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**Dear Comrades,**

**17th June , 2017**

**News of Interest 17th JUNE**

**MOTIVATIONAL QUOTES**

**“BEFORE GOD WE ARE ALL EQUALLY WISE - AND EQUALLY FOOLISH. “ ALBERT EINSTEIN**

**HIGHLIGHTS**

- 1. AADHAAR MUST FOR OPENING BANK ACCOUNTS, TRANSACTIONS OF RS 50,000 AND ABOVE**
- 2. PSBS NEED MORE THAN BUDGETED CAPITAL INFUSION: MUNDRA**
- 3. DON'T REPORT FRAUDS BELOW RS ONE LAKH TO POLICE: CVC TO PUBLIC SECTOR BANKS**
- 4. NO PLAN TO ISSUE NEXT LIST OF DEFAULTERS ANY TIME SOON: RBI**
- 5. RBI WORKING ON CO-ORINATION MODEL FOR MSMES**
- 6. KARNATAKA BANK TO ROLL OUT AADHAAR-ENABLED ATMS SOON**

Business Standard

**1. Aadhaar must for opening bank accounts, transactions of Rs 50,000 and above**

Furnish Aadhaar no by Dec 31, failing which your account will cease to be operational  
Agencies

The government on Friday made the Aadhaar card mandatory for opening bank accounts and for financial transactions of Rs 50,000 and above.

Existing bank account holders have been asked to submit the Aadhaar number issued by the Unique Identification Authority of India (Udai) by December 31, 2017, failing which the account will be declared invalid, according to a revenue department notification.

The government in Budget 2017 had also mandated seeding the Aadhaar number with the Permanent Account Number (PAN) to avoid individuals using multiple PANs to evade taxes. The notification amending the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, mandated quoting Aadhaar along with PAN or Form 60 by individuals, companies and partnership firms for all financial transactions of Rs 50,000 or above. Tightening the rules for small accounts, which can be opened without having valid Know Your Customer documents, the amendment said such accounts, which can have a maximum deposit of Rs 50,000, could be opened only at branches with core banking solution.

It can also be opened at a branch where it is possible to manually monitor and ensure that foreign remittance are not credited to such account and stipulated limits on monthly and annual aggregate of transactions and balance are not breached, the amended the Prevention of Money Laundering Act (PMLA) rules stated.

Such small account shall remain operational initially for a period of 12 months and thereafter for a similar period if the account holder provides evidence that he or she has applied for officially valid identification documents.

"The small account shall be monitored and when there is a suspicion of money laundering or financing of terrorism or other high risk scenarios, the identity of claim shall be established through the production of official valid documents," it said.

The amendment makes it mandatory for individuals, companies and partnership firms to quote Aadhaar along with PAN or Form 60 for all financial transactions of Rs 50,000 or above with effect from June 1.

After June 1, if a person does not have an Aadhaar number at the time of opening of account, then he has to furnish proof of application of enrolment for Aadhaar and submit the number to the bank within six months of opening of the bank account.

"In case the client, eligible to be enrolled for Aadhaar and obtain a PAN... does not submit the Aadhaar number or the PAN at the time of commencement of an account-based relationship with a reporting entity, the client shall submit the same within a period of 6 months from the date of the commencement of the account based relationship.

"Provided that the clients... already having an account-based relationship with reporting entities prior to date of this notification, the client shall submit the Aadhaar number and PAN by December 31, 2017," the notification said.

So far, according to PMLA rules, it was mandatory to provide PAN number or Form 60 to banks while opening of accounts or for high-value transactions. For companies opening bank accounts, Aadhaar number of managers or employees holding an attorney to transact on the company's behalf will have to be provided.

## **2. PSBs need more than budgeted capital infusion: Mundra**

RBI identified stressed accounts each having more than Rs 5,000 crore of outstanding loans

[Press Trust of India](#) |

Reserve Bank of India (RBI) Deputy Governor S S Mundra on Friday said, public sector banks might require more than the budgeted Rs 10,000 crore capital infusion from the government in the current financial year on account of the higher provisioning for bad loans and haircut on stressed assets.

"I think the finance minister has always been mentioning that if there is a need we will find resources," he said on the sidelines of an event organised by Assoc ham.

The process of non-performing assets (NPA) resolution and capitalisation are closely associated, Mundra said, adding, it appears banks may need additional capitalisation after the exercise.

Asked about the quantum of haircut to be taken by the banks for resolution of stressed assets, Mundra said, "There is no question of maximum or minimum haircut. Haircuts have to be taken depending on the need and requirement (for resolution)." Various solutions may emerge as part of insolvency process, he said.

It could be merger, restructuring and haircut, or provisioning may be required depending on the structure which is finally adopted under the Insolvency and Bankruptcy Code (IBC), he said.

Mundra also said the balance sheet cleaning exercise could lead to increase in provision.

"Quite possible. To believe that all this (cleaning) can happen without additional provisioning would be too optimistic. I would strongly say we should be realistic rather than pessimistic or optimistic," he said.

Earlier this week, the RBI identified 12 stressed accounts each having more than Rs 5,000 crore of outstanding loans and accounting for 25 per cent of total NPAs for immediate referral for resolution under the bankruptcy law.

When asked about the names of the 12 accounts, he said, Internal Advisory Committee (IAC), comprising a majority of its independent board members, will come out with the list at an appropriate time. The banking sector is saddled with non-performing assets (NPAs) of over Rs 8 lakh crore, of which Rs 6 lakh crore is with public sector banks (PSBs).

On consolidation, Mundra said, it is purely a commercial decision and once the decision is taken it will reach the regulator for approval.

"I think these are business decisions which are to be taken by the respective bank managements, owners. At right point of time where it needs review by the regulator, it will come. The RBI comes into the picture much later," he said.

It is to be noted that Finance Minister Arun Jaitley had announced capital infusion of Rs 10,000 crore for the current financial year in line with the Indradhanush scheme.

According to the scheme, public sector banks need to raise Rs 1.10 lakh crore from markets, including follow-on public offer, to meet Basel III requirements, which kick in from March 2019.

This will be over the Rs 70,000 crore that banks will get as capital support from the government. Of this, the government has already infused Rs 50,000 crore in the past two financial years and the remaining will be pumped in by the end of 2018-19.

Additional allocation will be provided as may be required, Jaitley had said.

### **3. Don't report frauds below Rs one lakh to police: CVC to public sector banks**

Earlier banks were mandated to report fraud of above Rs 10,000 and below Rs one lakh to police

Press Trust of India

The Central Vigilance Commission (CVC) has asked public sector banks not to report frauds below Rs one lakh to local police, unless their staff is involved in such crimes.

Earlier banks were mandated to report fraud of above Rs 10,000 and below Rs one lakh to police.

The decision was taken by the CVC in consultation with the Reserve Bank of India (RBI), taking into the account the practical difficulties faced by public sector banks in reporting such categories of cases.

It has been decided that only if staff of the bank is involved in the fraud cases of below Rs one lakh and above Rs 10,000, would such cases need to be reported or complaint filed with local police station by the bank branch concerned, the commission said in a directive to chiefs of all the banks.

The cases of frauds of up to Rs one lakh and not below Rs 10,000 are to be scrutinised by banks officials concerned for further necessary action, a senior CVC official said.

As of September 30, 2016, the Non-Performing Assets (NPAs) declared by various scheduled commercial banks stood at a whopping Rs 6,65,864 crore, according to an official data.

The NPAs of the country's largest lender State Bank of India is Rs 97,356 crore, followed by Rs 54,640 crore of Punjab National Bank and Rs 44,040 crore of Bank of India, it said.

Bank of Baroda has NPAs of Rs 35,467 crore, Canara Bank Rs 31,466 crore, Indian Overseas Bank Rs 31,073 crore, Union Bank of India Rs 27,891 crore, IDBI Bank Limited Rs 25,973 crore, Central Bank of India Rs 25,718 crore, Allahabad Bank Rs 18,852 crore and Oriental Bank of Commerce Rs 18,383 crore, said the data, which was given by the government in Rajya Sabha in August last year.

Financial express

#### **4. No plan to issue next list of defaulters any time soon: RBI**

Following the Reserve Bank of India (RBI) identifying 12 accounts that are responsible for 25 per cent of non-performing assets (NPAs), the central bank on Friday said it has no plans to come out with a next list any time soon.

By: IAN S

Following the Reserve Bank of India (RBI) identifying 12 accounts that are responsible for 25 per cent of non-performing assets (NPAs), the central bank on Friday said it has no plans to come out with a next list any time soon. "If you look at it (NPAs), RBI had a detailed circular. Twelve cases have been referred for resolution by Insolvency and Bankruptcy Code (IBC). Other (bad loan) cases, banks are encouraged to resolve in six months' time," RBI Deputy Governor S.S. Mundra said. "Where is the question of quickly coming out with the second list," he said.

Mundra was speaking on the sidelines of the 3rd national summit — Bankers Borrowers Business Meet 2017 — organised here by the Associated Chambers of Commerce and Industry of India (Assoc ham).

Business Line

#### **5. RBI working on co-origination model for MSMEs**

K. R. SRIVATS

The Reserve Bank of India is working towards a formal co-origination model to give a boost to the flow of credit to the micro, small and medium enterprises (MSME) sector, SS Mundra, Deputy Governor, said.

A co-origination model is not about a bank financing a micro-finance institution (MFI) or non-banking finance company (NBFC) for on-lending to the ultimate borrowers. Rather, both of them (bank and the MFI/NBFC) join at each underwriting and loan level and share the loan amount at an agreed percentage with all other structures put in place.

"The advantage is that it can bring the strengths of the two sectors together — MFIs have better understanding of the ground level and last mile reach and banks can supplement the resources," Mundra said at a Bankers-Borrowers Business meet organised by Assocham here on Friday.

"In my mind, rather than simply going in for refinancing or on-lending, this co-origination can become an important way of catering to the MSME sector," he added.

Mundra's remarks are significant as it comes at a time when the MSME sector is faced with challenges of non-availability of adequate, cheap and timely institutional credit.

For the Indian economy, the MSME sector is the backbone. The contribution of this sector to the overall GDP is more than 30 per cent and accounts for nearly 45 per cent of the industrial output.

However, the rate of growth of outstanding credit to MSMEs extended by all scheduled commercial banks over the last four years declined from 28.51 per cent in 2012-13 to 19.66 per cent in 2013-14 to 12.62 per cent in 2014-15 and further to 3.83 per cent in 2015-16.

Further, the outstanding credit to the MSME sector as a share of adjusted net bank credit has remained at 17-18 per cent levels during the last four years — 2012 to 2016. According to RBI data, outstanding credit to MSMEs extended by all scheduled commercial banks rose to ₹12.16 lakh crore as on end-March 2016 from ₹11.71 lakh crore on March 31, 2015.

Mundra said it is very important for lenders to understand the life-cycle of MSMEs. "Putting MSMEs in one bracket is a misnomer as micro-enterprises and SMEs are like comparing chalk and cheese," he said.

He underscored the need for products that meet the life-cycle needs of MSMEs and for a strong oversight mechanism in banks to see that MSME-related policies are implemented at the operating level. In respect of supporting faltering MSMEs, he said: "Let us recognise that when we are talking about MSMEs, we are talking about entrepreneurship.

"Let us recognise that failure is an integral part of entrepreneurship anywhere in the world. Unfortunately, failure in our system is still a stigma."

For borrowers, Mundra said that they need to understand the changing economic dynamics and impact on businesses. For micro-enterprises, lenders have to be imaginative and think about other ways of assessing their creditworthiness, he said.

"If banks continue to feel that the traditional rating model they do for micro units would be their guiding principle, then it is never going to work," Mundra said.

On their part, SME borrowers have been raising the issue that bankers are, in general, not sensitive to their needs. They feel that the non-performing asset (NPA) guideline of 90 days is too stringent and does not take cognisance of the life-cycle of SMEs.

## **6. Karnataka Bank to roll out Aadhaar-enabled ATMs soon**

AJ VINAYAK

Karnataka Bank is betting big on enhancing its presence in areas related to information technology in the national banking horizon.

Mahabaleshwara MS, Managing Director and CEO, told *Business Line* that the bank is focussing on alternative delivery channels and digital banking initiatives.

During 2016-17, digital mode accounted for around 53 per cent of the total core banking service (CBS) transactions in the bank. This was 30 per cent about five years ago.

He hoped that the recent initiatives of the government such as Aadhaar-enabled ATMs and Unified Payments Interface (UPI) will play a key role in its efforts to increase information technology-based initiatives.

He said that the bank is in the process of launching around 100 Aadhaar-enabled ATMs in the months to come. These ATMs help customers perform transactions through biometric authentication.

The bank is in discussion with an ATM service provider and the National Payments Corporation of India in this regard. Around 30 per cent of the proposed Aadhaar-enabled ATMs will be set up in rural and semi-urban centres. Of the around 8.2 million customers, three million have already been linked to Aadhaar, he said.

Karnataka Bank is also focusing on improving penetration of UPI among its users. As a part of this, the bank is exploring value additions in its UPI app to extensively use it for fee collection in educational institutions, he said.

To enable depositing and withdrawing of cash from a single kiosk, the bank will be setting up cash recyclers. The customer, who credits the cash in such recyclers, can withdraw the money from the same recycler. Five such cash recyclers will be set up within two months, he said.

The bank is also in the process of launching a mobile banking app that provides tailor-made functionalities to corporate users.

When told that some customers find it difficult to handle new-age digital banking products, he said there is a need for hand-holding of such customers.

With kind regards,

Yours Comradely,



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