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Dear Comrades,

13th March, 2017

News of Interest 13th MAR

MOTIVATIONAL QUOTES

“IT DOES NOT MATTER HOW SLOWLY YOU GO AS LONG AS YOU DO NOT STOP.”

CONFUCIUS

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BUSINESS STANDARD

1. ICICI Bank, SBI, StanChart top bank frauds list: RBI

While ICICI had largest number of cases at 455, in value terms SBI topped with Rs 2,237 cr

Press Trust of India

ICICI Bank topped the list of banks that witnessed most number of frauds during April-December period of 2016 with state-owned SBI taking the second spot, RBI data said.

During the first nine months of the current fiscal, as many as 455 fraud cases involving Rs 1 lakh and above were detected in ICICI Bank, closely followed by SBI (429), Standard Chartered (244) and HDFC Bank (237).

The other banks which reported large number of frauds to the apex bank during the period include Axis Bank (189), Bank of Baroda (176) and Citibank (150).

However, in value terms, frauds involving Rs 2,236.81 crore were reported in SBI, followed by Punjab National Bank (Rs 2,250.34 crore) and Axis Bank (Rs 1,998.49 crore).

The data provided by RBI to the Finance Ministry also revealed the involvement of bank staffs in fraud cases.

In the case of SBI, 64 employees were involved in fraud cases, while it was 49 for HDFC Bank and 35 for Axis Bank.

In all, 450 employees were involved in fraud cases in different public and private sector banks during April-December 2016, in 3,870 cases involving a total value of Rs 17,750.27 crore.

2. Pending repayments remain high for MFIs: RBI staff report

MFIs faced problems in getting repayment in some pockets of India because of currency shortage

Abhijit Lele

The financial sector may gradually be recovering from the effects of demonetisation, but microfinance companies, whose customers depend on cash transactions, are still grappling with pending payments with high risk of defaults.

A research paper by the Reserve Bank of India (RBI) staff said such customers often fall in the category of small farmers and unskilled labour.

Microfinance institutions faced problems in getting full repayment from clients in some pockets of the country because of currency shortage. As the time progresses, the prospects of recovery from people who stay in default reduce, said bankers.

The RBI relaxed the norms for asset qualification for loan installments due between November and December 2016 as a step to reduce adverse impact on books of finance companies.

Data provided by the Micro Finance Institution Network (MFIN), a self-regulatory body of finance companies working in micro finance segment, however, suggest that pending repayments were still high in January 2017, the paper said.

In November 2016, the RBI provided an additional 60 days beyond what was applicable for the regulated entities in this sector for recognition of a loan account as sub-standard.

Subsequently, on December 28, the central bank again announced forbearance of 30 days (in addition to the 60 days provided earlier). The impact of leeway on non-performing assets (NPAs) would be known by the end of March.

While the total loan amount outstanding declined by 4.1 per cent between November-end and January-end, loan amount disbursed increased by 9.2 per cent during the same period. The cash collections, which initially witnessed significant reduction, improved subsequently, except for some pockets in the western region.

The latest feedback received by MFIN from their member MFIs suggests that there has been some improvement in collections since late December. While repayments are mostly made in cash, MFIs are striving to opt for different cashless ways for disbursements.

The paper, titled 'Macroeconomic Impact of Demonetisation — A Preliminary Assessment', prepared by the staff of Monetary Policy Department at RBI, claimed the impact of demonetisation on the real economy has been transient.

3. Public sector banks rush to get cyber insurance policies

By Shilpy Sinha & Pratik Bhakta,

Public sector banks, which are considered laggards in the digital space, are pulling up their socks in cyber insurance. Many state-owned commercial banks are rushing to buy insurance for threats such as hacking, including data loss and associated liabilities. This comes in the wake of the Reserve Bank of India tightening reporting for banks, which for long ignored cyber threats, as well as a greater realisation among banks about the potential dangers of living in a digital world without cover.

In the wake of demonetisation and the increased push on going digital, banks are seeking cyber insurance policies with the growing perception of threats and high-profile cyber-related incidents. The recent malware attack on Hitachi Payment Services affected 3.2 million debit cards across banks. While the exact claim amount has not been ascertained, industry officials said figures ranging from Rs 10 crore to Rs 100 crore are floating around. "Two large banks have started the process to cyber risk," said two people familiar with the development. "While the major private banks are already covered, their public-sector peers are now looking for cover." Marsh India, a top insurance broker that works with seven of the top 10 banks, has seen limits going up to \$100 million. Generally, limits vary from \$10 million to \$50 million.

Banks are seeking more cover for first-party costs related to forensics and cyber experts in case of a claim. This will pay for costs of post-breach investigations as well. Insurers said that in many cases, the cost of external experts was higher than the financial loss caused by a cyber breach. The RBI has issued guidelines to banks to ensure cyber security for addressing risks emerging from new technology.

Banks are also looking to cover the cost of replacing plastic cards of customers, which may not necessarily have been affected by a breach. In the Hitachi ATM attack case, banks had to replace the entire set of cards used on the affected network, though all of them may not have been compromised.

"Banks are usually quick to reimburse small losses to individuals, even though it may not be the banks' fault, but in cases of large loss of a corporate customer, there maybe costs related to litigation," said an executive of an insurance company.

Cases of e-theft of funds and frauds such as phishing and impersonation are on rise, he said. "Many banks are looking at fund transfer or white collar fraud done through digital means as an explicit cover in their cyber policies," said an insurance broker.

Business Line

4. Notes in circulation drop to Rs 11.73 lakh cr, post ban

PTI

The total value of currency notes in circulation has come down by a quarter to Rs. 11.73 lakh crore post demonetisation, Parliament was informed today.

The value had steadily risen to March 31, 2016 since March-end 2014.

There were Rs. 16.41 lakh crore worth currency notes in circulation as on March 31 last year, which has come down to Rs. 11.73 lakh crore as on March 3, 2017,

Minister of State for Finance Arjun Ram Meghwal said in a written reply in the Lok Sabha.

"The reduction in notes in circulation is due to demonetisation of specified bank notes," he said.

As on March 31, 2014, there were Rs. 12.82 lakh crore worth of notes in circulation, which went up to Rs.14.28 lakh crore till March 31, 2015 and further to Rs. 16.41 lakh crore at the end of March 2016.

Prime Minister Narendra Modi on November 8 announced demonetisation of 500 and 1,000 rupee notes, which accounted for 86 per cent of the total currency in circulation.

Post demonetisation, the government has come up with new 500 and 2,000 rupee notes with added security features.

Meghwal said that up to February 2017, there were 1.9 billion and 1.03 billion Rs. 5 coins and Rs. 10 coins, respectively, in the market. Besides, there were 2.6 billion Rs. 10 notes and 3.6 billion Rs. 20 notes, respectively.

To a query regarding the cost of printing new 500 and 2,000 notes, Finance Minister Arun Jaitley said the cost price of the currency note is the function of direct and indirect material and labour costs, which changes every year.

"Differences also arise due to type and age of machines and the skill level of the employees... Due to the differences, the cost of notes varies from Rs. 2.87 to Rs. 3.09 per Rs. 500 note and from Rs. 3.54 to Rs. 3.77 for a Rs.1,000 note. The cost of Rs. 2,000 note is in the same range as that of the old Rs. 1,000 note," Jaitley said.

There are four printing presses which print currency notes — two with the Security Printing and Minting Corporation of India (SPMCIL) and two with the Bharatiya Reserve Bank Note Mudran Private (BRBNMPL).

The Hindu

5. Judge wonders why CBI did not probe bank directors in fraud case

[S. Vijay Kumar](#)

The XIth Additional Special Judge for Central Bureau of Investigation cases K. Venkatasamy has expressed concern over the progress of investigation into a fraud in which Andhra Bank suffered losses to the tune of ₹114.33 crore.

Wondering why the investigating agency had not arrested or examined the bank directors, who sanctioned the loan without obtaining collateral security, the judge said such lapses could pave the way for more financial frauds. It also appeared that banks had a tendency to favour corporate borrowers when it came to complying with collateral security norms.

The case relates to an alleged scam involving Zylog Systems (India) Ltd represented by Sudarshan Venkatraman, Ramanujam Sesharatnam, Srikanth and others. The complaint of Andhra Bank is that the accused defrauded the bank causing a loss of ₹114.33 crore. They took the loan for the purpose of installing WiFi towers, but indulged in cheating and criminal misappropriation of funds.

Based on a complaint preferred by the bank on March 14, 2016, the CBI's Bank Securities and Fraud Cell, Bengaluru, registered a case. During the course of investigation it came to light that the accused were involved in four cases of bank frauds to the extent of ₹740 crore.

Dismissing the bail petitions of the first two accused in the case, Mr. Venkatasamy said even one year after registering the case, the CBI had not arrested or examined the bank directors, who sanctioned the loan without ensuring proper collateral security. If enlarged on bail, the accused might attempt to tamper with evidence or influence witnesses. Since the two were US nationals, there was a possibility that they could flee to their country, the judge said referring to objections raised by the CBI counsel.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY