, "We will work it out. IDFC is already a Banking license holder."

On Piramal's entry into Banking through the Merger, Piramal said all rules will be complied.

"As far as Piramal group is concerned, we are strategic investors in it (Shriram Capital), and we will continue to remain so. We will only do something whatever the RBI permits, we cannot go beyond that," Piramal said.

Financial Express

### **3. M&As in Indian banking sector not threat for fintech players**

The mergers and acquisitions (M&A) that may happen in the Indian banking sector may open up more opportunities for financial technology companies, said a top official of FIS-India.

By: IANS

The mergers and acquisitions (M&A) that may happen in the Indian banking sector may open up more opportunities for financial technology companies, said a top official of FIS-India. The M&A may impact companies having CBS as their main product, but it is no longer the only source of truth for banks. Incidentally, FIS had supplied CBS to Bharatiya Mahila Bank that was merged with the State Bank of India (SBI). The SBI also merged with itself its five associate banks – State Bank of Bikaner and Jaipur (SBBJ), State Bank of Hyderabad (SBH), State Bank of Mysore (SBM), State Bank of Patiala (SBP) and State Bank of Travancore (SBT).

"Mergers in the banking sector will open up huge vista of opportunities for companies like FIS with end-to-end offerings for banks. A new generation is going to attain 18 years of age in 2018. The way they would interact with banks and their service demands would be entirely different as compared to those who were born in the previous century," Ramaswamy Venkatachalam, Managing Director-India and South Asia, FIS, told IANS on Friday.

"This provides us the opportunity as the banking landscape is set to change dramatically," he added. The US-based \$9 billion revenue FIS is a global major in the financial services technology with a focus on retail and institutional banking, payments, asset and wealth management, risk and compliance, consulting and outsourcing solutions. The company is one the three top payment processors in India and has over 13,000 employees.

"Technology is rapidly evolving in order to provide a world class experience to the end customer. No longer is core banking the only single source of truth, but only one of the sources. For example, the view that mobile banking or internet banking

provides is derived out of multiple sources such as credit cards, insurance, mutual funds, lending, depository systems and others along with the core banking," Venkatachalam said. He said integrating these is difficult, however necessary as these provide a superior customer experience. The end customer looks at their institution as an end to end finance provider rather than a banking provider- which gets enabled through technology.

"Along with this, while the core itself is less change driven, your channels and processes are the ones that are undergoing intense changes. Customisation requests happen more on the channel side rather than the core side," Venkatachalam said. Increased customer demands, channels and changing technology are making the banks to think to go for a new and comprehensive banking solution replacing their existing CBS, he added.

That apart, the market landscape now also includes non-banking finance companies (NBFC), non-governmental organisations (NGO) for financial technology products. He also said the digital banking would not take out transactions out ATMs but the market landscape would shift from urban centres to semi-urban and rural areas, thanks to the government's Jan Dhan bank account scheme.

"The demonetisation had affected ATM transactions. But once the government relaxed the cash withdrawal restrictions and currency circulation improved, the volume of ATM transactions more or less remained the same but the value of amount withdrawn were more," Venkatachalam said. FIS manages over 12,000 ATMs for several Indian banks.

Economic Times

#### **4. Suspense over demonetised notes may finally end in next two weeks**

**BY SUGATA GHOSH**

In the next fortnight, the Reserve Bank of India (RBI) will have to deal with one of the best kept secrets of demonetisation — the value of banned currency notes which never came back to the central bank.

Till now, the Centre and the central bank have not spelt out the quantum of delegalised bills that individuals and businesses neither exchanged with banks and RBI nor deposited in bank accounts.

But, they would soon be forced to end the currency mystery. The monetary authority will hold a meeting with its auditors later this month to put a number to the notes which were not returned, according to a person familiar with the matter. The meeting assumes significance because in the absence of the 'missing notes' number, RBI cannot finalise its balance sheet for the year ended June 30, 2017 and declare dividend — or, surplus — to the government.

According to the RBI accounting policy, 'currency notes in circulation' are considered as a liability relating to the central bank's issues department. Every currency note, of all denominations, black or tax-paid, is the liability of RBI, as captured in the words printed on a bill— "I promise to pay the bearer the sum of X rupees". While the currency is treated as liability, bonds and foreign exchange constitute assets in the central bank's books.

Thus, to freeze the liability (as on June 30, which is the year-end for RBI), the central bank has to add the lower currency notes which were not demonetised to the newly printed currency (through remonetisation that followed the note ban) and net it with the currency that were returned to banks and RBI.

Currency bills having denominations of Rs 500 and Rs 1,000 ceased to be legal tender from the midnight of November 8. Collectively the value of the demonetised notes was put at close to Rs 17.5 lakh crore and accounted for more than 85% of the currency in circulation.

In the months following the dramatic announcement, there was a growing perception that an unexpectedly high amount of demonetised notes has flown back to the banking system — with the holders either choosing to deposit undisclosed cash to pay tax and come clean, or launder cash using the services of an overburdened banking system. While the government claimed that demonetisation has significantly widened the tax base, Opposition parties argued that it has failed to shrink the black economy as most of the demonetised notes came back to the system.

Even as the debate raged, the value of demonetised notes that were not returned was not revealed, despite queries from the media and the Opposition. According to money market circles, this number could be around Rs 25,000 crore.

"It is not possible to physically count. So, the auditors are expected to discuss the audit procedure for arriving at the number and verifying the figures submitted by the department concerned.

Besides, there are other issues like the quantum of notes with the central bank of Nepal that has to be estimated," said another person.

The RBI spokesperson did not respond to a text message from ET.

Business Line

## **5. UCO Bank officers to strike work on July 15**

OUR BUREAU

The All India UCO Bank Officers' Federation has called for a one-day all-India strike on July 15 to express its resentment on the unrest prevailing in the bank.

Voicing his resentment to the unilateral and arbitrary actions resorted to by the UCO Bank management, the general secretary of the All India Bank Officers' Confederation (AIBOC) D Thomas Franco urged the management of the bank to intervene and resolve the issue.

The arbitrary action of the management is causing large-scale discrimination against majority of the officers. The confederation will not be a witness to these attacks, rather the AIBOC would be compelled to express its total solidarity with UCO Bank officers by resorting to agitation in all banks, Franco said in a statement. He further pointed out that AIBOC has been continuously working out strategies, holding workshops to see that the bank turns around.

## **6. Andhra Bank to sell Sovereign Gold Bonds from today**

OUR BUREAU

**HYDERABAD, JULY 9:**

Andhra Bank will open its Sovereign Gold Bonds 2017-18 Series-II for public subscription from July 10 to 14 at all its branches across the country.

The bonds will be restricted for sale to resident Indian entities, including individuals, HUFs, Trusts, Universities and Charitable Institutions, which can apply for gold bonds (Minimum 1 gram and maximum 500 grams).

The tenor of the Bonds is 8 years, with a provision of premature cancellation after 5 years.

The Reserve Bank of India has notified a rate of interest of 2.50 per cent per annum on the initial investment based on nominal value. The nominal price of Gold is arrived at based on the simple average of the closing price gold as published by the IBJA in the preceding week to the issue.

The issue price is fixed at ₹50 less than the nominal price. The issue price of this tranche has been fixed at ₹2,780 per gram of gold.

The Gold Bond Scheme enables people to invest in gold without physically buying the gold and receive money equivalent to the market value of gold as determined by the RBI at the time of redemption, besides earning interest on the invested amount semi-annually.

With kind regards,

Yours Comradely,



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