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Dear Comrades,

24th March , 2017

News of Interest 24th MAR

MOTIVATIONAL QUOTES

“ALWAYS DO YOUR BEST. WHAT YOU PLANT NOW, YOU WILL HARVEST LATER. “

OG MANDINO

HIGHLIGHTS

- 1. RBI PUTS 4 PUBLIC SECTOR BANKS UNDER WATCH ON ASSET QUALITY CONCERNS**
- 2. YES BANK LAUNCHES \$650-MN QIP OFFER**
- 3. FINANCE MINISTRY CALLS BANKS TO DISCUSS NEW FACILITY TO ABSORB CASH**
- 4. EPF CONTRIBUTORS ABOVE STATUTORY LIMIT TO BE BENEFITED: GOVERNMENT**
- 5. IDFC BANK TO SET UP 30,000 MICRO ATMS AND 75,000 AADHAAR PAY MERCHANT POINTS IN TWO YEARS**
- 6. NPA RESOLUTION MECHANISMS NEED MORE TEETH: SS MUNDRA**
- 7. SOUTH INDIAN BANK INTRODUCES AADHAR-BASED PAYMENT APP**
- 8. BONANZA FOR HOME LOAN SEEKERS AS GOVT OFFERS INTEREST SUBSIDY FOR THOSE EARNING ₹6 LAKH-₹18 LAKH**

Business Standard

1. RBI puts 4 public sector banks under watch on asset quality concerns

UCO Bank also figures in the list and the name of fourth lender could not be immediately ascertained

Press Trust of India

The Reserve Bank of India (RBI) has put four public sector lenders, including IDBI Bank and Indian Overseas Bank, under watch and advised them to stay off risky assets so that their financial health is not stressed further.

While UCO Bank also figures in the list, the name of the fourth lender could not be immediately ascertained.

Sources said these lenders were on the RBI's radar as their financial health may not improve after the central bank's asset quality review (AQR) comes to an end on March 31.

These banks have been advised by both the Finance Ministry and the RBI to improve their financials, look for avenues for capital infusion and create a self-sustaining model by selling assets, they added.

Queries sent to the RBI did not elicit any response, while no comments were available from the four lenders.

RBI had embarked on the AQR exercise from December 2015 and asked banks to recognise some top defaulting accounts as non-performing assets (NPAs) and provide for them.

The move resulted in a spike in bad assets with lenders recognising over Rs 1 lakh crore of bad assets in the December quarter alone.

On an year-on-year basis, the gross NPA of Indian Overseas Bank (IOB) increased by 52 per cent to Rs 34,502.13 crore at the end of December 2016, while the loss stood at Rs 554 crore.

Similarly, the gross NPA of IDBI Bank spurted by 80 per cent to Rs 35,245 crore and it booked a loss Rs 2,255 crore.

The government recently shifted IDBI Bank's MD and CEO Kishor Kharat to Indian Bank. M K Jain, MD and CEO of Indian Bank, was in turn moved to IDBI Bank.

Kolkata-based UCO Bank's bottomline too is expected to remain under stress during the fourth quarter ending March 31.

Its gross NPA during the third quarter surged by 49 per cent to Rs 2,181.26 crore and the loss was Rs 437 crore.

IOB was also put under 'prompt corrective action' in 2015 when its gross NPA touched 10 per cent.

The RBI has specified certain regulatory trigger points as part of the prompt corrective action (PCA) framework. They include three parameters -- capital to risk weighted assets ratio (CRAR), net NPA and Return on Assets (RoA), for initiation of certain structured and discretionary steps.

Under lens

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- IOB was also put under 'prompt corrective action' in 2015 when its gross NPA touched 10 per cent

2. YES Bank launches \$650-mn QIP offer

The floor price has been fixed at Rs 1,498.95 per share

Anup Roy

After scrapping its last offering in September, private sector YES Bank Ltd on Thursday said it would go for a fresh round of share sale through qualified institutional placement (QIP).

The bank's board had passed resolutions in April and October last year allowing the bank to raise \$1 billion equivalent (including premium) in rupee of capital through QIP. However, this time the bank is trying to raise a total of \$750 million equivalent (\$650 million in base price and \$100 million through greenshoe option).

In a notice on exchanges, YES Bank said its QIP opened on Thursday itself. According to an investment banking source, the closure could be on Friday, March 24, 8 AM, "with an option to close earlier subject to acceleration."

The floor price, as per the formula of capital market regulator Securities Exchange Board of India (SEBI) has been fixed at Rs 1,498.95 per share. "The bank may at its discretion offer a discount of 5% on the floor price of QIP," it said in the filing.

The capital raising committee of the bank will decide on 29 March on the pricing of the shares. The pay-in is expected to be on or about March 31. According to the source, the price range would be Rs 1,455-1,500 per share. The bank has appointed four banks to manage the deal – CLSA, Bank of America Merrill Lynch, IIFL, and Motilal Oswal. In its last QIP offering, Goldman Sachs was also one of the investment banks, but not this time.

The bank in September cancelled its \$1 billion offering, citing "extreme market volatility" and "misinterpretation of new QIP guidelines."

"Due to extreme volatility during today's (Thursday) trading day because of misinterpretation of new QIP guidelines, YES Bank has been advised by its appointed merchant bankers to defer its proposed QIP," the lender had stated on September 8.

Foreign ownership in the bank is at 42.5% and the bank has room to increase that to 74%, the bank's chairman and managing director Rana Kapoor had said in October. With the better economic growth, the bank is confident it will be able to raise the money successfully. A \$1 billion QIP would have diluted 15% in the bank.

3. Finance ministry calls banks to discuss new facility to absorb cash

Banks have seen a surge in cash deposits ever since demonetisation

Reuters

The finance ministry has called bankers into a meeting on Friday to discuss setting up a new facility to absorb surplus cash in the banking system, according to a letter sent to all heads of lenders seen by Reuters on Thursday.

The finance ministry wants to discuss implementing a new framework called a "standing deposit facility" that would drain the surplus cash at a rate lower than the repo rate without the need for any collateral, the letter said.

The proposal on draining surplus cash through such a facility had previously been mooted by the Reserve Bank of India.

Banks have seen a surge in cash deposits after Prime Minister Narendra Modi last year banned higher-value note bills.

4. EPF contributors above statutory limit to be benefited: Government

The Centre today clarified that the members of the retirement fund body EPFO, who have made EPF contributions on wages above the statutory limit, would be benefited accordingly.

By: PTI

The Centre today clarified that the members of the retirement fund body EPFO, who have made EPF contributions on wages above the statutory limit, would be benefited accordingly. At present, the statutory wage limit for becoming a member of the Employees Provident Fund Organisation (EPFO) is Rs 15,000 per month. In order to contribute more than the statutory ceiling, the employers are required to exercise an option for higher contributions. "Regarding the pension, those who remitted the contribution to EPF, on full salary (above statutory ceiling), now they would get pension, even if they did not give the option before 2006," Labour Minister Bandaru Dattatreya said in response to a question by RSP MP N K Premachandran.

"We would issue the order today itself. All the EPF pensioners can avail the benefits," he said.

The order by the EPFO said, "In a situation where the deposit of the employers' share at 12 per cent has been on the actual salary and not the ceiling amount, the Provident Fund Commissioner could seek a return of all such amounts that the employees concerned may have taken or withdrawn from their Provident fund account before granting them the benefits of the Pension scheme. Once such a return is made in whichever cases such return is due, consequential benefits in terms of this order will be granted to the said employees."

The EPFO members can contribute towards social security schemes like EPF and Employees Pension Scheme 1995, on wages higher than the statutory limit as one's remuneration increases with passage of time.

Economic Times

5. IDFC Bank to set up 30,000 micro ATMs and 75,000 Aadhaar Pay merchant points in two years

By Saloni Shukla

IDFC Bank plans to build a network of more than one lakh points-of-presence in the next two years to enable people in the farthest corners of the country to transact digitally, a move that comes amid the government's digitisation drive.

The Mumbai-based private lender plans to set up 30,000 micro ATMs and 75,000 Aadhaar Pay merchant points as part of its plan. While the micro ATMs function as a bank-in-a-box, most of the Aadhaar Pay merchants will be converted into business correspondents and will deliver basic financial services.

"We are creating an ecosystem that will transform the digital payment landscape," said Rajiv Lall, managing director of IDFC Bank. "It will digitise transactions across all retail customer segments – those with a smartphone but new-to-digital, the feature phone and phone-less population. We will do this by deploying micro ATMs,

establishing e-PDS and Aadhaar Pay merchant points, through fintech partnerships and acquisitions.” ..

The plan envisages coverage of 250,000 villages across 300 districts to serve nearly one crore customers, according to Lall. The bank currently has about 7,000 points-of-presence, including branches, ATMs, micro ATMs, e-PDS outlets, Aadhaar Pay merchant points and the network of Grama Vidiyal Microfinance, the company it had acquired last year.

The 30,000 micro ATMs will be installed in rural and unbanked locations and will be placed at fair price shops and panchayat offices, among others. The bank currently operates in 19 states spanning 20 cities, 60 districts and 40,000 villages.

In the pilot phase spanning three months, more than 1,500 merchants across 16 states have enabled digital transactions for customers of all banks, using IDFC Aadhaar Pay on their smartphones. The bank now plans to expand this network to 25 states. The bank also plans to convert most of these agents into a full-fledged banking service point armed with a micro ATM.

Business Line

6. NPA resolution mechanisms need more teeth: SS Mundra

PRESS TRUST OF INDIA

RBI Deputy Governor SS Mundra said there is a need to further strengthen existing stressed asset resolution mechanisms, such as oversight committees and joint lenders forums (JLF).

“I think we need to provide more strength to the processes, and that is where there are discussions going on (like) whether the institution of oversight committee can be further enlarged or strengthened. Similarly, the whole working of the JLF mechanism,” he told newsmen here.

Mundra was replying to a specific question on the perceived inefficacy of the existing asset resolution mechanisms in dealing with the non-performing assets (NPA) problem. Refusing to give a timeline by when the RBI will come out with the modifications, Mundra said there have been discussions on asset resolution among the central bank, the government and other stakeholders.

Elaborating on the JLF mechanism, he pointed out that a few things are crucial, such as: all bankers coming together and deciding on the future course of action; transparency in valuation; and the need for adequate provisions if they decide to take a haircut. On the lack of progress in strategic debt restructuring (SDR) cases where banks have not been able to find buyers, Mundra said the banks are still hopeful and they still have some time.

Mundra said banks are on course to tiding over the NPA problem by the March-end deadline, with banks meeting quarterly targets.

7. South Indian Bank introduces Aadhar-based payment app

V. SAJEEV KUMAR

To promote cashless digital transactions, South Indian Bank has introduced Aadhar-based payment in its UPI mobile application- SIB M-Pay.

Unified Payment Interface enables all bank account holders to send and receive money from their Smartphone without entering the bank account information. Even non-customers of South Indian Bank can link any of their bank account in this mobile application. Currently, the fund transfer is possible only if the Virtual Address (UPI ID) of the beneficiary is known to the user. With the latest addition in SIB M-Pay, the fund transfers can be done by just entering the Aadhar number of the beneficiary. The amount will be credited directly to the beneficiary's Aadhar linked bank account. SIB M-Pay app is currently available in Android Playstore.

Aadhar based payment in South Indian Bank's SIB M-Pay will be a major step in offering simple and efficient payment methods, as the country moves towards a 'Cashless Society' and Aadhar ID plays a key role in Digital India initiatives, said V G Mathew, MD & CEO of the bank.

8. Bonanza for home loan seekers as govt offers interest subsidy for those earning ₹6 lakh-₹18 lakh

OUR BUREAU

Home loan applicants with annual incomes from ₹6 lakh to ₹18 lakh per annum will be eligible for interest subsidy on housing loans.

The subsidy has been enabled under the new Credit Linked Subsidy Scheme for Middle Income Groups (CLSS-MIG) by the Ministry of Housing and Urban Poverty Alleviation.

The scheme has been envisaged for one year. In a press statement, the government said, "Those who have been sanctioned housing loans and whose applications are under consideration since January 1 this year are also eligible for interest subsidy."

Minister of Housing and Urban Poverty Alleviation M Venkaiah Naidu said, "Large scale incentivisation of affordable housing will boost real estate sector, resulting in employment generation as well."

Prime Minister Narendra Modi had earlier announced an interest subsidy of 4 per cent on housing loans of up to ₹9 lakh for those earning up to ₹12 lakh per year. Modi had also announced a subsidy of 3 per cent on housing loans of up to ₹12 lakh for those earning up to ₹18 lakh per year.

In the guidelines, the tenure of loan has been capped at 20 years. The total interest subsidy accruing on these loans amounts will be paid to the beneficiaries up front, thus reducing the burden of Equated Monthly Instalment (EMI). The total interest subsidy to be paid to MIG applicants on a ₹9-lakh loan comes to ₹2.35 lakh and on a loan of ₹12 lakh, it comes to ₹2.30 lakh per beneficiary.

Interest subsidy will be provided on loans for construction or acquisition of a house with a carpet area up to 90 sqm by those earning ₹12 lakh per annum. Those earning up to ₹18 lakh per year can avail themselves of the subsidy on a purchase of a house with a carpet area up to 110 sqm.

Small Finance Banks and Non Banking Finance Company-Micro Finance Institutions also have been recognized to function as Primary Lending Institutions to widen the scope of implementation of CLSS (MIG) in addition to Scheduled Commercial Banks, Housing Finance Companies, Regional Rural Banks, State and Urban Cooperative Banks for accepting applications directly from beneficiaries and advancing loans under the scheme.

National Housing Board (NHB) and Housing and Urban Development Corporation (HUDCO) have been designated as Central Nodal Agencies for implementation of CLSS.

These agencies would then reimburse the interest subsidy to Primary Lending Institutions (PLIs) based on the loans advanced to beneficiaries by PLIs. PLIs include Scheduled Commercial Banks, Housing Finance Companies, Small Housing Banks, State and Urban Cooperative Banks, Regional Rural Banks and NBFC-MFI.

Beneficiaries eligible for interest subsidy under CLSS can directly apply to the lending institutions. After verification of applications, the lenders will sanction loans and then claim subsidy from the nodal agencies.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY