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**Dear Comrades,**

**22nd November , 2017**

**News of Interest 22nd NOV**

#### **MOTIVATIONAL QUOTES**

**“I BELIEVE IF YOU KEEP YOUR FAITH, YOU KEEP YOUR TRUST, YOU KEEP THE RIGHT ATTITUDE, IF YOU'RE GRATEFUL, YOU'LL SEE GOD OPEN UP NEW DOORS. “**  
**JOEL OSTEEN**

#### **HIGHLIGHTS**

- 1. CANARA BANK TO SELL STAKE IN THREE SUBSIDIARIES TO IMPROVE CAPITAL BASE**
- 2. NEW LOAN PRICING: RBI STUDYING TRANSITION COST**
- 3. PANEL TO STUDY IF DELINQUENT OWNERS CAN REPURCHASE ASSETS**
- 4. CENTRAL PENSIONERS' APPLICATIONS FOR DIGITAL LIFE CERTIFICATES SURGE**
- 5. BANK OF BARODA TO HIRE SPECIALISTS, SALES OFFICERS**

#### **Business Standard**

##### **1. Canara Bank to sell stake in three subsidiaries to improve capital base**

Canara bank, as per regulatory filing, has decided to go for monetisation of non-core assets by selling its shares in part or full in

Press Trust of India

State-owned Canara Bank on Tuesday said it will monetise non-core assets by selling stakes in three subsidiary companies to improve its capital base.

The bank, as per a regulatory filing, has decided to go for monetisation of non-core assets by selling its shares in part or full in Canara Robeco Asset Management Co, Canbank Computer Services and Can Fin Homes.

This, it said, will be done "with a view to augment resources to improve the capital base of the bank for further business growth".

The proposed stake sale in accordance with directions of the Ministry of Finance which had asked the bank to initiate necessary steps to take "suitable decision in divesting the non-core banking activities".

The board of directors of the bank in the meeting held yesterday had permitted it to divest stake either in part or in full in the three domestic subsidiaries/associates.

Canara Bank further said that it has empanelled merchant bankers/ investment bankers to carry out the proposed stake sale.

The bank did not disclose how much money it plans to raise from selling its equity in the three companies.

The government had last month approved a Rs 2.11 lakh crore plan to recapitalise public sector banks. Banks too have been asked to raise funds from markets.

## **2. New loan pricing: RBI studying transition cost**

The move came as the regulator has not been happy with the banks' reluctance to pass on the rate cuts to borrowers from quite some time now

Press Trust of India

Deputy governor Viral Acharya has said the suggestions received on the recommendations of the RBI study group on an external benchmark-based lending rate system are being carefully examined, keeping in view the transition cost to the new loan pricing system.

Last month, the central bank had released a report by a study group that was tasked by the RBI to suggest the pros and cons of shifting to an external benchmark based lending rate system aimed at fastening the transmission of policy rates by banks.

The move came as the regulator has not been happy with the banks' reluctance to pass on the rate cuts to borrowers from quite some time now.

Currently banks price loans on the basis of their marginal cost of funds, which is in force since April 2016, replacing the base rate system that came into effect from July 2014 replacing the prime lending rate system of loan pricing.

Each of these pricing systems changes were aimed at better transmission of the policy rates and make loan pricing more transparent.

"We've received a number of suggestions and comments on the report of the study group. These are being examined factoring in transition costs and providing a calibrated path to the desired benchmarking system," Acharya said at a speech at the Tata Institute of Fundamental Research here last week.

He said efficient monetary transmission is a sine qua non (a necessary condition) for the successful pursuit of its objectives by any central bank.

Over the past two decades, it has been RBI's endeavour to strengthen the monetary transmission process, but these efforts have yet not yielded the

desired results, he said.

"The transmission from the policy repo rate to bank lending rates, which is the dominant transmission channel in our country, has remained a matter of concern," he said.

The study group said internal benchmark-based pricing regimes are not in sync with global practices on pricing of bank loans and recommended that the switchover to an external benchmark needs to be pursued in a time-bound manner.

The report recommended that the treasury bill rates, the certificate of deposit rates, and the RBI policy repo rates are better suited than other interest rates to serve the role of an external benchmark.

"All floating rate loans from April 1, 2018 could be referenced to one of the three external benchmarks selected by the RBI after receiving and evaluating the feedback from stakeholders," the report said.

Acharya said there is a deeper economic issue at hand in the recommendation to move towards an external benchmark.

He further said even as the RBI has reduced its policy repo rate by 50 bps since October 2016 and a higher 200 bps since December 2014, bank credit has remained much muted.

"While weak demand for bank credit could be one of the factors leading to this slowdown, a primary cause had also been the weak balance sheets of public sector banks in view of large NPAs which seem to have made banks risk averse and induced them to reduce the supply of credit," he said, adding under-capitalised state-run banks have capital only to survive, not to grow.

The dominance of the supply side factor has also been borne out by the fact that credit growth of private sector banks remains robust, whereas there has been a sharp deceleration at public sector banks, the deputy governor said.

Acharya said the IBC, Banking Regulation (Amendment) Ordinance 2017 and the subsequent actions taken by RBI wherein it asked banks to refer the largest NPAs to IBC for resolution, etc have made the IBC a lynchpin of the new time-bound resolution framework for bank NPAs.

These initiatives will now be supported by government decision to recapitalise state-run banks in a front-loaded manner, with a total allocation of Rs 2.1 trillion, comprising budgetary provisions (Rs 18,100 crore), recapitalisation bonds (Rs 1.35 trillion), and the rest Rs 58,000 crore to be raised from the markets by diluting government stake.

"These two steps together--asset resolution and bank recapitalisation--are expected to strengthen bank balance sheets significantly and improve their ability to lend at rates in consonance with policy rates and result in an improved monetary transmission," Acharya said.

### **3. Panel to study if delinquent owners can repurchase assets**

Fifty of India's biggest defaulters are facing insolvency proceedings and may be sold off by court-appointed professionals, in a process where banks may have take losses on their loans

Shruti Srivastava

India has set up a panel to review provisions of the 11-month-old bankruptcy law, including whether to bar defaulting founders from repurchasing assets.

The committee set up to improve The Insolvency and Bankruptcy Code will have 14 members and includes officials from the finance ministry, the Reserve Bank of India and representatives from industry and accountants group, Corporate Affairs Minister P P Chaudhary said in an interview on Monday.

The code, in force since December 2016, aims to accelerate winding up process of loss-making companies or recovering dues.

"The government will ensure justice to stakeholders," Chaudhary, junior minister for corporate affairs, said over phone from Gujarat where he is campaigning for the Bharatiya Janata Party for the Assembly elections. "The implementation of the law has to be reasonable, justified and not opposed to public policy."

Fifty of India's biggest defaulters are facing insolvency proceedings and may be sold off by court-appointed professionals, in a process where banks may have take losses on their loans.

Under the existing rules, founders can repurchase the assets cheaply, leading to calls to bar them from the bidding process. Some owners have written to the government citing adverse business cycle as the reason for their inability to repay loans and said it will be unfair to ban them.

Uday Kotak, managing director of Kotak Mahindra Bank Ltd, said some safeguards are needed to protect the interest of lenders, and to ensure that unscrupulous founders are kept out of the process. Banks are likely to face losses of as much as 60 percent on their loans for companies headed for bankruptcy courts, according to Kotak.

"One of the safeguards in place could be — if there is a promoter bid — that there should be a forensic audit done to check the track record of the founder, and whether the promoter has been translated as a willful defaulter or not," Kotak, who is also Asia's richest banker, said in an interview.

Steel manufacturers, power and construction companies dominate a list of 12 borrowers that Indian banks have been ordered to refer to the nation's insolvency courts over bad loans totalling about \$31 billion.

The insolvency and bankruptcy law put in place by Prime Minister Narendra Modi's government shifts the balance in favour of the creditor, creating greater accountability for the family owners of India's major companies, Kotak said.

Funds controlled by Kotak Mahindra are looking at deals involving the assets and debts of some of the first 12 companies going through the bankruptcy courts, Kotak said. Industries including steel are of particular interest, according to the banker. Pricing of assets put up for sale should become clearer by the end of the first quarter, he said.

Soured loans have contributed to a \$191 billion pile of zombie debt that's cast the future of some lenders in doubt and curbed investment by businesses, prompting government to pump fresh capital into the state banks. Among the reasons for the surge in bad loans: a slump in commodity prices, a lack of appropriate legislation and regulation and a rapid build up of excess capacity in industries such as telecom and cement. Four industries account for nearly 80 percent of stressed assets: power, steel, textiles and engineering and construction.

## **Business Line**

### **4. Central pensioners' applications for digital life certificates surge**

G NAGA SRIDHAR

Aadhaar-based digital life certificates for pensioners have gained traction this year as 33 lakh pensioners of the Government of India have already submitted these since November 1.

It is mandatory for retired personnel of Central /State governments and public sector enterprises to submit life certificates every November to the authorised agencies for continuation of pension.

The Centre launched *Jeevan Pramaan*, a biometric-enabled digital service for pensioners, in 2014.

Government data show that 33.14 lakh pensioners had submitted digital life certificates in the last 20 days taking the total number of digital life certificate submission to 1.27 crore since 2014.

There are one crore families in the country which fall under the pensioner families category, where the pension disbursed by the various government bodies forms the basis of their income and sustainability.

There are about 50 lakh pensioners of the Central government and a similar number in State governments, Union Territories and various other government agencies.

This includes pensioners from the various public sector enterprises. Besides, there are 25 lakh Defence personnel who draw pension. Apart from the Centre, State governments too are coming forward now. Andhra Pradesh, for example, has switched over to digital life certificates from this year.

"We have made all preparations for submission of digital life certificates across the State. The response has been good," Mohan Rao, Director of Treasuries & Accounts, AP, told *Business Line*. According Radha Rani, in-charge of a centre set up by the AP Pay & Accounts Office at the old secretariat office here, the response has been "good".

"We have circulated our phone numbers and are responding to enquiries of pensioners in this regard," she said.

## **Grey areas**

However, there are some grey areas. In a centre visited by *Business Line*, about a dozen senior citizens were seen leaving as the Aadhaar-completion process could not be verified due to blurring of fingerprints.

The operational staffs have not been advised on the alternatives that can be provided to the seniors.

"This is a big setback to us as we cannot come frequently and we are also worried about the continuity of our pension," K Sita Mahalakshmi said after trying in vain to authenticate her fingerprints.

According to Mohan Rao, capturing fingerprints of senior citizens has been a problem and efforts are on to provide iris authentication facility to them soon. There are 3.5 lakh State government pensioners in AP.

## **5. Bank of Baroda to hire specialists, sales officers**

### OUR BUREAU

Bank of Baroda, one of India's largest public sector banks, is recruiting 428 specialist officers. The lender has advertised about 255 jobs in the middle management grade (Scale II and III) in finance, credit, trade finance and treasury areas.

Candidates must be between the ages of 25 and 35 years with an MBA or CA/ICWA qualification and have relevant post-qualification experience. The gross emoluments work out to ₹81,000 to ₹1 lakh per month on cost-to-company basis. Allowances may vary based on place of posting.

The bank also has 150 vacancies for sales jobs in the junior management grade (Scale I) where the gross emoluments may work out to ₹66,000 per month on cost-to-company basis.

The age group for candidates is between 21 and 30 years with an MBA and a year's experience.

For Scale-I posts, there is an online test. Online registrations commenced last week and will go on till December 5. The tentative date for the exam is January 7.

For Scale-II and above, selection will be on the basis of group discussion and interview of short-listed candidates. The bank may, however, choose to hold an online test if there are a large number of applications. More details are available on the bank's website.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)  
GENERAL SECRETARY**