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**Dear Comrades,**

**8th May , 2017**

**News of Interest 8th MAY**

**MOTIVATIONAL QUOTES**

**“REMEMBER UPON THE CONDUCT OF EACH DEPENDS THE FATE OF ALL. “  
ALEXANDER THE GREAT**

**HIGHLIGHTS**

- 1. WAR ON NPAS TO SPEED UP PSBS' CAPITAL RAISING VIA FPOS**
- 2. SHAREHOLDERS TO ELECT FOUR INDEPENDENT DIRECTORS OF SBI ON JUNE 15**
- 3. UNDER URJIT PATEL, INDIAN CENTRAL BANK ZOOMS IN ON 4 PER CENT INFLATION TARGET**
- 4. CASH TRANSACTIONS STOPPED IN 40 BANK BRANCHES IN SOUTH KASHMIR**
- 5. IRDA ISSUES NEW OUTSOURCING GUIDELINES FOR INSURERS**
- 6. REDUCE TIME LAG IN LOAN APPROVAL, DISBURSAL: INDIA TO ADB**

Business Standard

**1. War on NPAs to speed up PSBs' capital raising via FPOs**

SBI has already taken board approval for raising up to Rs 15,000 crore through various means

Press Trust of India

The government's all out war against NPAs will help in cleaning balance sheets of state- owned banks and expedite fund raising via markets to meet the global Basel III capital adequacy norms, an official said.

"As NPAs get resolved, the balance sheets of the public sector banks will get better, improving the valuation of their stocks," a senior Finance Ministry official said.

So, the banks would be in a better position to raise much needed funds from the capital market as envisaged in Indradhanush plan, reducing burden on exchequer,

the official said, adding that faster resolution of non-performing assets means earlier than anticipated public offers from banks.

As it is, the Finance Ministry expects about half-a-dozen banks to raise capital from the market during the second half of the current fiscal.

Some banks like State Bank of India, Bank of Baroda and Punjab National Bank have potential to go for public offers during the course of the year, the official said.

As per the Indradhanush plan, public sector banks need to raise Rs 1.10 lakh crore from markets, including through follow-on public offers, to meet Basel III requirements which kick in from March 2019.

This will be over and above Rs 70,000 crore banks will get as capital support from the government. Of this, the government has already infused Rs 50,000 crore in the past two fiscals and the remaining will be pumped in by the end of 2018-19.

SBI has already taken board approval for raising up to Rs 15,000 crore through various means, including public offer and overseas issuance of shares, during the current fiscal.

The funds will be raised either through follow-on public issue, qualified institutional placement, rights issue, private placement, Global Depository Receipt, American Depository Receipt or a combination of these, SBI had said last month.

The fund-raising will be done at an opportune time or as may be approved by the government and the RBI, it added.

Meanwhile, the government will continue to support public lenders based on requirements as was announced by the Finance Minister in his Budget speech, the official said.

In the Budget 2017-18 speeches on February 1, Finance Minister Arun Jaitley announced capital infusion of Rs 10,000 crore for the current fiscal.

"In line with the Indradhanush road map, I have provided Rs 10,000 crore for recapitalisation of banks in 2017-18. Additional allocation will be provided, as may be required," Jaitley had said.

## **2. Shareholders to elect four independent directors of SBI on June 15**

Final date for submitting documents is May 24

[Press Trust of India](#)

The country's largest lender SBI has invited applications for appointment of four independent directors to its central board who will be elected by the public shareholders on June 15.

The election has been necessitated after the resignation of Sunil Mehta and the expiry of the three-year-term of the three other directors -- Deepak Amin, Sanjiv Malhotra and MD Mallya, the bank said in a notice.

The term of appointment for the four new directors will be for three years till 2020, and the election will be held during the forthcoming general meeting of shareholders on June 15, it said.

"The election of directors is being held to fill in the vacancies arising out of the retirement/resignation of the four directors elected by eligible shareholders of the bank, other than the government," it said.

Any shareholder having not less than 5,000 shares either in his/her name or as first named holder when jointly held, is eligible to contest the election.

Led by chairman Arundhati Bhattacharya, who is on an extension till September, the central board of SBI comprises four independent directors, two government nominees, one representative from the Reserve Bank and also four of its managing directors.

Nomination form and the format of declaration and undertaking to be submitted by shareholders is available with the secretariat of the chief general managers at all the local head offices and the central board secretariat at the Corporate Centre of the bank in Mumbai.

The final date for submitting the documents is May 24, the notice said.

If the total number of valid nominations exceeds four, there would voting for the election at the general meeting.

Any shareholder other than government with over 50 shares each for a minimum of three months prior to the date of the general meeting will be eligible to vote in the election, the public notice said.

Financial Express

### **3. Under Urjit Patel, Indian central bank zooms in on 4 per cent inflation target**

Under governor Urjit Patel, India's central bank will target inflation of 4 percent, three officials familiar with its thinking said

By: [Reuters](#)

Under governor Urjit Patel, India's central bank will target inflation of 4 percent, three officials familiar with its thinking said, adopting a narrower reading of its mandate than markets in a bid to stamp out rampant price rises of the past.

The differing interpretations of amendments to last year's Reserve Bank of India (RBI) Act reflect sometimes strained relations between the market and the central bank, and are proving a test for Patel some eight months into his tenure.

The amendments were part of landmark changes to India's monetary policy pushed by Patel, then deputy governor, and his predecessor as governor, [Raghuram Rajan](#), and require the RBI "to contain inflation within the specified target level" of 4 percent, but within a tolerated band of 2-6 percent.

Markets have interpreted that as the range of 2-6 percent, arguing that pursuing a specific 4 percent target takes away the flexibility needed in an economy that must grow by at least 8 percent a year to allow for full employment.

But the RBI is determined to chase the 4 percent figure, the officials said, as Patel and the other five members of his monetary policy committee (MPC) seek to defend the RBI's credibility on inflation. "Markets should read the Act carefully and think as if they are a member of the MPC, and then think: how would they conduct policy?" said one of the officials.

"The Act clearly says 4 percent is the target and the 2-6 percent band has been given only to absorb temporary or one-time shocks."

All three officials spoke on condition of anonymity, because they were not authorised to speak to the press on sensitive policy issues.

The RBI did not give official comment.

Such a stance could open the prospect of earlier interest rate hikes than expected by markets, should prices start to move higher unexpectedly and remain there for some time.

The officials stressed, however, that the RBI was also mindful of growth, in line with an Act that tasks the MPC with "maintaining price stability, while keeping in mind the objective of growth."

Consumer inflation stood at 3.81 percent in March, but weaker-than-expected monsoon rains and planned hikes to government employee salaries could easily see the 4 percent target under threat.

But any move to hike the repo rate of 6.25 percent would need to be balanced by concerns among market participants that the economy is weaker than the 7.0 percent growth in the October-December quarter, as India's move last year to ban higher-valued bank notes continues to reverberate.

"So far as the 4 percent target goes, the MPC has to decide how to go ahead in a calibrated way, balancing out the costs associated with that stance," said the second of the three officials.

## **RBI VERSUS MARKETS**

The pursuit of the 4 percent target will likely continue to remain a source of disagreement between the RBI and some market players, even as investors begin to adjust to a more hawkish monetary policy.

A Reuters poll last month showed only seven out of 38 economists expected a rate cut this year, down from 21 out of 36 earlier.

However, Indranil Sengupta, economist and co-head of India Research at Bank of America Merrill Lynch, said inflation was "a long, long way" from becoming an issue since the economy has yet to accelerate meaningfully. "In our opinion there is a case for a 25 bps rate cut in August," he said.

The differing views reflect how markets are still adjusting to the changes to the monetary policy framework over the past two years in a country with a history of volatile and double-digit inflation.

Patel started his tenure by cutting rates in October, priming investors to believe he would soften his focus on inflation, only to then stun investors by changing the monetary policy stance to "neutral" from "accommodative" in February and adopting a much more hawkish tone.

Since then, the 10-year benchmark government bond yield has risen about 50 basis points.

The officials defended the actions as consistent with the RBI's views on the trajectory of inflation, which hit as low as 3.17 percent in January.

But it has since accelerated, and becoming too tolerant could dent the bank's credibility, the officials argued.

"If people start doubting RBI's credibility in controlling inflation, then producers will start raising prices, which in turn will push up inflation expectations. It is very important to keep inflation expectations well anchored," said the second official.

#### **4. Cash transactions stopped in 40 bank branches in South Kashmir**

PTI

In the wake of militants targeting banks in south Kashmir, cash transactions at nearly 40 branches in sensitive areas of Pulwama and Shopian districts in South Kashmir have been stopped.

The step has been taken following an advisory issued by security agencies asking the banks operating in the two districts to stop cash deliveries at the branches located in these areas as they apprehend more such attacks.

The cash transactions have been stopped at the branches belonging to the Jammu and Kashmir Bank and Ellaquai Dehati Bank, which were targeted by militants recently.

A senior official of Jammu and Kashmir Bank said all other banking operations including ATM services would continue in these areas.

"We were told that the security agencies have inputs about more such attacks, so we had to stop cash transactions at these branches designated by the security agencies as sensitive," he said.

Other banking operations, including cashless transactions and ATM services, will continue to take place.

Also, people in these areas can undertake cash transactions at other designated branches in the nearby areas, he said.

The official said the move to stop cash transactions was temporary till effective measures are put in place to ensure safety and security of bank employees and assets.

"We have discussed various measures for the safety and security of our employees as well as the cash".

"We are putting those measures in place in the coming few days and once they are in place, cash transactions at these bank branches will be resumed," he said.

Various measures like providing additional armed security guards at these branches and having bullet—proof cash-vans have been discussed, the official said.

The advisory by the security agencies comes in the wake of a spurt in attacks on banks in south Kashmir.

On May 1, militants attacked a cash van of Jammu and Kashmir Bank and shot dead five policemen and two bank security guards in Damhal Hanji Pora area of Kulgam district in south Kashmir.

Meanwhile, a special state-level bankers committee meeting was held here yesterday in which the issue was discussed.

Finance Minister Haseeb Drabu, who presided over the meeting, said there was a need to devise special security measures to deal with this kind of situation.

"Surveillance is good but it cannot substitute physical security on ground," he said.

The meeting unanimously called for revisiting the Standard Operating Procedures (SOP) for augmenting and upgrading physical security as well as ensuring safety of public life and property.

The meeting was also attended by state Chief Secretary B.B Vyas, Principal Secretary (Home) R.K Goel and Director General of Police S P Vaid.

## **5. IRDA issues new outsourcing guidelines for insurers**

The sectoral watchdog IRDAI has issued new guidelines on outsourcing activities by insurers by clearly defining the areas of work that should be done in-house and those which can be handed out to third-parties.

The regulator said the regulations dated April 20 but put on the Gazettee of India on May 5, is aimed at ensuring that insurers follow prudent practises on management of risks arising out of outsourcing so as to prevent negative systemic impact on one hand and to protect the interests of the policyholders on the other.

The move is also to ensure sound and responsive management practises for effective oversight and adequate due diligence while outsourcing activities by insurers, it added.

Accordingly, the new regulations ban insurers from outsourcing investments and related functions to third parties, apart from not allowing fund management, including NAV calculations; compliance with AML and product design.

Insurers are also expected to do all actuarial functions and enterprise-wide risk management in house, apart from decision making on underwriting and claims functions excluding procedural activities related to payment of survival benefit claims in life insurance; policyholders grievances redressal; decision to appoint insurance agents, surveyors; loss assessors and finally approving advertisements.

IRDAI said the new regulations called 'Outsourcing of activities by insurers Regulations of 2017, will come into force from the date of their publication in the Official Gazette and supersede the guidelines issued earlier.

However, these norms are not applicable to re-insurers but are applicable to all insurers registered with the Insurance Regulatory and Development Authority. If an insurer is engaged in both direct insurance as well as reinsurance business, these regulations are applicable only in respect of direct insurance business of such insurers, it added.

It defines 'outsourcing' as use of third-party services to perform activities that would normally be undertaken by the insurer but does not include services such as legal services, banking services, courier services, medical examination, and forensic analysis.

The new regulations also make it mandatory on the board of the insurer put in place an outsourcing policy and also set up an outsourcing committee comprising key management persons of the insurer, including the chief risk officer, chief financial officer and chief of operations.

## **6. Reduce time lag in loan approval, disbursal: India to ADB**

India has urged the Asian Development Bank (ADB) to reduce the time it takes to approve a loan as well as to disburse as the developing countries in the Asian region need to build their infrastructure and increase social sector spending.

Speaking at the business session of the ADB Board of Governors, Finance Minister Arun Jaitley also asked the multilateral lender to set up a regional hub in New Delhi for South Asia region so that a majority of the proposals could be processed there speedily.

Stating that the Bank has kept its processes and procedures up to date with the demands of the time, Jaitley, however, said that more can be done to keep pace with the aspirations of the people. "For instance, time required to approve a proposal as well as the time lag between approval and disbursement of loans can be further reduced. I am sure you all would agree that speed is what will keep ADB ahead of others," Jaitley said at the business session yesterday.

He said since ADB has completed 50 years, it provides an occasion to look back and carefully assess its achievements and what more needs to be done.

"Eliminating poverty from Asia-Pacific region is the vowed objective of ADB. In addition to sectors like energy, urban development and transportation, we need to focus more on affordable renewable energy," Jaitley said.

In the area of urban development, especially in the sector of drinking water and sanitation, the major challenges remain in the realm of user charges and financial sustainability of urban bodies. The Bank needs to promote models that will focus on these challenges, he added.

Jaitley said in almost all of the developing member countries, a vast majority of the rural populace depends on agriculture and other allied activities. "There is a need for greater focus on climate resilient agriculture, better farm production technologies, improved value chain management and creation of better marketing infrastructure for the farm produce. ADB also needs to focus more on social infrastructure like health and education," Jaitley said.

ADB offers a range of financial products by way of loans, technical assistance, and grants, that help developing member countries (DMC) build economic growth and social development.

Conceived in the early 1960s, ADB is composed of 67 members, 48 of which are from the Asia and Pacific region. ADB assists its members, and partners, by providing loans, technical assistance, grants, and equity investments to promote social and economic development.

Sovereign operations in 2015, including official and technical assistance co-financing, totaled USD 13.81 billion.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)  
GENERAL SECRETARY**