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Dear Comrades,

26th May , 2017

News of Interest 26th MAY

MOTIVATIONAL QUOTES

"WE ARE ALL PROUD OF HAVING THUS CONTRIBUTED TO THE HERETOFORE MAGNIFICENT SUCCESSES OF OUR ARMY. "GUSTAV KRUPP

HIGHLIGHTS

1. NRIS UNDER I-T SCANNER FOR EXCHANGING OLD NOTES
2. IDBI BANK CRAFTS TURNAROUND PLAN
3. HDFC AMONG TOP 10 CONSUMER FINANCIAL SERVICES COMPANIES GLOBALLY
4. RBI ALLOWS CO-OPERATIVE BANKS TO ISSUE MOBILE WALLETS
5. MOODY'S DOWNGRADES IDBI BANK

Business Standard

1. NRIs under I-T scanner for exchanging old notes

Central Economic Intelligence Bureau shares data with I-T dept of old notes seizure worth Rs 500 cr

Shrimi Choudhary

Non-resident Indians (NRIs), exchanging old Rs 500 and Rs 1,000 notes, have now come under the income-tax (I-T) department's scanner as the authorities suspect them of exchanging notes for citizens here.

According to sources, the Central Economic Intelligence Bureau (CEIB), a nodal agency for economic intelligence, shared data of old currency seizures with the I-T department of over Rs 500 crore, made in Maharashtra, Tamil Nadu, West Bengal and Gujarat. These seizures were made after March 31, which was the deadline for NRIs to exchange old notes with the Reserve Bank of India (RBI), while for

resident Indians it was till December 30, 2016.

The deadline for NRIs was extended to June 30 with a rider that each person can exchange a maximum of Rs 25,000.

Tax authorities suspect the seized old notes are being hoarded by money operators, which are being exchanged by NRIs.

Acting on the information provided, the tax department has sought some data of NRIs from the Reserve Bank of India (RBI), who have so far exchanged demonetised notes, said a source in the know.

"It is premature to say that these old notes belong to NRIs as we are still probing the matter. The recovery of old notes, however, indicates the involvement of money operators, who were hoarding the money," said a senior tax official.

"We are questioning the people who were caught by the economic offence wing to establish links. However, it is complicated as there are several intermediaries involved in the receiving and exchanging of old notes," he added.

Sources said that over the past one month, many linked persons have been asked to appear before I-T and Enforcement Directorate officials to explain their source of funds.

Tax officials believe that the reported seizures are not even one per cent of the total old notes which are still out of reach. They estimate that Rs 70,000 crore of old notes are still out of the banking system.

Neither the government nor the RBI has disclosed the amount of old notes that have come into the banking system.

The CEIB has registered the case under sections 5, 7 of Specified Bank Notes (Cessation of Liabilities) Ordinance, 2016, which makes holding, transferring or receiving old notes a criminal offence.

The CEIB, while referring the case to the tax department, made a strong remark saying that the cases required stringent action and asked tax authorities to share the investigation report with them.

2. IDBI Bank crafts turnaround plan

In the year ended March 31, 2017, the bank posted a net loss of Rs 5,158 crore

Press Trust of India

Hit by weak profitability and deteriorating asset quality, state-run IDBI Bank on Thursday said it had formulated a turnaround strategy focusing on augmenting capital base and recovery from bad loans.

"We are looking at all avenues to improve our capital position and bring the bank on the recovery track," the bank's newly-appointed managing director and chief executive officer, Mahesh Kumar, Jain stated.

In the year ended March 31, 2017, the bank posted a net loss of Rs 5,158 crore as against net loss Rs 3,665 crore in fiscal 2016.

The bank's gross NPAs almost doubled to 21.25 per cent of the gross advances in the fourth quarter of the last fiscal compared to 10.98 per cent in the corresponding period of the previous financial year.

3. HDFC among top 10 consumer financial services companies globally

American Express topped the list, followed by Capital One Financial and Visa in second, third place

Press Trust of India

Mortgage lender HDFC Ltd is the only Indian company to be named among the top 10 consumer financial services companies in the world, with American Express claiming the first position.

With profits of USD 1.6 billion and sales of \$8.1 billion HDFC was ranked seventh on the Forbes Global List 2017 in the consumer financial services sector — same as last year.

The company has been featured in the coveted list for the third consecutive year.

American Express topped the list, followed by Capital One Financial and Visa in the second and third place, respectively.

The other consumer finance services companies that made it into the list include Orix at the fourth place, Synchrony Financial (5th), Discover Financial Services (6th), Mastercard (8th), PayPal (9th) and CIT group (10th).

As many as 58 Indian companies appeared in the overall Forbes Global 2000 list.

This comprehensive ranking of the world's biggest, most powerful and valuable publicly listed companies is based on a mix of four metrics: sales, profits, assets and market value.

Forbes gave an equal weighting of all four metrics to rank companies according to size.

Economic Times

4. RBI allows co-operative banks to issue mobile wallets

BY PRATIK BHAKTA, ET BUREAU

The Reserve Bank of India (RBI) has allowed co-operative banks, who are permitted to install ATMs and issue debit cards, to also issue prepaid payment instruments PPIs like mobile wallets.

In a notification issued late on Thursday, RBI laid down strict norms and conditions to be followed by co-operative banks before permitting them to issue wallets for utility bill payments and other activities up to a limit of Rs 10,000.

"It has been decided to permit all licenced co-operative banks having their own ATM network to issue semi-closed PPIs," RBI said in a statement.

"This is subject to the compliance with eligibility criteria and other guidelines as prescribed by Department of Payment and Settlement Systems (DPSS), RBI from time to time."

The apex bank also laid down various criteria like banks should be core banking or CBS compliant, with net non-performing assets being less than 3 per cent and also being profitable in the previous financial year.

Further, the RBI has also mandated that the bank should have internal and audit inspection processes both for its branches as well as the head office.

RBI has also mandated that there should be no monetary penalty being imposed on the entity during the last two financial years and the bank should also have a comprehensive customer grievance redressal mechanism.

Commercial banks are allowed to issue mobile wallets like SBI have SBI Buddy, Payzapp from HDFC Bank among others. Customers can use these instruments to pay utility bills like electricity and water, recharge mobile phones and also buy goods and services online.

After RBI permission, now even co-operative banks will be able to compete with their business competitors at the same plank.

Business Line

5. Moody's downgrades IDBI Bank

K R SRIVATS

Moody's Investors Service on Thursday said it has downgraded IDBI Bank's local and foreign currency bank deposit ratings to Ba2 from Baa3.

This and other rating actions reflect the significant deterioration in IDBI Bank's financial profile, driven by asset quality issues and the heightened risk to its solvency position, according to Moody's.

Moody's also downgraded the bank's Dubai International Financial Centre (DIFC) branch's senior unsecured debt and senior unsecured medium-term note (MTN) programme ratings to Ba2/(P)Ba2 from Baa3/(P)Baa3, respectively.

At the same time, it also downgraded the lender's baseline credit assessment (BCA) and Adjusted BCA to caa1 from b1. Following the change in BCA, Moody's downgraded the bank's and its DIFC branch's subordinated MTN programme and junior subordinated MTN programme to (P)Caa1/(P)Caa2 from (P)B1/(P)B2, respectively.

Further review

Moody's has placed long-term deposit ratings, senior unsecured ratings, MTN programme ratings and BCA/Adjusted BCA under review for further downgrade.

The rating agency also said IDBI Bank's capitalisation position is extremely weak. At the end of March 2017, IDBI Bank reported a common equity Tier 1 (CET1) ratio of 5.64 per cent (on a standalone basis), which is just above the minimum regulatory requirement of 5.5 per cent, but is not sufficient to meet the CET1 plus capital conservation buffer requirement of 7.375 per cent through March 2018, as required by the RBI.

In mid-March 2017, the bank received a capital injection of ₹1,900 crore from the government (Baa3 positive), which helped it meet the minimum Basel-III CET1 requirement at the end of March 2017. Over the next 12-18 months, Moody's expects asset quality issues to persist, which will put pressure on the bank's profitability profile, and limit its ability to generate internal capital. At the end of March 2017, IDBI Bank's impaired loans (non-performing loans, plus standard restructured loans) ratio rose to 29 per cent versus 19 per cent a year earlier.

In addition, loan loss reserves, when adjusted for the restructured loans, stood at about 34 per cent at the end of March 2017 — which was one of the weakest among Moody's-rated public sector banks in India.

Moody's points out that the bank's buffers against further asset quality stress remain weak. Its capacity for internal capital generation will remain constrained by low net

interest margins and high credit costs. As such, Moody's expects the bank to remain dependent on capital infusions from the government to meet the minimum capital standards.

Despite its weak solvency profile, Moody's notes that the bank's funding and liquidity position have remained fairly stable. Nevertheless, the bank's funding profile is relative weaker compared with other public sector banks in India, Moody's added.

Government support

At the same time, the rating agency has maintained its assumption of a very high probability of government support for deposits and senior unsecured debt, in spite of the bank's weak standalone credit profile. In Moody's opinion, given the current fragile financial strength of many public sector banks — including IDBI Bank — any reduction in government support will result in lower levels of confidence in such banks, and could negatively affect systemic stability.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY