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Dear Comrades,

6th May , 2017

News of Interest 6th MAY

MOTIVATIONAL QUOTES

“EVERY GIFT FROM A FRIEND IS A WISH FOR YOUR HAPPINESS.” RICHARD BACH

HIGHLIGHTS

- 1. RBI CRACKS WHIP ON BANKS NOT GAME FOR ASSET RECAST**
- 2. AUCTION OF NPAS: GOVT NOTIFIES BANKING LAW AMENDMENT TO DEAL WITH BAD LOANS**
- 3. GOVT APPOINTS MDS, CEOS OF SEVEN PUBLIC SECTOR BANKS**
- 4. ORDINANCE SHOWS GOVT'S COMMITMENT TO TACKLE NPA: SBI CHIEF ARUNDHATI BHATTACHARYA**
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- 6. INDIAN BANK LOAN FOR HOME REPAIRS**

Business standard

1. RBI cracks whip on banks not game for asset recast

Central bank modifies NPA resolution norms; to penalise banks for delays

Anup Roy

On a day when the government vested more powers in the Reserve Bank of India (RBI) in the war against bad debt, the central bank imposed a corrective action plan (CAP) on a wide range of restructurings exercised by banks.

Such a CAP was till now applicable for only the Joint Lenders' Forum (JLF) mechanism. It is enforced to preserve the economic value of stressed assets. A

specified timeline is framed by banks, with disincentives in the form of asset classification and accelerated provisioning where lenders fail to adhere to the JLF Framework.

Now, the CAP will be applicable for such schemes as a flexible structuring of project loans, change in ownership under Strategic Debt Restructuring and the Scheme for Sustainable Structuring of Stressed Assets ('S4A'), etc.

"In this context, it is reiterated that lenders must scrupulously adhere to the timelines prescribed in the framework for finalising and implementing the CAP. To facilitate timely decision making, it has been decided that, henceforth, the decisions agreed upon by a minimum of 60 per cent of creditors by value and 50 per cent of creditors by number in the JLF would be considered as the basis for deciding the CAP, and will be binding on all lenders," went the RBI notification on its website.

"Lenders shall ensure that their representatives in the JLF are equipped with appropriate mandates, and that decisions taken at the JLF are implemented by the lenders within the timelines."

Also, the central bank put strict criteria for all participating banks in the process. "The stand of participating banks while voting on the final proposal before the JLF shall be unambiguous and unconditional," RBI directed. "Any bank which does not support the majority decision on the CAP may exit, subject to substitution within the stipulated time line, failing which it shall abide by the decision of the JLF."

Banks should implement the JLF decision without any additional conditionalities. And, bank boards "shall empower their executives to implement the JLF decision without requiring further approval from the board".

Any non-adherence to the instructions and timelines specified under JLF will attract monetary penalties, RBI cautioned.

Earlier in the day, ICICI Bank's managing director, Chanda Kochhar, had complained that not all banks in a JLF adhered to decisions taken by consensus, and that they don't stick to timelines on a resolution process, derailing the latter.

2. Auction of NPAs: Govt notifies banking law amendment to deal with bad loans

The ordinance enables RBI to direct banks to initiate bankruptcy proceedings of defaulting cos

Arup Roychoudhury

The government on Friday notified the Banking Regulation (Amendment) Ordinance 2017, kick-starting a new framework to deal with Rs 6 lakh crore worth of non-performing assets in the Indian banking system.

The ordinance comes into force immediately and enables the Reserve Bank of India (RBI) to direct banks to initiate bankruptcy proceedings of defaulting companies under the Insolvency and Bankruptcy Code. The banking regulator has also been empowered to decide on dealing with toxic assets and instructing banks to act accordingly. The RBI will also set up multiple oversight committees to direct banks and joint-lending forums to deal with the stressed assets.

Two sections defining these powers have been inserted after Section 35A in the Banking Regulations Act. After the cabinet cleared the ordinance on Wednesday, President Pranab Mukherjee's assent came early Friday morning.

"Whereas the stressed assets in the banking system have reached unacceptably high levels and urgent measures are required for their resolution... And whereas

Parliament is not in session and the President is satisfied that circumstances exist which render it necessary for him to take immediate action," the gazette notification stated.

Further details are awaited from Finance Minister Arun Jaitley's press conference later today. What is learnt so far is that the new framework may also 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. It contains a set of fresh guidelines for public auction of assets by the state owned banks for the steel and power sector, which account for a majority of toxic assets.

The aim is to monitor progress on the top 35-40 non-performing assets of all banks. These constitute 60 per cent of all NPAs by value.

The framework also envisages amendments to the Prevention of Corruption Act to exempt commercial decisions by public sector banks 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.

3. Govt appoints MDs, CEOs of seven public sector banks

Usha Ananthasubramanian has been moved out of PNB to Allahabad Bank as its new MD and CEO

Press Trust of India

In a major restructuring in the public sector banking space, the government on Friday appointed heads of various lenders, besides carrying out rejigs at Punjab National Bank and Bank of India.

While Punjab National Bank Managing Director Usha Ananthasubramanian has been shifted to Kolkata-based Allahabad Bank and head of Bank of India Melwyn Rego moved to Syndicate Bank with immediate effect, five others have been promoted.

The Appointments Committee of the Cabinet has approved the appointments.

According to experts, the changes were made in these two public sector banks after a similar rejig at IDBI Bank because of non-performance in tackling non-performing assets (NPAs).

However, a senior finance ministry official said the two changes have been made because the Department of Financial Services wanted to give longer tenures to the heads of these two large banks.

Last month, NPA-laden public sector lender IDBI Bank head Kishor P Kharat was shifted to Indian Bank. Mahesh Kumar Jain of Indian Bank was shifted to IDBI Bank.

The Appointments Committee of the Cabinet, headed by Prime Minister Narendra Modi, also appointed Rajkiran Rai G, executive director of Oriental Bank of Commerce, as managing director and chief executive officer (MD and CEO) of Union Bank of India for three years. It is extendable up to May 2022 after a review of his performance, the official statement said.

Besides, R Subramaniakumar, currently executive director of Indian Overseas Bank, has been made MD and CEO. Sunil Mehta, executive director in Corporation Bank, will head the country's second largest public sector bank, Punjab National Bank, in place of Ananthasubramanian.

Executive director of Canara Bank Dinabandhu Mohapatra has been promoted as MD

and CEO of Bank of India. The Cabinet panel appointed R A Sankara Narayanan, executive director of Bank of India, as MD and CEO of Vijaya Bank.

Earlier in the day, the government empowered the Reserve Bank of India to ask banks to initiate insolvency proceedings to recover bad loans, amounting to more than Rs 6 lakh crore in case of state-owned lenders alone, and promised more measures to resolve the NPA crisis.

Toxic loans of public sector banks rose Rs 1 lakh crore to Rs 6.06 lakh crore during April-December of 2016-17, the bulk of which came from power, steel, road infrastructure and textile sectors. Gross NPAs of public sector banks nearly doubled to Rs 5.02 lakh crore at the end of March 2016, up from Rs 2.67 lakh crore at the end of March 2015.

Financial Express

4. Ordinance shows govt's commitment to tackle NPA: SBI chief Arundhati Bhattacharya

The banking ordinance reflects commitment of the government to deal with the NPA problem, and the banking system should move quickly to take benefits of the enabling provisions, SBI Chairman Arundhati Bhattacharya said today

By: PTI

The banking ordinance reflects commitment of the government to deal with the NPA problem, and the banking system should move quickly to take benefits of the enabling provisions, SBI Chairman Arundhati Bhattacharya said today. Amendments to the Banking Regulations Act, coming on the heels of the enactment of Insolvency and Bankruptcy Code and amendments to SARFAESI and Debt Recovery Tribunal acts show government's firm commitment, she said.

"It will help in finding a satisfactory solution to the NPA resolution problem. The country and its banking system need to move quickly and decisively to take benefits of these enabling provisions," Bhattacharya said. Industry body Ficci said the passage of Banking Regulation (Amendment) Ordinance, 2017 is a step forward for resolving NPA menace in a time bound manner.

"In all cases where there is a clear indication of wilful default or malfeasance, the law of the land should prevail and firm action should be taken," Ficci Secretary General A Didar Singh said.

IndusInd Bank promoter and Hinduja Group's Head of Corporate Performance Management Function R Kannan said this will enable RBI to consolidate accounts of one borrower across all banks and see the way forward.

"At present, individual banks are not taking interest in the light of likely future investigations on the resolution procedures adopted. Once the central bank is involved as part of the process, the procedures for resolution are likely to become more simple and it will be a collective effort from all to recover NPAs," Kannan said.

5. 'PoS terminals have doubled in last six months'

KR SRIVATS

The number of point-of-sale (PoS) terminals in the country has touched the thirty lakh-mark, AP Hota, Managing Director & CEO, National Payments Corporation of India (NPCI), said.

This is significant given that India had just fifteen lakh PoS terminals as of November 8 last year, when the demonetisation announcement of certain high-value notes was made by Prime Minister Narendra Modi. NPCI is the umbrella institution for retail payment systems in the country. Hota also said that NPCI would most likely do a public launch of Rupay credit card in the next one month. To begin with, this Rupay credit card will be on the Discover platform, he said. "Already, five banks are doing the pilots. These are Punjab National Bank, Andhra Bank, Central Bank, IDBI Bank and Punjab & Maharashtra Cooperative Bank," he said.

On BHIM app, Hota said NPCI would soon launch an advertising campaign to improve awareness among the public on how to use the mobile app, which is expected to revolutionise digital payments in the country.

6. Indian Bank loan for home repairs

OUR BUREAU

Indian Bank has launched a new home loan product — IB Home Enrich — for repairs and renovation of houses. Customers can avail this loan up to 36 times their gross monthly income, subject to a maximum of ₹10 lakh. There is no need for mortgage of the house property under this loan facility.

The loan can be availed against liquid securities like LIC, NSC and term deposit, according to a statement.

Income tax exemption upto ₹30,000 under Section 24 of the IT Act will be available for the interest on this loan product, which was launched by Kishor Kharat, Managing Director & CEO, Indian Bank.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY