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Dear Comrades,

1st June , 2017

News of Interest 1st JUNE

MOTIVATIONAL QUOTES

“JUDGE A MAN BY HIS QUESTIONS RATHER THAN HIS ANSWERS. “ VOLTAIRE

HIGHLIGHTS

1. BANKS TO DISCUSS DEBT MESS WITH RELIANCE COMMUNICATIONS
2. HIGH SERVICE CHARGES, MIS-SELLING OF INSURANCE PRODUCTS UNDER RBI SCANNER
3. WAIVE PROMOTERS' PERSONAL GUARANTEE UNDER S4A PLAN: BANKS TO RBI
4. TAX DEPARTMENT EXTENDS DATE FOR FILING STATEMENT OF FINANCIAL TRANSACTION BY BANKS, MUTUAL FUNDS TILL JUNE 30
5. BANKS BOARD BUREAU WON'T PICK HEADS OF FINANCIAL INSTITUTIONS
6. IN FY17, MAX LIFE POSTS BEST FINANCIALS IN A DECADE
7. UJJIVAN SMALL FINANCE BANK STRENGTHENS FOOTPRINT IN TN

Business Standard

1. Banks to discuss debt mess with Reliance Communications

Lenders alarmed by shares & bonds sell-off, rating downgrades

Dev Chatterjee

Reliance Communications' lenders have sought more information on its plan to reduce debt, in the wake of a slowing in cash flow and its shares and bonds being hit by a series of rating downgrades.

Those with equity exposure to the company have also sought the plan to manage its liquidity. Life Insurance Corporation, for instance, owns a 6.5 per cent stake.

Bankers said with the company becoming a 'Special Mention Account' after failing to pay its debt installment on time, they'd be monitoring the financial health. The meeting is being called after the recent sell-off in the company's shares and bonds which has erased equity investors' wealth worth Rs 3,600 crore in the past two weeks.

The RCom stock closed flat at Rs 20 a share on Wednesday after falling eight per cent in intra-day trade. The bonds listed overseas are due for payment in 2020 and have lost a third of their value since the sell-off began two weeks ago.

RCom had earlier said it would sell its 130-acre campus near Mumbai and the Reliance Centre in Delhi over the next one to two years to repay loans. It has started a valuation exercise for the two properties. The Delhi one, earlier known as Hotel Ranjit, will be sold first. The lenders want the company to expedite the process — debt shot up to Rs 45,744 crore as of end-March this year and it made an annual loss of Rs 1,283 crore, for the first time.

The sell-off in RCom's shares was despite the management's assurance on Monday that it would reduce its debt by Rs 25,000 crore. This was to be done by selling its telecom towers to Canadian pension fund Brookfield for Rs 11,000 crore and transferring another Rs 14,000 crore of debt to a newly merged entity between its telecom services business and Aircel. RCom currently has cash and cash equivalent of Rs 1,020 crore.

With the limited ability to generate free cash flow, rating agency Moody's said this would be insufficient to cover upcoming debt maturities without waivers from its lenders while the company pursued corporate restructuring.

That restructuring, as noted, covers sale of its telecom tower assets and demerger of its core wireless operations, which it was merge with Aircel in a new joint venture. The latter merger was hit after objections by China Development Bank, which sought clarity on how its own loans worth \$1 billion would be repaid. The matter is currently at the National Company Law Tribunal.

RCom had told analysts on Monday that the sector's free cash flows were at a highly negative level. And, that there was a huge deficit in servicing of the fixed premium and deferred spectrum liabilities through operating earnings. The high level of total sector liabilities, at Rs 7.5 lakh crore, would be unsustainable if the current operating pressures continued.

The company is hoping the government will take quick policy action to improve the financial health of sector incumbents, down after the launch of Reliance Jio. The ministry of communications has set up an Inter-Ministerial Group on what to do about this. One option being discussed there is to ask lenders to increase the tenure of loans to 40 years.

"It is critical that the government relooks at all the policy-driven components of the industry's cost structure. Some of the key recommendations by the industry, as well as Trai (Telecom Regulatory Authority of India), to the government include revamping of methodology for estimation of adjusted gross revenues for levying license fee and spectrum usage charge, loading of levies in the form of license fee and spectrum usage charges, increase in moratorium and durational installments for payment of deferred spectrum obligation, and formulating a financing package for the sector," the company had told analysts.

2. High service charges, mis-selling of insurance products under RBI scanner

While banks had granted autonomy to fix minimum average balance or charge for premium services

Abhijit Lele

The Reserve Bank of India (RBI) would probe into "exorbitant" service charges imposed by banks and mis-selling of third-party products, especially insurance policies, during its supervisory review, RBI Deputy Governor S S Mundra said on Tuesday.

The central bank would also issue final guidelines on customer protection soon, which would limit customers' liability in cases of unauthorised electronic banking transactions, Mundra said. Last year, the RBI had issued a draft circular in this regard.

Mundra said customers had flagged the issue of high service charges for failing to maintain minimum average balance, among other things.

While banks had been granted autonomy to fix minimum average balance or charge for premium services, it should not be used as an excuse to deny service or drive away the common man, he said while addressing the annual conference of Principal Codes and Compliance Officers (PCCOs).

The supervisory review for 2016-17, which will begin soon and continue until December, would look into wrong selling of financial products like mutual funds, insurance and retail bonds. Also under scanner would be usurious charges and violation of know-your-customer (KYC) norms, the deputy governor said.

About the safety of cheques, he said many cases of fake cheques surfacing in customer accounts had been reported. This had compromised information about customers, he said, adding the quality of cheques being printed was not of a high order.

Referring to the complaints made to banking ombudsman in 2015-16, Mundra said the complaints had exceeded over a lakh for two consecutive years.

Also, complaints related to non-adherence to the Banking Codes and Standards Board of India (BCSBI) and fair practices codes rose to 33.9 per cent, against 29.2 per cent in 2014-15 and 26.6 per cent in 2013-14.

3. Waive promoters' personal guarantee under S4A Plan: Banks to RBI

Current guidelines don't allow lenders to grant fresh moratorium granted on interest repayment

Press Trust of India

Lenders have requested the Reserve Bank of India (RBI) to exempt companies where they are looking to implement Scheme for Sustainable Structuring of Stressed Assets (S4A) from furnishing promoters' personal guarantee.

Under the S4A scheme, the joint lender forum is required to obtain promoters personal guarantee before implementing the stress asset resolution plan.

Bankers said many of the companies are into stress for the reasons beyond their control and so the promoters may find it difficult to pledge their personal guarantees.

"For stressed companies, the factors causing the stress are beyond the control of the promoters and therefore, it is impractical to require furnishing of personal guarantee especially in case of listed companies. So, the requirement of furnishing personal guarantee must be waived," a source said.

Banks have also asked RBI to allow fresh moratorium or extend repayment schedule or reduction of rate of interest under the S4A resolution plan.

The current S4A guidelines do not allow lenders to grant fresh moratorium granted on interest or principal repayment.

These recommendations were made to the RBI in the meeting held yesterday to discuss stressed asset resolution plan.

In order to facilitate timely decision making for resolution of stressed assets, RBI, in a May 5 notification, had said that decisions agreed upon by a minimum of 60% of creditors by value and 50% of creditors by number in the JLF would be considered as the basis for deciding the corrective action plan (CAP), and will be binding on all lenders.

Lenders have suggested RBI to take into consideration ECB Lenders, financial institutions, NBFCs under the scheme as most of the stressed companies have large exposure from other lenders including ECB lenders, the source said.

The Tuesday's meeting was attended by heads of ICICI Bank, IDBI Bank, Axis Bank, HDFC Bank, Standard Chartered Banks and Canara Bank.

Senior officials from SBI and Bank of Baroda were also present in the meeting held at RBI here.

Financial Express

4. Tax department extends date for filing Statement of Financial Transaction by banks, mutual funds till June 30

The Income Tax department today extended the date for filing the Statement of Financial Transaction (SFT) report by banks, mutual funds and financial institutions by a month to June 30

By: PTI

The Income Tax department today extended the date for filing the Statement of Financial Transaction (SFT) report by banks, mutual funds and financial institutions by a month to June 30. The Central Board of Direct Taxes (CBDT) received representations for extension of the date on account of the "teething problems and the volume of data to be compiled", the finance ministry said in a statement.

"In view of these representations and in order to remove inconvenience and to facilitate ease of compliance, the CBDT, have extended the due date of furnishing of the SFT in respect of specified financial transactions registered during Financial Year 2016-17, from May 31, 2017 to June 30, 2017," the statement said.

CBDT had last week asked the entities required to furnish SFT under 114E of Income Tax Rules to register with the I-T department and generate Income Tax Reporting Entity Identification Number (ITDREIN).

Banking companies, cooperative banks, trustees of a mutual funds and post offices need to file SFT for payments and receipts beyond a certain threshold.

Economic Times

5. Banks Board Bureau won't pick heads of financial institutions

BY DHEERAJ TIWARI

The government has taken away the task of selecting candidates to run state-run financial institutions from the Banks Board Bureau, narrowing the mandate of the independent body set up a year ago to primarily help reform struggling banks.

A committee headed by financial services secretary Anjuly Chib Duggal will now select CEOs for four financial institutions where the posts are lying vacant, a senior government official said. This has raised concerns over conflict of interest, because the list of candidates the panel has to screen includes officials from the finance ministry, where Duggal also works.

The government has received close to 90 application for the top posts at IIFCL, IFCI, Sidbi and Exim Bank. Besides the financial services secretary, additional secretary GC Murmu is also a member of the panel. The bureau, headed by former Comptroller and Auditor General Vinod Rai, was established in April 2016 with an aim to free the government of the administrative task of appointing top executives and overseeing their governance standards at state-run banks and financial institutions. It will continue to have the mandate to select top executives to run state-run banks.

Rai could not be reached for comment as he was travelling overseas. Other members of the panel include Allahabad Bank's former chairman Subhalaxmi Panse, consultancy firm India Asia's promoter Pradeep Shah, central bank deputy governor NS Vishwanathan and IIM-Indore professor RT Krishnan.

The bureau itself has seen some developments in recent weeks. HN Sinor, a member, resigned in early May on grounds that he was disappointed with its functioning. But, after being pursued by Rai, he withdrew the resignation. Also, the government has made changes in the top management of state-run banks by going against the bureau's recommendations.

The CEOs of two large banks — Usha Ananthasubramanian of Punjab National Bank and Melwyn Rego of Bank of India — were moved to smaller banks, Allahabad Bank and Syndicate Bank, without seeking the bureau's consent. Sunil Mehta and DB Mohapatra, who were selected by the bureau for Allahabad Bank and Syndicate Bank were asked to take charge of PNB and Bank of India, respectively.

Business Line

6. In FY17, Max Life posts best financials in a decade

KR SRIVATS

"The test of a good strategy is when we don't have to change course too often. It means you have thought it through and are doing right things fundamentally," said Rajesh Sud, Executive Vice-Chairman & Managing Director, Max Life Insurance Co.

Sud should know. In FY17, the private life insurer, under his leadership, recorded its best financial performance in the last decade.

"The year 2016-17 has been a record one for Max Life Insurance. The strategy going forward will be a lot about sustaining this momentum on the back of fundamentally good things done by us over many years," Sud told *Business Line* in an exclusive chat while sharing some of the financial milestones achieved by the company.

For the first time ever, Max Life's gross written premium crossed the ₹10,000-crore mark to touch ₹10,780 crore, up 17 per cent over FY16. Net profit grew 50 per cent to ₹660 crore. First year premium (individual + group) grew 27 per cent to ₹3,666 crore. Renewal premium grew 12 per cent to ₹7,114 crore.

The embedded value of the life insurer, which is the sole operating subsidiary of listed Max Financial Services, came in at ₹6,590 crore, up 26.3 per cent.

Sud, however, admitted that it would not be possible for Max Life to sustain the 50 per cent growth in bottom line, given that FY17 performance was aided by some "cashing out" of investments in the company's debt portfolio based on market calls.

On the status of merger approval with HDFC Life Insurance, Sud said Max Life is still awaiting a response from IRDAI.

"We had in November 2016 itself sent our views on the reservation raised by IRDAI. We have to hear back from them," Sud said, adding that Max Life continues to operate on a "business as usual" basis even as the ball is in IRDAI's court.

"We can't take our eyes off our business because of this (regulatory decision on merger). For us, performance is non-negotiable. We have not stepped our foot off the accelerator at all."

Max Life is clearly eyeing leadership position in the private life insurance industry, irrespective of how its proposed merger with HDFC Life pans out.

"We are after the leadership spot not just by selling much more, but also retaining more. This business is about retaining customers. It's all about retention and that's what we are good at," Sud said.

The company recorded a 13th month persistency of 80.4 per cent, up 160 basis points over the previous year. The 61st month persistency improved 10 percentage points to 53 per cent.

'Big story'

The 'big story', according to Sud, is the rapid growth in assets under management (AUM), which saw a 24 per cent increase in FY17.

From a level of about ₹20,000 crore in FY14, the AUM has grown to about ₹45,000 crore in FY17, and will touch ₹90,000 crore in four years if this growth tempo is maintained, he said.

7. Ujjivan Small Finance Bank strengthens footprint in TN

OUR BUREAU

Ujjivan Small Finance Bank Ltd, a wholly owned subsidiary of Ujjivan Financial Services Ltd, has commenced its banking operations in Salem.

In addition to Salem, Ujjivan SFB has opened four additional branches in Tamil Nadu at Krishnagiri, Dharmapuri, Vellore Katpadi and Tirupathur. The bank commenced banking operations in February this year with a pilot branch in Bengaluru.

It has established a network of 34 branches across Karnataka, Maharashtra, New Delhi and West Bengal.

Ujjivan has presence across 24 districts in Tamil Nadu with 56 branches, catering to over 5.04 lakh customers. The total loan disbursed in Tamil Nadu as at the end March 2017 stood at over ₹3,136 crore.

Over a period of eight years, Ujjivan's microfinance branch in Salem has catered to over 12,700 customers. The existing Ujjivan customers would be on-boarded as bank customers.. The process of on-boarding over 6,000 microfinance customers has already been initiated, while the transition for the rest would take place in a phased manner, Ujjivan SFB has stated in a release.

Speaking on the development, Samit Ghosh, Managing Director and Chief Executive of Ujjivan SFB said that the bank would continue to strengthen its footprint across the country to serve target customer segments.

Commenting on the launch, Ittira Davis, Chief Operating Officer, Ujjivan SFB said that significant investment has been made on technology and digitisation. The bank would provide doorstep banking, mobile, internet and phone banking, access to biometric ATMs and Aadhaar-enabled debit cards.

"Aadhaar-enabled KYC facilitates paperless account opening in approximately 5-7 minutes using biometric authentication on a hand-held device. The device can also be used for cash deposits, withdrawals and fund transfers at the customer's doorstep".

The bank's customers will have unlimited access to transactions on Ujjivan's ATM network and a total of six free transactions on other bank's ATM networks, he added.

"Our goal is to build a leading state of the art mass-market bank in five years to serve the un-served and under-served customer base who currently are outside the formal banking system," said Ghosh

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY