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Dear Comrades,

30th March , 2017

News of Interest 30th MAR

[MOTIVATIONAL QUOTES](#)

**“OPTIMISM IS THE FAITH THAT LEADS TO ACHIEVEMENT. NOTHING CAN BE DONE WITHOUT
HOPE AND CONFIDENCE.”**

HELEN KELLER

HIGHLIGHTS

- 1. KOTAK LAUNCHES ZERO-CHARGE DIGITAL BANK ACCOUNT**
- 2. LEVY FOR NOT KEEPING MINIMUM BALANCE IN BANKS SHOULD BE REASONABLE: GOVT**
- 3. INDIA'S TOP MACRO CHALLENGES ARE STRETCHED COMPANIES, NPA-HIT BANKS: CEA
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DURING THE FIRST 26 DAYS OF MARCH 2017**
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Business Standard

1. Kotak launches zero-charge digital bank account

Its aim is to double the customer base to 16 million over the next 18 months

[Abhijit Lele](#)

Kotak Mahindra Bank (KMB) announced an offer for opening a zero balance savings account on Wednesday, with zero charges for all digital transactions.

This comes when many of its competitors, such as State Bank of India and HDFC Bank, are either raising or reintroducing charges for transactions. From April 1, SBI is set to introduce a fee for failing to keep a minimum balance in some types of savings bank accounts.

KMB said its new '811' plan, to promote a digital banking system via mobile phones, was aimed at doubling its customer base to 16 million over the next 18 months. An account could, it said, be opened anywhere, anytime, within five minutes, using their mobile banking app. It would use the new Aadhaar-based one-time password authentication process for account opening on a mobile. Only Aadhaar and PAN (income tax) numbers are required to open and operate an 811 account.

All 811 customers would get a free virtual debit card. And, would get up to six per cent annual interest on their savings account balances, said Uday Kotak, executive vice-chairman.

Banks have been aggressive in rolling out products for a digital banking platform. HDFC Bank has unveiled products such as a '10-second' loan, a 'design your own loan against securities' offer through net/mobile banking, and loans at ATMs.

Abizer Diwanji, partner at consultancy EY India, said there was a lot of benefit in migrating to a digital platform. The cost of transactions would be much lower than in conventional physical banking.

KMB said the 811 plan offers access to over 100 features on mobiles, including completing of financial transactions, managing of investments and fund transfer. It would also be an effective app for e-commerce on Flipkart, PVR and Goibibo, and fully integrated with the Bharat Quick Response Code. The app is also Unified Payment Interface-enabled, for instantly sending and receiving money.

Kotak Mahindra and associates are significant shareholders in Business Standard Pvt Ltd.

Kotak sees room for 2-3 private 'bad banks'

The Kotak Mahindra Bank (KMB) is looking to scale up its presence in the stressed asset management segment, with focus on resolution and turnaround. Calling this segment, a \$100 billion (Rs 6.5 lakh crore) opportunity, Uday Kotak, executive vice-chairman, said there was room for two-three private sector 'bad (loan) banks'. Bad loans banks are entities that are expected to manage and turn around stressed assets in the sector.

KMB is holding a Board meeting on Thursday, March 30, to consider raising equity capital through rights issue, private placement, Follow-on Public Offering ('FPO'), Qualified Institutions Placement ('QIP') and other avenues.

Kotak said that according to the bank's internal research, the country's total pool of stressed assets — including net non-performing assets, securities receipts and Strategic Debt Restructuring — was about Rs 14 lakh crore. Banks would need to take a hit (loss) for 30 per cent, translating to about Rs 4 lakh crore.

For the other Rs 10 lakh crore, about Rs 2.5 lakh crore will be needed as capital for resolution. Thus, the total opportunity was about Rs 6.5 lakh crore (\$100 bn).

The Kotak Mahindra group already has one asset reconstruction company, Phoenix ARC. Since its registration in June 2008, it has concluded a little more than 100 transactions, comprising both corporate and retail (individual) pools, involving

principal dues in excess of Rs 10,000 crore.

Indian ARCs are highly under-capitalised and a seller of non-performing assets (banks or financial institution) is an 85 per cent buyer as it invests in Security Receipts, Kotak said.

At a recent investor meet organised by foreign brokerage Credit Suisse, Vinod Rai, chairman of the Banks Board Bureau, said the government was working on various structures for resolution of problem loans. Some of these being an increase in the number of oversight committees and allowing more flexibility in the existing mechanisms, as the taking of decisions continues to be the biggest obstacle to resolution.

The government is also focusing on sector-wide restructuring packages, instead of company-wise, as the stress is concentrated in a few sectors, such as infrastructure and steel. Resolution of stressed accounts will involve deep haircuts (write-offs). With non-performing loan coverage for banks low at 40 per cent, this means higher provisioning and capital requirement.

Viral Acharya, deputy governor of the Reserve Bank (RBI), had in a speech last month said the Asset Quality Review in 2015-16 had helped in bringing the scale of this problem out in the open. The exercise had stirred a public debate on it.

However, relatively little has been achieved in resolving the underlying assets on which banks had lent. Several resolution mechanisms and frameworks had been offered by RBI to get this going but progress had been painfully slow, Acharya said.

2. Levy for not keeping minimum balance in banks should be reasonable: Govt

Govt adds levy must not be out of line with the average cost of providing these services

Press Trust of India

The government on Monday said banks can impose penal charges for not keeping the minimum balance in accounts but the levy should be "reasonable" and not out of line with the average cost of providing these services.

According to the Reserve Bank of India (RBI) guidelines, banks should inform at least one month in advance existing account holders about any change in the prescribed minimum balance and charges that may be levied, Minister of State for Finance Santosh Kumar Gangwar said in a written reply in the Rajya Sabha.

Several banks impose charges for non-maintenance of minimum balance and also on cash deposits and withdrawals beyond a specified threshold and number of transactions during a month.

With regard to minimum balance, Gangwar said banks can levy penal charges on the amount of difference between the actual balance maintained and minimum balance as agreed upon at the time of opening of account.

"Banks may finalise a suitable slab structure for recovery of charges. Banks should also ensure that such penal charges are reasonable and not out of line with the average cost of providing the services," he said while referring to the RBI guidelines.

Replying to another question, Gangwar said banks have been allowed to levy service charges on cash withdrawals and deposits beyond a specified threshold.

Financial Express

3. India's top macro challenges are stretched companies, NPA-hit banks: CEA Arvind Subramanian

The twin balance sheet problem — over-leveraged companies and bad-loan-encumbered banks — is perhaps India's top macroeconomic challenge at the moment

By: FE Bureau

The twin balance sheet problem — over-leveraged companies and bad-loan-encumbered banks — is perhaps India's top macroeconomic challenge at the moment and how much of haircut the banks will have to take is at the core of the problem, chief economic adviser Arvind Subramanian said on Wednesday. "The government is acutely aware of the urgency of tackling this problem... So, as the finance minister said, we are going to be taking action on this, what exactly the timing and form (of action) will be, that we will see over the next (few) weeks," Subramanian told CNBC-TV18 on the side-lines of Credit Suisse's 20th Annual Investment Conference in Hong Kong. "That (how much will be the haircut and who will take it) is the heart of the problem," he said, adding that any democratic political system finds it difficult to write down debts of the private sector. The situation in India has been aggravated by the involvement of few large private sector companies (who account for bulk of the stressed assets) and tight monitoring by the judiciary and investigation agencies.

Total stressed assets (gross non-performing assets or NPAs and restructured standard advances) of scheduled commercial banks were to the tune of R9.64 lakh crore as of December 31, minister of state for finance Santosh Kumar Gangwar told Parliament this month. Some of the options currently discussed by the government to address the bad loan crisis have already been articulated by Subramanian (such as floating a centralised Public-sector Asset Rehabilitation Agency or bad bank) or RBI deputy governor Viral Acharya (setting up of a private asset management company and a national asset management company), although it is yet to reach a decision.

"I am in favour of it (PARA) but it is an idea that the government is considering among many other options," Subramanian said. He added that creating new institution takes time and we have to work within this constraint. He also spoke about the potential challenge posed by the four Cs — court, the Central Vigilance Commission, the Central Bureau of Investigation, and the Comptroller and Auditor General of India. He added that while some of the earlier loans made should not have been made, some of the loans have turned out to be honest mistakes.

In the Economic Survey of 2016-17, Subramanian suggested setting up PARA that would purchase stressed loans (especially the largest and most difficult ones) from banks and then work them out, either by converting debt to equity and selling the stakes in auctions or by granting debt reduction, depending on professional assessments. Later, speaking to FE, he had said PARA could be 49% government-owned (to give it the operational freedom it needs); there could be another 10-11% LIC-type of holding to give it the government character; and the rest could be private. However, the RBI's Acharya favoured setting up of a private asset management company (PAMC) modelled as a private agency, which would seek to resolve assets with economic value in the short run. On the other hand, a national asset management company (NAMC), he said, would rope in asset managers such as asset reconstruction companies and private equity to manage and turn around the assets that appear to be unviable in the short or medium term.

Banks Board Bureau chairman Vinod Rai had said on Tuesday that if the government creates a bad bank, it would be crucial to empower and capitalise it. NPAs had reached 9% of total advances by September 2016, double their level a year earlier. Importantly, more than four-fifths of the NPAs were in the public sector banks, where the NPA ratio had touched almost 12%. Taking a sample of 39 top banks, CARE

Ratings has estimated that NPAs accounted for Rs 6,97,409 crore — or 9.3% of their advances — as of December 2016.

4. PoS transactions fall to below demonetisation levels in November 2016 during the first 26 days of March 2017

The value of transactions at point-of-sale (PoS) machines during the first 26 days of March was lower than that for entire November, when the government had withdrawn high-value currency notes

By: Shritama Bose

The value of transactions at point-of-sale (PoS) machines during the first 26 days of March was lower than that for entire November, when the government had withdrawn high-value currency notes. Most other modes of retail digital payments also saw a drop over February. The value of transactions made through the Immediate Payment System (IMPS) fell 4.9% to R45,850 crore, while those through the USSD channel declined 18.8% to R29 crore. Payments through prepaid instruments, or PPIs, fell 4.5% to R1,790 crore. Data for PPI transactions is sourced from eight non-bank issuers for goods and services transactions only.

The two modes which bucked the trend were Unified Payments Interface (UPI) and mobile banking, which grew 3.6% to R1,970 crore and 10.5% to R1,19,360 crore, respectively. Data for mobile banking transactions is sourced from five banks. Debit and credit card transactions at PoS terminals in March added up to R34,389.7 crore, while the corresponding figure for November was R35,235.97 crore, representative data sourced from four banks and released by the Reserve Bank of India showed. The value in March is 12.2% lower than that for entire February.

Consumers adopted digital modes of payment after note ban on November 8. However, if one were to go by recent data releases, the phenomenon may be reversing. The value of card transactions had peaked in December at R52,223.84 crore before slipping to R48,124.11 crore in January and R39,147.02 crore in February. The decline has been in line with the RBI's decision to ease limits on cash withdrawals, starting January, and their complete removal by March 13.

Economic Times

5. SBI to offer 'zero annual fee' credit cards to accounts with Rs 20,000

By Mayur Shetty,

State Bank of India BSE 1.42 % has said that it will offer credit cards to every account holder who has a balance of Rs 20,000-25,000, without going into credit history. This is the first major joint collaboration between Arundhati Bhattacharya-led SBI and SBI Card after the bank hiked its stake in the joint venture to 74% by buying out part of its partner GE Capital's stake for Rs 1,168 crore. GE Capital will sell its remaining stake to a private equity investor in coming days.

In an attempt to encourage adoption of credit cards and facilitate expansion in the reach of digital payments, SBI Card "Unnati" will be offered free, at zero annual fee, for four years.

"Presently, lack of credit history has been a challenge in increasing the card penetration in the country. In such a scenario, this card is likely to facilitate in generation of credit history for new users, which will help bringing them into organised financial stream," said Bhattacharya.

Business Line

6. BoB money laundering case: ED arrests 2 businessmen

PTI

The Enforcement Directorate has arrested two people in connection with its probe in the Rs. 6,000-crore Bank of Baroda money laundering case.

Officials said businessmen, Manmohan Singh and Gaga deep Singh, were placed under arrest late yesterday under the provisions of the Prevention of Money Laundering Act (PMLA).

They said the two will be produced before a court today for further custody.

The businessmen have been accused of channelling an alleged Rs. 300 crore through the Ashok Vihar branch of the bank here to foreign locations using suspected shell companies.

The case had emerged last year and is being probed both by the Enforcement Directorate and the CBI.

At least four people have been arrested by the ED in this case earlier.

The ED had earlier termed this case to be an alleged incident of trade-based money laundering, where accused traders evaded Custom duties and taxes to generate slush funds.

The CBI had also arrested BoB AGM S K Garg and Jainish Dubey, who headed the foreign exchange division, under various provisions of the IPC and the Prevention of Corruption Act.

7. Banks to remain closed on April 1: RBI

Reversing its earlier order, the Reserve Bank (RBI) today said the bank branches dealing in government businesses need not remain open on April 1 in view of the annual closing business.

In its earlier directive on March 24, the RBI had asked all authorized banks to be open on all days from March 25 to April 1, including Saturday, Sunday and all holidays, to facilitate the government's receipts and payments.

The departments concerned of RBI were also to remain open on these days.

In its revised instructions issued today, RBI said, "On reconsideration, it has been decided that these branches need not be opened on April 1, 2017."

In a letter to the Indian Banks' Association, unions AIBEA and AIBOA today said the RBI issued the directive "very late, causing huge resentment" among bank employees. "The RBI is fully aware that March 25 and 26 would be weekly holidays for the banks. But very late on 24th evening, the RBI had flashed their instructions through the press and electronic media," said a joint letter written by them.

Banks remain closed on April 1 every year for their annual closing of accounts. "In this connection, it has been represented that opening of bank branches on April 1, 2017, may disrupt annual closing, especially in view of merger of some banks taking effect from that date," RBI added further.

In consultation with the government, it has, therefore, been decided that while agency banks are to keep all their branches dealing with government business open

on all days in the current financial year (including Saturday, Sunday and all holidays), these branches need not be kept open on April 1, 2017, RBI said.

AIBOA and AIBEA also pointed to the inconvenience caused to banks that are not sure which branches will remain open and who should attend office. They alleged that the RBI has been taking banks and their staff "for granted" and they must be conveyed well in advance before any such directive.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY