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Dear Comrades,

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News of Interest 12th MAY

MOTIVATIONAL QUOTES

“A LEADER IS ONE WHO KNOWS THE WAY, GOES THE WAY, AND SHOWS THE WAY. “
JOHN C. MAXWELL

HIGHLIGHTS

- 1. KOTAK BANK TO RAISE RS 5,662 CR VIA QIP, PROMOTER STAKE TO FALL**
- 2. SBI TO ALLOW ATM WITHDRAWALS VIA E-WALLET, DENIES ATM SERVICE CHARGE HIKE**
- 3. NPA NORMS WELCOME, WILL FORCE DECISIONS: AXIS BANK'S SHIKHA SHARMA**
- 4. HN SINOR RESIGNS FROM BANKS BOARD BUREAU AFTER SURPRISE CHANGES IN TOP MANAGEMENT OF STATE-RUN BANKS**
- 5. WITH BANKING SOFTWARE YET TO REFLECT NEW SLAB RATES, PENSIONERS GET A RUDE SHOCK**
- 6. SBI REVISES SERVICE CHARGES; TO CHARGE ATM WITHDRAWALS AT RS 25**

Business Standard

1. Kotak bank to raise Rs 5,662 cr via QIP, promoter stake to fall

RBI had asked Uday Kotak to reduce his stake in the bank to 30% by June 2017, 20% by Dec 2018

Press Trust of India

Private lender Kotak Mahindra Bank is looking to raise about Rs 5,662 crore through sale of 62 million shares through qualified institutional placement (QIP).

This share sale is part of stake reduction exercise by its promoter Uday Kotak, the vice-chairman of the bank, as advised by the Reserve Bank of India (RBI).

"Shareholders of the bank have approved and declared the opening of (QIP) issue today (Thursday)," Kotak Mahindra Bank said in a regulatory filing on stock exchanges.

They also approved and took on record the floor price in respect of the issue and fixed this at Rs 913.24 per share of Rs 5 each, it said.

So, at the floor price, the bank would raise about Rs 5,662 crore. The proposed capital dilution works out to 3.37 per cent on the current equity base. 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 20 per cent by December 2018.

Earlier in March, Kotak had sold 27 million shares, reducing his stake in the bank to 31.8 per cent, from 33.3 per cent.

On March 30, the bank's board had approved a proposal to raise capital through an equity offer by issuing up to 62 million shares of Rs 5 each.

The bank had cited four reasons for the fundraising. These are to pursue consolidation opportunities in the banking and financial services space, capitalise on opportunities in acquisition and stressed assets resolution, including joining a bad bank, mop up additional avenue for organic growth like more international lending and infuse capital into subsidiaries.

2. SBI to allow ATM withdrawals via e-wallet, denies ATM service charge hike

There were media reports about hike in service charges to Rs 25 on regular ATM transactions

Press Trust of India

The largest lender State Bank of India will introduce new facility that would enable withdrawal of cash through ATMs using the bank's mobile wallet.

However, the bank will charge Rs 25 on every cash withdrawal from the mobile wallet via ATMs.

Meanwhile, the SBI has denied media reports that it has increased service charges to Rs 25 on regular ATM transactions.

"The service charge on cash withdrawal from ATMs has not been changed for normal savings accounts," SBI MD (national banking) Rajnish Kumar told PTI.

"If a customer has money in SBI Buddy, our mobile wallet, he can now withdraw that money through ATMs. Also, now customer can deposit cash or withdraw cash through business correspondent (BC) from or into our mobile wallet. These facilities were not available earlier," Kumar added.

For cash deposit of up to Rs 1,000 into its mobile wallet through business correspondents, the bank will levy a service charge of 0.25 per cent (minimum Rs 2 and maximum Rs 8) plus service tax.

For cash withdrawal of up to Rs 2,000 from SBI Buddy through business correspondents, the service charges will be 2.50 per cent of the transaction value (minimum of Rs 6) in addition to service tax.

The service charges will be effective from June 1, 2017, Kumar said.

The bank levies a service charge of 3 per cent plus service tax using immediate payment service (IMPS) for fund transfer through SBI Buddy to bank account.

On the media reports about the bank hiking ATM charges to Rs 25, Kumar clarified that cash withdrawals from ATMs has not been changed for normal savings accounts and that there was some errors in the circular earlier.

A corrected circular will be issued soon, he added.

Financial Express

3. NPA norms welcome, will force decisions: Axis Bank's Shikha Sharma

She said the government's last week ordinance has been a "great boost" and the bankers were seeking similar measures for a long time

By: PTI

Axis Bank MD and CEO Shikha Sharma today welcomed changes in NPA resolution as moves that will "force" decisions by cutting layers, and also said the bank is looking for one more life insurance distribution tie-up. "There are layers of process (in resolution). What the ordinance is doing is that it is cutting that layer off then having to go back to the board. It is forcing a decision mechanism because it is saying that if 60 per cent agree, rest have to fall in line," she told reporters here. She said the government's last week ordinance has been a "great boost" and the bankers were seeking similar measures for a long time.

Sharma, while speaking on the sidelines of an event organised by industry lobby CII here, said the trouble with Joint Lenders Forum at present is that decisions do not get taken for want of having adequate ratio of bankers on board, or the boards do not approve decisions taken by the bankers. The government's ordinance, followed by notifications by the RBI creates a "forcing mechanism" to take decisions, she said. The CEO of country's third largest private sector lender, saddled with high proportion of dud assets, said all bad assets will not turn good, and banks will have to take haircuts because of this mechanism.

She, however, underlined that getting the mechanism is important. When asked specifically about how this will help her bank's Rs 9,436 crore watch-list of potentially stressed assets, she said, "Difficult to predict if our watch-list will get upgraded. It depends on how soon we are able to come with solutions and what is the solution." Meanwhile, Sharma also said that Axis Bank is looking to tie-up with one more life insurance player for distributing policies.

She also added that it is not interested in entering the segment itself because of big opportunities in core banking business. "In the case of life insurance, we currently partner with Max Life and LIC. Now, the regulation allows for open architecture with up to three insurers, we will at some point look at adding a third partner as well," she said. She declined to give a timeline for a tie-up and added that the tie-up will not be influenced by geographical considerations.

Sharma said even though the digital transactions have gone down with the inflow of cash into the system, there has been a 50-60 per cent jump because of demonetisation, which would have otherwise taken 12-18 months for system.

"Cash is not going to go away from the system anytime soon and the move is only aimed at making us a 'less cash' economy, rather than a 'cashless' one," she said. On concerns surrounding a jump in retail lending, Sharma said the growth is good till the banks are prudent. She was all praise for Bengaluru, where her bank has set up an

innovation centre, saying it is only the second place after the US' Silicon Valley, which she admires, and it even dwarfs the financial capital now.

Economic Times

4. HN Sinor resigns from Banks Board Bureau after surprise changes in top management of state-run banks

BY

SANGITA MEHTA

Veteran banker HN Sinor has resigned from the Banks Board Bureau (BBB), said two people with knowledge of the matter. Sinor didn't respond to a message seeking comment.

The BBB, which is headed by former comptroller and auditor general Vinod Rai, was established in April 2016 with an agenda to take on the administrative task of appointing top executives and overseeing governance standards at banks, freeing up the government. The BBB has played a key role in recommending top-level appointments at state-run banks since then.

According to the people cited above, his departure followed recent, surprise changes in the top management of state-run banks. They referred specifically to chief executives of two large banks being shifted to lesser roles.

But, according to the people cited above, BBB members were disappointed that they were not consulted nor informed prior to the transfers cited above. Rai could not be reached for comment. The BBB spokesperson didn't respond to queries.

Last week, Usha Ananthasubramanian was transferred to Allahabad Bank from Punjab National Bank and Melwyn Rego to Syndicate Bank from Bank of India, both CEOs moving to head up smaller lenders. Before this, in the middle of March, the government had issued orders swapping the CEOs of Indian Bank and IDBI Bank—MK Jan was asked to move to the latter with K Kharat taking his place.

"Members of BBB were not kept in the loop about the transfer even as one of the functions of BBB is to advise government on top-level appointments," said a senior bank executive. "When BBB was formed, the general impression was that the government would distance itself from the appointments of the management and the task would be entrusted to BBB."

The government had said last week that the transfers were aimed at having chief executives with enough length of tenure at the bigger banks so they can have a long-term strategy to deal with problem loans, one of the key concerns of the administration. The government has put together a package, including an ordinance empowering the central bank to take stronger action, aimed at resolving the bad asset situation. Stressed loans of banks have crossed 20% of the total loan book and provisions on these is eating into their earnings.

Sinor, with four decades of experience in the banking sector, was handpicked by KV Kamath to head ICICI Bank when he was executive director of Central Bank of India. He was later appointed CEO of the Indian Banks' Association lobby group and subsequently CEO of the Association of Mutual Funds of India.

The other members of the BBB are AK Khandelwal, chairman and managing director of Bank of Baroda, and Roopa Kudwa, former CEO of Crisil. Ananthasubramanian, Rego and Kharat were among the five CEOs selected by the government in August 2015 under Mission Indradhanush that appointed CEOs from the private sector.

Business Line

5. With banking software yet to reflect new slab rates, pensioners get a rude shock

L N REVATHY

Pensioners and senior citizens in the lowest tax slab of 5 per cent were in for a shock when the tax deducted at source in the pension for April 2017 payable in May was deducted at 10 per cent. Since TDS is collected at source, these pensioners realised only later that the deduction was made at the earlier rate of 10 per cent and not as stated in the Union Budget proposal for assessment year 2018-19.

Now, many of them will have to file their tax returns to claim the credit.

"When the tax rate for individuals with annual income of up to Rs. 5 lakh has been slashed to 5 per cent, the collection of extra tax will only leave us with less disposable income. That's not all. We now have to wait to file our tax return to claim the refund," said one pensioner.

Many such seniors and pensioners park some funds in fixed deposits of banks. The monthly/ quarterly interest that such deposits fetch helps them tide over their expenses.

Should not companies (deductor) effect a correction in their software such that TDS collection is only 5 per cent for employees/ pensioners who fall in the lowest tax slab?

Some banks that *BusinessLine* spoke with seem not to have effected the change yet.

Incidentally, the TDS on interest on deposits deductible under Section 194A of the IT Act is also learnt to have been made at 10 per cent.

When this was brought to the notice of the concerned bank, the senior was informed that when the deductor (a bank) tried to deduct at a lesser rate than prescribed, the e-filing got rejected and they could not generate the TDS certificate, and the entry would not reflect in Form 26AS as well.

The pensioner was asked to file an application before the assessing officer under Section 197(1) of the IT Act, requesting TDS at a lesser rate than 10 per cent on all his deposits. "They will issue the certificate directly to us. By quoting the said certificate number, we can deduct the tax at a lesser rate," the communication said.

Is this the way out when the rate itself has been halved? Should not banks carry out the necessary changes in their software instead of asking every pensioner to represent to the assessing officer? It appears that a lot needs to be done.

6.SBI revises service charges; to charge ATM withdrawals at Rs 25

VINSON KURIAN

State Bank of India (SBI) has announced another revision in service charges with effect from June 1, 2017. All cash withdrawals through ATM will now be charged at Rs. 25 per transaction. Only RuPay classic card will be issued for free.

Beyond four withdrawals in a month, the service charges applicable will be Rs. 50 plus service tax per transaction at branch; Rs. 20 plus service tax at other bank ATMs and Rs. 10 plus service tax for SBI ATMs.

Cash deposit through banking correspondent of up to Rs. 10,000 (in multiples of 100) will be charged at 0.25 per cent of the value with a minimum of Rs. 2 and maximum of Rs. 8 plus service tax. Cash withdrawal through banking correspondent of up to Rs. 2,000 (multiples of 100) will be charged at 2.50 per cent of the transaction value (minimum of Rs. 6) plus service tax.

Online transfers

IMPS fund transfer charges through internet banking/UPI/IUSSD will be Rs. 5 plus service tax for amounts of up to Rs. 1 lakh; Rs. 15 plus service tax for above Rs. 1 lakh and up to Rs. 2 lakh; and Rs. 25 plus service tax for above Rs. 2 lakh and up to Rs. 5 lakh.

Service charges for exchange of soiled/imperfect notes, up to 20 pieces and value of Rs. 5,000 will demand no charge. More than 20 pieces will invite Rs. 2 per piece on the entire tender plus service tax. For value above Rs. 5,000, Rs. 2 per piece or Rs. 5 per 1,000 plus service tax, whichever is higher on the entire order will be levied.

For example, for 25 pieces of Rs. 500 that is equal to a value of Rs. 12,500, the charges will be Rs. 2 per piece (Rs 50 plus service tax) and Rs. 5 per Rs. 1,000 (Rs 62.50 plus service tax). Amount to be charged will be Rs. 62.50 plus service tax.

Issue of a 10-leaf cheque book will now cost Rs. 30 plus service tax; 25-leaf book, Rs. 75 plus service tax and 50-leaf book at Rs. 150 plus service tax.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY