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**Dear Comrades,**

**31st March , 2017**

**News of Interest 31st MAR**

**MOTIVATIONAL QUOTES**

**“I’VE WORKED TOO HARD AND TOO LONG TO LET ANYTHING STAND IN THE WAY OF MY GOALS. I WILL NOT LET MY TEAMMATES DOWN AND I WILL NOT LET MYSELF DOWN.”**

**“MIA HAMM”**

**HIGHLIGHTS**

- 1. KOTAK MAHINDRA BANK TO RAISE RS 5,400 CRORE OF EQUITY**
- 2. BANK OF MAHARASHTRA ACCOUNTS LOST RS 25 CR DUE TO FRAUD THROUGH UPI: NPCI**
- 3. BAD LOANS: NARENDRA MODI GOVERNMENT SET TO TARGET TOP WILLFUL DEFAULTERS FIRST**
- 4. YOU CAN PAY VIA UPI BY SCANNING QR CODES**
- 5. LENDERS GET NO TAKERS FOR VIJAY MALLYA'S PROPERTIES AGAIN**
- 6. BANK STAFF PLAN CAMPAIGN AGAINST WILFUL DEFAULTERS FROM APRIL 20**
- 7. RBI MAY KEEP RATES UNCHANGED IN APRIL: BOFAML**

Business Standard

**1. Kotak Mahindra Bank to raise Rs 5,400 crore of equity**

Funds to be deployed for consolidation opportunities and resolution of stressed assets

BS Reporter

Kotak Mahindra Bank on Thursday said it has received board approval to raise equity capital by issuing up to 62 million shares, which, according to the closing price of Rs 865 a share on Thursday on the BSE, amounted to Rs 5,363 crore.

The face value of the share would be Rs 5 each.

The bank could raise the fund through any means the board decides appropriate, including rights issue, private placement, follow-on public offering (FPO), qualified institutional placement (QIP), Global Depository Receipts (GDR), American Depository Receipts (ADR) or through any other permissible mode or a combination of these options.

The Reserve Bank of India (RBI) had issued a directive that Kotak Mahindra Bank Executive Vice-Chairman Uday Kotak would need to reduce his stake in the bank to 30 per cent by June 2017 and to 20 per cent by December 2018. Earlier this month, Kotak had sold 27.6 million shares, reducing his stake in the bank from 33.3 per cent to 31.8 per cent. If the company raises the entire proposed amount, his stake would fall further to around 31 per cent.

The proposed capital dilution works out to 3.37 per cent on the current equity base.

After the capital raising, the bank's capital adequacy ratio would rise to about 20 per cent, said Jaimin Bhatt, president and group CFO, Kotak Mahindra Bank. Its capital adequacy ratio was 18 per cent at the consolidated level in the December 2016 quarter.

The bank notified the exchanges that the fund raised by the bank would be deployed towards pursuing consolidation opportunities in the Indian banking and financial services sector, or capitalisation of opportunities available in acquisition and resolution of stressed assets in the banking sector. This included participation in the proposed 'bad bank' plan, being widely talked about as a solution to the huge stressed assets problem persisting in Indian banking industry.

Elaborating on consolidation opportunities in the financial sector, Bhatt said, "The group would look at an insurance player with a good distribution tie-up, which would enhance the bank's value. The microfinance space is another area of interest in terms of acquisitions." Kotak has already acquired microfinance company BSS Microfinance in September 2016.

The bank's internal assessment showed that the bad debt in banking system could be as high as Rs 14 lakh crore, which would need private sector participation to effectively come to a resolution of the problem, Uday Kotak had said on Wednesday.

However, the funds raised could also be deployed towards supplementing additional avenues of organic growth for the bank, such as opportunities in digital expansion, domestic and international lending and so on.

The bank has received approval to start a branch in the Dubai International Financial Centre, which it plans to start in 2017-18, Bhatt said.

The capital raised might also be deployed towards growth of the bank's subsidiaries, the statement added. It also said the quantum of fund raised had been assessed on the bank's requirements and for maintaining key performance parameters in the medium and long term in the interest of all shareholders.

## **2. Bank of Maharashtra accounts lost Rs 25 cr due to fraud through UPI: NPCI**

Process of recovering the money from 19 banks is on

[Press Trust of India](#)

In what are possibly the biggest financial frauds in recent years, National Payment Corporation of India (NPCI) on Thursday said Rs 25 crore has been moved out of Bank of Maharashtra (BoM) accounts due to a bug in its Unified Payment Interface (UPI) application.

All the corrective steps have been initiated and the process of recovering the money from 19 banks where it was transferred to, is on, it said.

"Total amount of loss, as reported by BoM, is about Rs 25 crore. They've recovered some amount and some amount is still pending. They've filed a police complaint also and the investigation is on," NPCI Managing Director and Chief Executive Officer A P Hota told reporters in Mumbai.

Explaining the fraud, Hota said BoM had procured a UPI solution from a vendor (reported to be city-based InfracsoftTech) which had a bug that resulted in the fund moving out of the accounts without the sender's account having the necessary funds.

"Even if the core banking has declined a transaction, the UPI at the bank-level used to send a success message to NPCI. At NPCI, even if the CBS said no, based on UPI of the bank, we used to do the clearing and settlement," Hota said, adding the fraud was first reported to it on February 22.

He said about 50-60 people in Aurangabad discovered this loophole possibly through trial and error method. "They have collected a good deal of money. They've accounts in 19 other banks. They're trying to recover money now," he said.

There were three other banks, including Bank of India, which had bought a similar solution from the same vendor but they've not reported any mishap, Hota said, adding thorough checks have been carried out.

The fraud was first reported in the media last week after a few arrests in Maharashtra, but the total amount transferred was under Rs 2 crore.

It can be noted that breach of card details due to a compromise at Hitachi's end last year, which led to a replacement of 3.2 million debit cards, had a financial loss of under Rs 2 crore.

Maintaining that it is up to BoM to take action on its vendor, Hota said NPCI has learnt a lot from this episode.

"The learning from this is that we're not allowing any bank to join UPI unless they've a thorough reconciliation process and audited their package by the best of auditors."

"As many as 44 banks are on UPI and getting the 45th bank will be a tougher job because we will be very circumspect," he said.

Till now, individual banks used to give a declaration that its application meets all the necessary security norms but now they will be audited by professionals enlisted by the CERT-IN (Computer Emergency Response Team), Hota said.

A working group has been set up to create a CERT exclusively for the financial sector. NPCI is a part of the deliberations, he added.

Financial Express

### **3. Bad loans: Narendra Modi government set to target top willful defaulters first**

Finmin & RBI step up efforts as March deadline for completing asset quality review by banks looms

By: [Banikinkar Pattanayak](#)

The government could launch a crackdown on 5-10 big firms that are perceived to be among the top wilful defaulters of the 50-odd companies that account for a bulk of banks' non-performing assets (NPAs), with the finance ministry and the Reserve

Bank Of India (RBI) stepping up efforts to tackle the issue of massive bad loans as the March deadline for completing asset quality review by banks looms.

Banking sources said although a detailed, final course of action is still in the works, there is thinking that promoters of some of the big defaulters— whose criminal intent of avoiding payments, prima facie, is established—should feel the heat. The specific action will, however, be decided in consultations with the Prime Minister's Office. One possibility is to force such promoters to make a firm commitment on repayments, with specific deadlines, to avoid "more painful", coercive actions, one of the sources said.

"The government is convinced that not one action is enough to address such a crisis. It requires several well-thought-out measures on multiple fronts almost simultaneously to tackle the issue," said a senior government official. More swapping or transfer of chief executives of PSBs can't be ruled out at a later stage if some of them are found lacking discipline in tackling the crisis, although it's not strictly on the table now, he added. The government this month asked MK Jain, chief of Indian Bank, to take charge at loss-making IDBI Bank, while Kishor Kharat of IDBI Bank has been directed to join Indian Bank.

The sources said the government and the RBI are discussing two broad set of actions to tackle the crisis. One is to keep the heat on wilful defaulters to send a strong signal to others, while taking steps to boost growth in most stressed sectors, such as steel and textiles, to help companies improve their cash flow. Also, conditions are being tightened for public-sector banks grappling with huge bad loans, linking government funds for their recapitalisation under the Indradhanush Plan to strict quarterly goals — such as staff cost rationalisation and improved operational efficiency.

Another set of actions centres round the possibility of setting up a bad bank or any other mechanism whereby the haircut to banks is minimised to the extent possible. This is a more difficult task for which the approval of the PMO is critical, as it requires a strong political backing.

The good part is, after the BJP's victory in Uttar Pradesh, the Centre is better placed to launch bold reforms. However, the Opposition could still make any debt relief to private companies a huge issue, citing the Centre's reluctance to waive crop loans to farmers in states such as UP, Maharashtra and Punjab. Any scope for a one-time settlement with large companies in those stressed sectors is also being discussed. The finance ministry, in active consultations with the RBI, is zeroing in on the best possible options.

Already, the department of financial services this month sent a letter to some public-sector banks, setting conditions for recapitalisation, including effective NPA management, sale of non-core assets, further closing of loss-making branches and temporary trimming of employee benefits, if required. As far as setting up a mechanism to address the NPA issue is concerned, some of the options discussed are already articulated by chief economic advisor Arvind Subramanian or RBI deputy governor Viral Acharya.

Subramanian has suggested setting up a centralised Public-sector Asset Rehabilitation Agency (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. However, RBI's Acharya has favoured setting up two agencies: A private asset management company that would seek to resolve assets with economic value in the short run; and a national asset management company that would rope in asset

managers to turn around the assets that appear to be unviable in the short or medium term.

Economic Times

#### **4. You can pay via UPI by scanning QR codes**

By TNN

The National Payments Corporation of India (NPCI) on Thursday launched a new retail initiative, which enables payments in shops using the Unified Payment Interface (UPI) platform by scanning QR codes. Reliance Retail has become the first organised retail chain to accept payments under the new facility.

The initiative is live in over 200 Reliance Retail stores across various formats, including Reliance Fresh and Reliance Digital. The facility will be extended to all Reliance Retail stores across the country. In-store UPI payment has been enabled through a dynamic QR-code interface, designed by payment aggregator Innoviti, which runs on existing point of sale (PoS) terminals—card swipe machines.

"The payment options being offered by Samsung and Apple are all card-based and expensive. Under UPI, the merchant discount rate (MDR) — the fee borne by the seller to provide services—is 0.25% for payments below Rs 1,000 and 0.65% for all other charges," said AP Hota, MD & CEO, NPCI.

Hota added that the MDR on UPI could come down if the RBI reduces the fee on debit cards. The RBI on Thursday said it needs more time to decide on new rates on debit cards.

NPCI has also developed the BHIM app, which is among the various applications for UPI payment.

According to Rajeev Agarwal, MD & CEO, Innovate, the application makes it possible to enable QR code-based acceptance without any additional capital. "All that is required is an upgrade of the software on the card swipe machine. In some of the newer machines it can be done by a remote, while older machines may require a visit from our representative," Agarwal said.

"With the fast growing popularity of UPI-payment apps like NPCI's BHIM app which has seen close to two crore downloads, this initiative will increase UPI payment acceptance points in retail stores. It is expected to play a vital role in driving a more cashless future," said Hota.

#### **5. Lenders get no takers for Vijay Mallya's properties again**

By *Kala Vijayraghavan & Saloni Shukla*, ET Bureau

Lenders to Vijay Mallya's Kingfisher Airlines Ltd. are stuck with his properties that they've attached with potential buyers not bidding for them fearing further litigation by the fugitive former liquor baron and between banks claiming the assets, two people with knowledge of the matter said.

"This is a high-profile case where multiple parties are staking claim to the same asset and if the matter enters litigation, then it's possible it will be a prolonged battle, hence potential buyers are shying away," an official from a public-sector bank said. "Despite clear property titles, buyers don't want future litigation."

Prospective buyers are uncertain about any claims to the properties, which include real estate, bungalows and expensive cars. Some banks have declared Mallya a wilful defaulter. Auctions of the properties have failed even after lowering the reserve

price.

In March, the fourth attempt to sell the multi-storied Kingfisher House in Mumbai drew a blank with a reserve price of Rs 103.5 crore, about 10% lower than the previous floor price of Rs 115 crore in December. Buyers stayed away from bidding for Kingfisher Villa in Goa after the reserve price was lowered by 10% to Rs 73 crore.

Kingfisher Airlines owes about Rs 9,000 crore to a consortium of 17 banks led by the State Bank of India.

Mallya, who is one of the guarantors to the loans, left the country in March last year after agreeing to step down from United Spirits Ltd., controlled by Diageo.

Mallya is said to be in Britain, having defied several court orders to return to India. The attached properties were put up for auction by SBICAP Trustee Company Ltd. on behalf of the lenders.

Mallya did not reply to an emailed questionnaire. An official close to Mallya said the banks could have received their money by sitting across the table with him. "Instead, the government is now spending more money to get him," the aide said.

"A civil offence is being made out to be a criminal offence and he is being hounded when there are as many and more debtors in the country owing money to the banks."

Some bankers said it's possible that bidders expect the reserve price to decline further. "We have received several enquiries, including from hospitality companies, but no bids have come, which means that most are waiting for cheaper prices in a weaker commercial real estate market," said another banker involved with the matter.

## **6. Bank staff plan campaign against wilful defaulters from April 20**

### OUR BUREAU

The All India Bank Employees' Association (AIBEA) plans to unleash a national campaign to demand recovery of bad loans and action against wilful defaulters. The campaign will begin from April 20 and culminate in a massive *morcha* before Parliament by 50,000 bank employees in mid-September, CH Venkatachalam, General Secretary, AIBEA, said at a press conference in Mumbai on Thursday.

Venkatachalam urged the RBI to allow banks to publish the list of loan defaulters and argued that laws pertaining to secrecy should not be used to shield wilful defaulters.

### **Merger with SBI**

While registering the opposition of unions to the merger of five associate banks of SBI with SBI, Venkatachalam said that there was no need for a big bank, it was important to have a good bank. Arguing that a number of branches are going to be closed as a result of the merger, and a VRS also was to be offered to employees, Venkatachalam said that customer service will be affected.

This is a time for expansion of services rather than consolidation, he felt. Opposing the decision of the SBI to impose service charges and penal charges for various types of normal banking services, he said it was passing on the burden of non-performing loans on to customers. The AIBEA will observe April 12 as 'All India Demand' day, demanding withdrawal of these charges, he said.

He also clarified that there was no reduction in employee benefits contemplated as part of a turnaround plan that the government was discussing with unions for troubled public sector banks.

It was earlier reported in a section of the media that the government was agreeable to infusing fresh capital if there were some new curbs on employee benefits in those banks.

## **7. RBI may keep rates unchanged in April: BofAML**

PTI

The Reserve Bank is likely to keep key interest rates unchanged on April 6, while there is scope for a rate cut at the August meeting due to slow growth and benign inflation.

RBI had shifted to a neutral stance from accommodative in February and this, in turn, may prompt the central bank to hold rates in the ensuing meet early next month.

"Still, it will likely keep the door open for further easing with growth slowing, benign inflation and the need to attract FPI inflows by supporting growth," Bank of America Merrill Lynch said in a research note, adding "we continue to expect a 25 bps RBI cut on August 2".

At the February 8 policy review meet, the RBI had kept key interest rates unchanged at 6.25 per cent and said it is awaiting more clarity on inflation trend and the impact of demonetisation on growth.

The next meeting of the Monetary Policy Committee (MPC) is scheduled for April 5-6, 2017.

The report further noted that high lending rates and demonetisation will likely push recovery to the second half of this year and inflation is also likely to remain well within the RBI's 2-6 per cent target range.

Moreover, RBI rate cuts should support the Indian rupee by attracting FPI equity inflows at a time of global uncertainty.

Besides, RBI will initiate the setting up of a quasi-government asset management company to address bank asset quality issues and will provide the roadmap for a standing deposit facility, BofAML said.

With kind regards,

Yours Comradely,



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