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**Dear Comrades,**

**23rd May , 2017**

**News of Interest 23rd MAY**

### **MOTIVATIONAL QUOTES**

**“FORTUNE IS LIKE GLASS - THE BRIGHTER THE GLITTER, THE MORE EASILY BROKEN. “**  
**PUBLILIUS SYRUS**

### **HIGHLIGHTS**

- 1. BAD LOANS CRISIS: RBI TO EXPAND OVERSIGHT COMMITTEE, RATING AGENCIES ROLE**
- 2. PAYTM PAYMENTS BANK OPENS TODAY, OFFERS 4% INTEREST RATE**
- 3. RBI MAY ISSUE FRAMEWORK FOR BRINGING NPA ORDINANCE ONLINE WITHIN 15 DAYS**
- 4. BANK OF MAHARASHTRA MULLS RAISING RS 2,000 CR**
- 5. IDBI BANK STAFF ON STRIKE TODAY; DEMAND WAGE REVISION**
- 6. UDAY KOTAK SELLS 1.8 CR SHARES IN BANK; MEETS RESERVE BANK NORM**

Business Standard

#### **1. Bad loans crisis: RBI to expand oversight committee, rating agencies role Reserve Bank action plan to expand role of rating agencies**

Abhijit Lele

Staying on course to resolve the bad loan problem plaguing the banking sector, the Reserve Bank of India (RBI) outlined the further steps it plans to take, such as expanding the oversight committee (OC) and its mandate, modifying existing debt recast rules, and engaging rating agencies for timely action.

The central bank will reconstitute the OC and expand the panel to include more members. The existing OC, which has two members, was constituted by the Indian Banks' Association. The RBI will now reconstitute the OC under its aegis and the two current members will continue in the revamped panel. The larger OC could then set up benches to deal with the volume of cases referred.

The RBI will also expand the scope of cases to be referred to the OC beyond those under S4A (Scheme for Sustainable Structuring of Stressed Assets) as required currently. The RBI is also developing a framework for an “objective and consistent”

decision-making process for resolution under the Insolvency and Bankruptcy Code, 2016 (IBC).

The banking regulator also sought information on the current status of the large stressed assets from the banks. It would constitute a committee comprising a majority of its independent board members to advise it in this matter. The Banking Regulation (Amendment) Ordinance, 2017, has empowered the RBI to issue directions to initiate insolvency resolutions for default under the provisions of the IBC.

The RBI is also likely to modify the guidelines on restructuring to resolve the large stressed assets in the banking system.

The RBI wants rating agencies to play a vital role in the resolution process. "With a view to preventing rating-shopping or any conflict of interest, the RBI is exploring the feasibility of rating assignments being determined by the RBI itself," the central bank's statement said. Rating agencies would be paid from a fund to be created out of contributions from the banks and the RBI.

The RBI further said the enhanced empowerment would require coordination with and the cooperation of several stakeholders including banks, asset reconstruction companies, rating agencies, and private equity firms. It will soon hold meetings with these stakeholders.

Immediately after the promulgation of the Ordinance by the government, the RBI had issued a directive bringing changes to the existing regulations on dealing with stressed assets. The statement said a corrective action plan could include flexible restructuring, strategic debt restructuring, and S4A. The consent required for approving a proposal in a Joint Lenders' Forum (JLF) has been liberalised. If an asset is to be subject to the corrective action plan, 50 per cent of the creditors in the JLF have to agree on the plan and they must account for 60 per cent (against 75 per cent earlier) of the asset by value. These changes were made to facilitate decision making in the JLF. Banks which were in a minority on the proposal backed by the JLF would have to either exit by complying with the substitution rules within the defined time or adhere to the decision. Participating banks had also been mandated to implement the decision of the JLF without any additional conditionality.

The boards of banks were advised to empower their executives to implement JLF decisions without further reference to them. Those lenders who fail to adhere to rules would face enforcement actions, the RBI had said.

## **2. Paytm Payments Bank opens today, offers 4% interest rate**

Rate much lower compared to Airtel's 7.25% and India Post's 5.5%

Karan Choudhury

After a delay of nearly a year and with a new chief executive officer on board, Paytm's payments bank saw the light of day on Monday. It is the third payments bank in the country, after Airtel and India Post.

It is offering customers a 4 per cent annual interest rate as well as cash back on deposits. This is the lowest among the three payments banks: Airtel offers about 7.3 per cent interest and India Post about 5.5 per cent annually.

"The first million customers to open accounts and have deposits of Rs 20,000 will get cash back of Rs 250 instantly. Accounts can be opened with a zero balance. All online transactions will be free of charge," the company said.

Its first branch would be in Noida. Paytm plans to open 31 branches and 3,000 customer service points in a year. The initial accounts will be invitation only. The bank will roll out its beta banking application for employees and associates soon.

Paytm customers can request an invitation by going to [www.paytmpaymentsbank.com](http://www.paytmpaymentsbank.com) or the Paytm iOS application.

The company is setting up Know Your Customer centers across the country. The bank will offer current accounts to its six million online and offline merchants as well.

In the past 48 hours, Paytm sent out messages to its 220 million users, asking them open a payments bank account. However, company officials said those who do not wish to open an account have to only send an email and can continue to use the wallet as it is.

As Paytm wallets have been merged with the new entity, Paytm Payments Bank, all wallets are being transferred to it.

"The RBI (Reserve Bank of India) has given us an opportunity to create a new kind of banking model. Our customer deposits will be invested in government bonds, and be used for nation building. None of our deposits will be converted in to risky assets," Vijay Shekhar Sharma, chairman, Paytm Payments Bank, said.

The company plans to open 500 million accounts by 2020. "Leveraging the power of technology, we aim to become the preferred bank for 500 million by 2020," said Renu Satti, chief executive officer, Paytm Payments Bank.

Paytm would also offer RuPay cards to customers. "We will offer five free ATM transactions (in non-metro cities) per month. After that, customers will pay Rs 20 per ATM withdrawal," the company said.

Airtel charges 0.65 per cent on each cash withdrawal. India Post is the only payments bank at present which offers a card to its customers to take out cash from its India Post ATMs.

### **3. RBI may issue framework for bringing NPA ordinance online within 15 days**

About 10-12 cases, including Bhushan Steel and GVK Power, will be taken up in the first go

Press Trust of India

The Reserve Bank of India (RBI) is likely to announce within a fortnight the guidelines to operationalise NPA ordinance so as to expedite the recovery of bad loans which have crossed Rs 8 lakh crore.

The framework would include creation of a separate cell to identify issues pertaining to non-performing assets (NPAs) or bad loans and have a clause providing definitive time-frame for the resolution process, sources said.

The time-frame could range from 60-90 days, they added.

The RBI is also considering setting up a special cell which will identify cases for revival or takeover by another company. Besides, it can suggest to a bank to refer a particular case for insolvency and bankruptcy, they said.

RBI has identified about 50 cases for NPA resolution after it was empowered by the government to ask banks to initiate insolvency proceedings, they added.

"The cases which have already been examined by the joint lenders' forum (JLF) but have not reached logical conclusion after that... Such cases would be taken up by the RBI and the regulator can direct banks for resolution," a Finance Ministry official said.

About 10-12 cases like Bhushan Steel and GVK Power will be taken up in the first go, sources added.

Soon after the passage of the ordinance, the RBI, last week, made substantial changes in the norms for dealing with stressed loans and warned banks that they will be penalised for missing NPA resolution timeline.

The number of creditors by value for consent for NPA resolution has been brought down to 60 per cent from the earlier 75 per cent.

Earlier this month, the government gave wide-ranging legislative powers to the RBI to issue directions to lenders to initiate insolvency proceedings for the recovery of bad loans.

Non-performing assets, or bad loans of public sector banks (PSBs), have reached "unacceptably high levels" of over Rs 8 lakh crore, the bulk of which are in sectors such as power, steel, road infrastructure and textiles.

The Ordinance authorises the "Reserve Bank to issue directions to any banking company or banking companies to initiate insolvency resolution process in respect of a default under the provisions of the Insolvency and Bankruptcy Code (IBC), 2016".

It has also empowered RBI to issue directions to banks for resolution of stressed assets.

RBI has been equipped with powers to specify one or more authorities to advise banks for dealing with the problem of NPAs which, as per the Ordinance, "have reached unacceptably high levels and urgent measures are required for their resolution".

The law will also empower RBI to set up sector related oversight panels that will shield bankers from later action by probe agencies looking into loan recasts.

Banks have been reluctant to resolve NPAs through settlement schemes or sell bad loans with hair cut to asset reconstruction companies for fear of 3Cs -- CBI, CAG and CVC.

With the enactment of amendment, RBI will be able to give specific solutions with regard to hair cut for specific cases and also, if required, look at providing relaxation in terms of current guidelines.

The Ordinance, which amends Section 35A of the Banking Regulation Act 1949, will have to be placed in Parliament for approval in the upcoming monsoon session. It has inserted Section 35AA and Section 35 AB in the Act.

The government had earlier enacted the IBC to consolidate and amend the laws relating to reorganisation and insolvency resolution of corporate persons, partnership firms and individuals in a time bound manner.

It was aimed at maximising the value of assets to promote entrepreneurship, availability of credit and balance the interest of all stakeholders.

## **Financial Express**

### **4. Bank of Maharashtra mulls raising Rs 2,000 cr**

Public sector player Bank of Maharashtra is considering raising up to Rs 2,000 crore via various routes including follow-on public offer and rights issue

By: PTI

Public sector player Bank of Maharashtra is considering raising up to Rs 2,000 crore via various routes including follow-on public offer and rights issue. The proposal will be taken up at the annual general meeting to be held on June 16 in Pune, where the bank is based. In a regulatory filing the bank said the proposal will be placed before

shareholders at the AGM meeting to raise equity through follow on public offer/rights issue/qualified institutional placement/preferential issue.

Consent of shareholders will be sought to create, offer, issue and allot equity shares, it said. "The bank had assessed a capital requirement of around Rs 2,000 crore for the financial year 2017-18. The required capital is proposed to be raised from market by way of FPO/rights issue/QIP/preferential issue including capital support from central government" it added.

The funds will be added to bank's capital conservation buffer (CCB) as per Basel III requirements and also for annual business growth, the bank said. Stock of the bank closed 3.63 per cent down at Rs 31.90 on BSE.

## **5. IDBI Bank staff on strike today; demand wage revision**

### **VINSON KURIAN**

Banking operations at IDBI Bank may be impacted on Tuesday with a section of its employees having given a strike call to press their wage-related demands.

It is learnt that the bank management has received a strike notice from the United Forum of All India IDBI Bank Officers and Employees.

The All India Bank Officers Association (AIBOA) and All India Bank Employees Association (AIBEA) have expressed solidarity with the cause of their fraternity in IDBI Bank and wrote to its management in this regard.

Signed by S Nagarajan and CH Venkatachalam, general secretaries, the letter highlighted the legitimate demand for wage revision pending with the bank management from November 2012.

"The proposed strike is attributable to the insensitivity of the management to the genuine demands of the unions, and is not at the pleasure of the latter," the letter said.

Wage revision for all employees and officers of all other banks was completed in May 2015 with the signing of the 10th Bipartite Settlement. Subsequently, this was executed in the RBI, the LIC, the GIC and regional rural banks.

Responding to a communication to the staff that the bank is not in a position to take up wage revision, the letter said that its main problem has been the mounting NPAs and inability to recover the same.

### **Must be hauled**

Bad loans have increased 10-fold during the last five years. Profits and profitability have been thwarted and dwarfed by "this alarming increase" in bad loans. "We are sure that it is not the charge or allegation of the management that these bad loans are due to the inefficiency or lack of performance of the rank and file staff members," the letter said.

"We are convinced that these...are mainly due to the gross mismanagement by some of the past top executives..." it added.

Those executives should be brought to book and made accountable. In any case, the burden should not be put on the shoulders of the ordinary employees and officers "who are working to the best of their efficiency and ability".

## **6. Uday Kotak sells 1.8 cr shares in bank; meets Reserve Bank norm**

## OUR BUREAU

Uday Kotak on Monday sold 1.8 crore shares in Kotak Mahindra Bank (Kotak Bank) in the open market through the bulk deal window of the BSE at an average price of ₹937.35 a share. The deal size was ₹1,687.23 crore. However, identity of the buyers was not immediately known.

The sale, undertaken to comply with the Reserve Bank of India's directive, has resulted in Uday Kotak's stake in Kotak Bank falling to below 30 per cent.

In February, the RBI had directed Kotak Bank to reduce promoter holding to 30 per cent by June 2017 and to 20 per cent by December 2018. It is also required to bring down the promoters' holding to 15 per cent by March 2020 in line with the 2013 guidelines for new bank licences released in 2014.

### Share-sale via QIP

Following the directive, on March 8, Uday Kotak sold 2.76 crore shares in Kotak Mahindra Bank in two separate block deals to Canadian pension fund managers Caisse de Depot et Placement du Quebec and Canada Pension Plan Investment Board (CPPIB) at an average price of ₹817 a share.

Also, earlier this month Kotak Bank had sold 6.2 crore shares at ₹936 a share to institutional investors through a qualified institutional placement that had helped the Kotak family to further reduce their stake to 31.03 per cent.

Kotak Bank had raised ₹5,803.20 crore through the QIP issue. The funds raised could be used 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, mopping up additional avenue for organic growth such as digital expansion, more international lending and capital infusion into subsidiaries, it had then said.

Kotak Bank reported a consolidated net profit of ₹1,404 crore for the January-March quarter which is 33 per cent higher than the ₹1,055 crore it reported in the year-ago period. Net interest income increased 17 per cent to ₹2,890 crore. Standalone net profit rose 40 per cent in the March quarter to ₹976 crore (₹696 crore).

For FY17, the consolidated net profit surged 43 per cent to ₹4,940 crore (₹3,459 crore) while standalone net profit grew 63 per cent to ₹3,411.5 crore (₹2,090 crore).

Gross non-performing assets (GNPAs) edged up to 2.59 per cent at March-end 2017 against 2.36 per cent in March 2016.

With kind regards,

Yours Comradely,



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