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Dear Comrades,

5th May , 2017

News of Interest 5th MAY

MOTIVATIONAL QUOTES

“FACTS DO NOT CEASE TO EXIST BECAUSE THEY ARE IGNORED. “
ALDOUS HUXLEY

HIGHLIGHTS

- 1. WITH RS 6 LAKH CR NPAS, PSBS MAY BE ASKED TO AUCTION STRESSED ASSETS**
- 2. SBI CHAIRMAN SAYS BAD LOAN MESS TO RESOLVE IN 3 YEARS**
- 3. BANK OF MAHARASHTRA Q4 LOSS WIDENS TO RS 455 CRORE ON NPA WOES**
- 4. SBI DECLINES TO SHARE QUANTUM OF MONEY IN SUSPENDED ACCOUNTS**
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- 6. BANKING ACT AMENDMENTS TO HELP RESOLVE NPAS: LAVASA**

Business Standard

1. With Rs 6 lakh cr NPAs, PSBs may be asked to auction stressed assets

New framework, awaiting Presidential assent, wants cash-rich PSUs as buyers

Dilasha Seth & Arup Roychoudhury

The new framework for non-performing assets (NPAs) will allow state-owned banks to conduct open auctions of NPAs, wherein cash-rich public sector companies will be encouraged to buy such assets in their sector.

The new framework to deal with Rs 6 lakh crore worth of toxic assets was approved by the Cabinet on Wednesday. It contains a set of fresh guidelines for public auction

of assets by public sector banks (PSBs) for the steel and power sectors, which account for a majority of toxic assets.

The NPA framework includes an Ordinance to amend the Banking Regulations Act to give more teeth to the Reserve Bank of India (RBI) and its oversight committees to act and intervene on behalf of banks while deciding on toxic assets. The amendment planned is to Section 35A of the Act and will give the RBI the right to issue a directive in the interests of banks.

Sources told *Business Standard* that when stressed assets were put on the block, banks would reach out to state-owned companies to buy those up. "Large cash-rich public sector companies will be encouraged to buy the assets being auctioned in their sector by the state-owned banks," an official said.

The Cabinet has sent the Ordinance to President Pranab Mukherjee, who is said to be seeking legal opinion on the matter.

Officials said this was a necessity with such ordinances, especially because this one will lead to amending of the Act in the monsoon session. The President is expected to sign the ordinance by Friday morning.

The framework also recommends setting up RBI oversight committees to monitor progress on the top 35-40 NPAs of all banks. These constitute 60 per cent of all NPAs by value. The committees may be allowed to oversee joint lenders' forums (JLFs) dealing with individual cases. They might decide how much of a haircut an individual bank must take and could intervene if a JLF reached a deadlock, said an official. Currently there is no enabling provision that allows RBI to act on behalf of PSBs on resolving bad loans. Besides, the board for financial regulation and supervision will be tightened further.

"The Insolvency and Bankruptcy Board and the National Companies Law Tribunal will be involved in the process as well," said an official. "If bankers decide that a debt-laden entity needs to go under, that entity will undergo bankruptcy proceedings," the official added. "The NCLT will be strengthened with additional manpower now that we expect many companies whose balance sheets have turned toxic and are beyond revival to undergo proceedings," the official said.

Meanwhile, Finance Secretary Ashok Lavasa told reporters on Thursday that the NPA framework was drafted and approved by the Cabinet after discussions with all stakeholders, including RBI, banks and the companies affected.

"Certainly we feel that these changes will make the system more effective in handling the bad loans and gradually with the professionalism that exists in our banking system and with the participation of the promoters themselves and the companies, we should be able to reach resolution in many of the cases," Lavasa said.

The framework also envisages amendments to the Prevention of Corruption Act to exempt commercial decisions by PSBs from scrutiny by investigating agencies. Both the amendments are likely in the monsoon session of Parliament.

The government has asked banks to provide data on their top NPA accounts. It has also sought more information from consortium leaders.

2. SBI chairman says bad loan mess to resolve in 3 years

The 10-member Bankex index added 2.8% on Thursday and touched a record high

[Gareth Allan](#) & [Kathleen Hays](#)

State Bank of India (SBI), the country's largest lender, sees a "positive turnaround" in the nation's bad loan mess after the government implements a new rule aimed at resolving the problem, the chairman of the lender said. "The non-performing asset

cycle is different this time," Arundhati Bhattacharya, SBI's top executive, said in an interview with Bloomberg News in Yokohama, Japan. "Many assets are good quality and required by the economy — when growth turns up, they will perform again."

India's Cabinet has approved a plan to give the Reserve Bank of India more power to order lenders to deal with bad loans, according to a government official with knowledge of the matter. Bhattacharya said while she doesn't have details, she expects it to empower the regulator to resolve India's bad loan problem within a few years.

"It's not going to be such a difficult cycle to turn," she said from the sidelines of the Asian Development Bank's annual meeting. "Economic indicators point to a revival in demand very shortly. If you can get these assets to participate in that cycle again, I think this is an issue that can be resolved in two to three years' time, maximum."

The 10-member Bankex index added 2.8 per cent on Thursday and touched a record high on optimism that new government rules would help resolve the world's worst stressed-asset ratios. SBI's shares rose 3.2 per cent to Rs 299.05, the highest since March 2015.

Asia's third-largest economy is being weighed down because the soured loans on banks' balance sheets hinder credit growth and job creation. Various programs proposed by the central bank to resolve the problem have been unsuccessful, with lenders reluctant to write down assets sufficiently and company owners unwilling to negotiate repayment plans.

Stressed assets — made up of bad loans, restructured debt and advances to companies that can't meet servicing requirements — have risen to about 16.6 percent of total loans, the highest level among major economies, data compiled by the government show.

"India needs a lot more infrastructure than it currently has and therefore it does not make sense to throw it away — rather it makes sense to revive them," Bhattacharya said, speaking of the assets underlying the bad debt.

Bhattacharya, whose term as chairman ends in October, is striving to boost earnings even as she contends with persistently high bad loans and lower credit demand. The government has yet to announce her successor at the bank even with her tenure set to end in five months.

Appointed in October 2013 as the bank's first woman chairman and most-senior executive officer, Bhattacharya strengthened the lender's credit monitoring and measures to recover bad debt. SBI is 57.6 per cent owned by the government and will report March quarter earnings on May 19.

After the merger earlier this year with five of its units, the bank is looking to consolidate and doesn't plan to do any more mergers for the moment, Bhattacharya said.

"Going forward, because we have done this merger, in the next two years we don't plan to grow the network," she added. "We will relocate 1,800 of these branches. We will close down branches where there is an overlap and we will reopen them where our presence is thin."

The company took on 70,000 staff through that merger, and expects 17,000-17,500 of those to retire this year, she said, adding that "we are rationalising manpower, we are expanding our reach with the same resources and we are digitising very rapidly."

Financial Express

3. Bank of Maharashtra Q4 loss widens to Rs 455 crore on NPA woes

Public sector Bank of Maharashtra today said its net loss widened to Rs 455.45 crore in the March quarter due to higher provisioning for bad loans

By: [PTI](#) |

Public sector Bank of Maharashtra today said its net loss widened to Rs 455.45 crore in the March quarter due to higher provisioning for bad loans. The bank had logged a net loss of Rs 119.84 crore in the corresponding March quarter a year ago. The loss during the quarter also expanded sequentially when compared to December quarter's Rs 182.51 crore loss, it said in a regulatory filing. For the entire fiscal 2016-17, total loss stood at Rs 1,372.51 crore, against a net profit of Rs 100.69 crore in the preceding 2015-16 fiscal.

The Pune-based lender witnessed its gross non-performing assets (NPAs) or bad loans almost doubling to 16.93 per cent of gross advances at the end of March 2017 from 9.34 per cent a year ago. Net NPAs by March 31 rose to 11.76 per cent of net advances, almost twice of 6.35 per cent of net loans a year ago. Thus, provisions and contingencies rose to Rs 1,833.37 crore for the quarter from Rs 679.51 crore a year ago.

Of this, provisions to cover bad loans were Rs 1,742.76 crore, against Rs 791.34 crore a year earlier. For the full fiscal 2016-17, income also came down to Rs 13,570.03 crore from Rs 14,072.27 crore in the preceding year. The bank has not declared any dividend for the year 2016 -17. Stock of Bank of Maharashtra closed 0.92 per cent down at Rs 37.52 on BSE.

4. SBI declines to share quantum of money in suspended accounts

The SBI has declined to share the quantum of money lying in suspended bank accounts in which the interest amount of customers, who do not claim it due to religious reasons, is kept

By: [PTI](#)

The SBI has declined to share the quantum of money lying in suspended bank accounts in which the interest amount of customers, who do not claim it due to religious reasons, is kept. Replying to an RTI query, the State Bank of India (SBI) said it does not maintain such information in its database "in normal course of business and extraction of the same will be voluminous and time taking activity".

"We, therefore, decline your application under Section 7 (9) of RTI Act as the information sought by you is likely to divert disproportionately the resources of the bank," it said in reply to the application filed by PTI.

The section bars disclosure of information which would disproportionately divert the resources of the public authority or would be detrimental to the safety or preservation of the record in question. The bank was asked to provide details of suspended accounts including their total number and amount lying in them. It was also asked to share details of guidelines to deal with such amount of interest.

The interest money which is not claimed by people due to religious obligations is kept in suspended bank accounts. According to an article published in Reserve Bank of India's journal in 2005, it was reported that in India thousands of crores earned in interest is kept in suspended accounts.

"Research reveals that a handsome bulk of money in India owned by believers is lying idle, which if invested in profit sharing basis and utilised properly, can have a major impact on the Indian economy," reads the article.

As an initiative towards the introduction of Islamic banking in India, a single window can be set up in banks like SBI to do Islamic banking. "This can tap the unused money lying idle that can be utilised for the economic and social benefit of the nation," it had suggested.

In 2008, a committee on financial sector reforms, headed by former RBI Governor Raghuram Rajan, had stressed on the need for a closer look at the issue of interest-free banking in the country.

Replying to another application under the transparency law, the RBI had recently said there was no deadline for introduction of Sharia or interest-free banking in India.

Islamic or Sharia banking is a finance system based on the principles of not charging interest which is prohibited under Islam.

Business line

5. Competition gets tougher for top jobs in PSBs

K RAM KUMAR

Appointments at the top deck in public sector banks are likely to get more competitive following the merger of five associate banks with parent State Bank of India (SBI), feel bankers.

While there is an increase in the number of veteran bankers in the wake of the merger, there is only limited space at the top in SBI. Hence, senior officers in the Chief General Manager (CGM) rank are seen vying for board-level (Executive Director) positions in other public sector banks.

In fact, even as the merger move was in the air, five CGMs from erstwhile associate banks were picked by the Banks' Board Bureau as Executive Directors of various public sector banks.

With CGMs from State Bank expected to increasingly throw their hat into the ring for board-level positions, the race to the top has just got tougher for the current General Managers of public sector banks.

Depending on the business size, each public sector bank has two to three EDs. There are 21 public sector (or State-owned) banks in the country.

EDs of five public sector banks — Papiya Sengupta (Bank of Baroda), S Harisankar (Allahabad Bank), Alekh C Rout (Bank of Maharashtra), MK Bhattacharya (Indian Bank), and Ashok Kumar Pradhan (Indian Bank) — were CGMs with erstwhile associate banks of State Bank of India.

A senior SBI official said, "Consolidation will definitely lead to crowding out of positions at the senior level in the banking sector. For example, the merger of five associate banks with SBI has cut down on five MD positions. So, experienced bankers from SBI may explore opportunities in other public sector banks."

He reasoned that the new line of thinking in the government seems to be that having 21 public sector banks in the same line of business is resulting in inefficient deployment of capital. Hence, the move towards consolidation.

In SBI, a general manager has two more levels — CGM and Deputy Managing Director — to climb in his career ladder before he can get a board-level position.

However, if selected, general managers in other public sector banks get elevated directly to the board level.

Explained a former general manager at Union Bank of India: "The people who are currently in the rank of general manager in public sector banks either have short residual service or are too junior to be elevated as EDs. Moreover, those who have become GMs in the recent past are not all-rounder's in the banking space but (come) from specialist cadres — IT, legal, secretarial, etc.

"Now that the amalgamation of associate banks with the SBI has happened, the Banks' Board Bureau will have a larger pool of senior officers with wide-ranging experience in general banking to pick from."

6. Banking Act amendments to help resolve NPAs: Lavasa

OUR BUREAU

Finance Secretary Ashok Lavasa on Thursday expressed hope that amendments to the Banking Regulation Act will help in faster resolution of bad loans.

"It is not possible for me to put down a number on how the non performing assets will go down but certainly we feel that these changes will make the system more effective in handling the bad loans," he told reporters.

The Union Cabinet had on Wednesday approved promulgation of an Ordinance to amend the Banking Regulation Act for faster resolution of the NPA crisis.

While Lavasa did not share details of the proposed Ordinance, he said using professionalism of banks and participation of the promoters; many cases are likely to be resolved soon.

He also expressed confidence that there is sufficient appetite in the market for stressed assets.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY