



ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION
(Affiliated to All India Bank Pensioners & Retirees Confederation – AIBPARC)

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Dear Comrades,

1st August , 2018

News of Interest 1st AUG

MOTIVATIONAL QUOTES

'OUR GREATEST GLORY IS NOT IN NEVER FALLING, BUT IN RISING EVERY TIME WE FALL.' - CONFUCIUS

HIGHLIGHTS

1. RBI MAY RAISE INTEREST RATES TO STRIKE A BALANCE BETWEEN INFLATION & GROWTH
2. BANK OF INDIA Q1 NET PROFIT RISES 8% TO RS 951 MILLION, STOCK FALLS 8.75%
3. ASSET QUALITY REVIEW: RBI AUDITING BANKS' BOOKS FOR WEAK ACCOUNTS
4. AMENDMENTS TO PREVENTION OF CORRUPTION ACT MAY PROVIDE SHIELD TO BELEAGUERED BANKERS
5. SBI RAISES TERM DEPOSIT RATES

Business Standard

1. RBI may raise interest rates to strike a balance between inflation & growth

RBI, in a close call, seen hiking rates for a second straight meeting

Reuters

The Reserve Bank of India is likely to raise interest rates on Wednesday while retaining a neutral policy stance as it aims to strike a balance between rising inflationary pressures and still recovering growth.

If the RBI increases the rates by 25 basis points, it would be the first time since October 2013 that the central bank has hiked borrowing costs at two consecutive policy meetings.

In June, the repo rate, or the benchmark lending rate, was raised for the first time in over four years, by 25 basis points to 6.25 percent.

Thirty-seven of 63 economists in a Reuters poll last week said the RBI will raise rates on Wednesday, while 22 said the next hike would come later this year, or early in 2019.

"Since the RBI is committed to bringing down inflation, they don't have a choice but to raise rates," said Rupa Rege Nitsure, group chief economist at L&T Finance Holdings.

"The RBI did not change its policy stance in June due to the various uncertainties they faced and the degree of uncertainty has gone up considerably compared to the last policy, so they would continue to retain the neutral stance," she said.

India's annual consumer inflation hit 5 percent in June, the eighth straight month it topped the RBI's medium-term 4 percent target.

Global crude oil prices have surged nearly 20 percent this year and crossed \$80 a barrel in May, their highest since 2014.

This has driven the prices of fuel - the biggest item on India's import bill - to record highs at a time the rupee is testing new life lows, raising the threat of imported inflation.

CLOSE CALL

Moreover, the monsoons, one of the largest determinants of India's inflation path, have been erratic and patchy in several regions this year, muddying the outlook for winter-harvested crops and adding to inflationary pressures.

Still, sizable numbers of analysts and market participants believe the RBI could hold off and not hike interest rates, noting that the recovery is nascent and bank credit to corporates is not yet free-flowing.

The monetary policy committee "could afford to do a 'wait and watch' at this juncture and consider more data points before a rate action," said Lakshmi Iyer, Kotak Mutual Fund's chief investment officer debt.

"There might not be much urgency in delivering back-to-back rate hikes when the policy stance is still neutral." Traders said though the market was largely prepared for a rate hike on Wednesday, yields would still shoot up by 5-10 basis points after one, and the surge would be much more if the RBI also tightens its stance.

Wednesday's decision is "likely to be a close call, with odds of a hike marginally higher than a pause," said DBS economist Radhika Rao. "While the tentative calm in the financial markets provides the RBI with the time and space to keep rates on hold, a pre-emptive move is preferable."

2. Bank of India Q1 net profit rises 8% to Rs 951 million, stock falls 8.75%

The bank said it was trying to sell non-core assets and in the second quarter would see better realisation of assets through sale to asset reconstruction companies

Anup Roy

State-owned lender Bank of India (BoI) on Tuesday reported a profit of Rs 951 million in the first quarter ended June, against a loss in the March quarter, as the bank focused on retail loans while shrinking its corporate book.

In the first quarter a year ago, BoI had registered a loss of Rs 39.7 billion. In the second quarter, the bank had reported profit of Rs 877 million. Bank of India is the largest bank under prompt corrective action (PCA) framework of the Reserve Bank of India (RBI).

Dinabandhu Mohapatra, MD and CEO of BoI, said he expected the bank to remain profitable in the second quarter, too. Mohapatra said numbers were getting better for the bank, and this should allow it to come out of the framework fast. The bank also showed some improvement in its asset quality in absolute terms, even as the NPA percentage went up marginally owing to contraction in advances.

Gross NPA in absolute terms was at Rs 606.04 billion, against Rs 623.28 billion in the March quarter. In terms of gross NPA ratio, it was at 16.66 per cent in the June quarter, against 16.58 per cent in the March quarter.

The bank said it was trying to sell non-core assets and in the second quarter would see better realisation of assets through sale to asset reconstruction companies (ARCs). The bank has identified around Rs 80 billion worth of stressed assets for sale to ARCs.

The BoI witnessed Rs 39 billion worth of write-off from its books after making full provisions against these loans, but recovery effort will continue, Mohapatra said.

Financial Express

3. Asset quality review: RBI auditing banks' books for weak accounts

The Reserve Bank of India (RBI) has, for more than three weeks, been checking for stressed assets on banks' books to ensure no "weak" account goes unnoticed in the current round of resolutions, bankers told FE

By: Shayan Ghosh

The Reserve Bank of India (RBI) has, for more than three weeks, been checking for stressed assets on banks' books to ensure no "weak" account goes unnoticed in the current round of resolutions, bankers told FE.

According to a senior public sector banker, the exercise, while similar to the central bank's annual inspection of accounts, is far more thorough. The banker said RBI officials have visited the head offices of banks, seeking both recent and historical data on stressed loans dating back to even four years.

"We have been told to explain what steps were taken to resolve stress in these accounts," he said, adding that banks have not yet received any

clarity on the course of action in these accounts. Bankers said these loans under inspection are primarily from the power and infrastructure sectors.

PS Jayakumar, MD & CEO, Bank of Baroda, recently told reporters that the bank could see some increase in bad loans and provisions following the RBI review of accounts. "We could have some pop-up in the NPA (non-performing asset) and provisioning numbers because there are many accounts that are being subjected to the RBI review and it is possible they will take a different view than what we have," Jayakumar said.

These checks come just a month ahead of the deadline of August 27 for banks to resolve defaults for loans of Rs 2,000 crore and above, failing which these would be referred to the National Company Law Tribunal (NCLT). In February, the RBI had asked banks, either singly or jointly, to initiate a resolution plan as soon as a corporate default is spotted. In other words, banks have several options to revive the defaulting companies, but these must be exercised within 180 days.

Going by the new framework for resolution of stressed accounts, the fate of a defaulting entity will be sealed within 465 days. If lenders are not able to work out a solution to revive a company within 180 days, the account must be referred to the bankruptcy tribunal.

Meanwhile, trying to resolve stressed assets outside the NCLT purview, two dozen lenders recently signed the inter-creditor agreement to tackle bad loans above Rs 50 crore. The agreement, part of the government's measure to deal with bad loans under Project Sashakt, will become effective by the end of this month.

Dubbed as an asset quality review, a similar exercise by the central bank in the December quarter of 2015 required banks to classify certain loans as non-performing. The RBI had red-flagged some 150 accounts that had either become toxic or were in danger of getting there. Since they needed urgent attention, it called for immediate action: More provisioning or capital to set aside these estimated at anywhere between Rs 50,000 crore and Rs 80,000 crore.

Economic Times

4. Amendments to Prevention of Corruption Act may provide shield to beleaguered bankers

ET CONTRIBUTORS

The officers of the public sector banks (PSBs) are public servants by virtue of being employees of a corporation established by an act of Parliament, which is considered as a public authority and are governed by the provisions of the Prevention of Corruption Act, 1988 (PC Act).

Section 13 of the PC Act provides that obtaining, by a public servant, pecuniary advantage or valuable thing for himself or for any other person by corrupt or illegal means or by abusing his position or without any public interest, shall amount to an offence of criminal misconduct punishable under the Act.

In the ordinary course of banking business, the bankers take many decisions to sanction loans or extend credit, and for business entities under stress grant reliefs and concessions by reducing rates of interest or processing fees

or other charges, and all such actions can be construed as obtaining, pecuniary advantage for any other person, that is the borrower.

India has become signatory to the United Nations Convention against Corruption (UNCAC) and it is necessary to bring the Indian law against corruption in conformity with the principles enunciated by the UN convention. Parliament has amended the Prevention of Corruption Act.

One major change proposed by the amendment is to criminalise the act of bribe-giving as an independent offence and provide that anyone who offers, promises or gives undue advantage to any person to induce the public servant to perform public duty improperly would constitute a cognisable offence. The Bill, therefore, proposes to make bribe-giving as an offence punishable with imprisonment for a term which may extend to 7 years or with fine, or both.

The bill proposes: i) The terms "gratification other than legal remuneration" and "valuable thing" are being replaced by the term "undue advantage". The bill, therefore, redefines the offence of accepting bribes as "obtains or accepts or attempts to obtain from any person an undue advantage, intending that in consequence a public duty would be performed improperly or dishonestly, either by himself or by another public servant" is guilty of offence under section 7.

ii) Undue advantage has been defined to mean any gratification other than legal remuneration. The term gratification is also defined as not limited to pecuniary gratification but also gratifications estimable in money. Legal remuneration has also been defined to include remuneration permitted by the government or the organisation which he serves.

iii) In addition to treating bribe-giving as an offence, section 9 specifically provides for an offence by a commercial organisation if any person associated with the commercial organisation gives or promises to give any undue advantage to a public servant to obtain or retain business or an advantage in conduct of business.

Such an offence is punishable with imprisonment up to 7 years or fine.

iv) The offence of criminal misconduct specified in section 13 of the PC Act, is being substituted by a new section restricting the criminal misconduct to dishonest or fraudulent misappropriation of any property entrusted to the public servant or if the public servant intentionally enriches himself illicitly during the period of his office.

The expression intentionally enriching illicitly is defined to mean being in possession of pecuniary resources which the public servant cannot satisfactorily account for or holding property disproportionate to known sources of income. This is a very important bill which removes obtaining pecuniary advantage for himself or for any other person, as criminal misconduct.

v) The Bill also proposes to introduce a new section 17 A, which provides that no police officer shall conduct any inquiry or investigation into any offence alleged to have been committed by a public servant where the alleged offence is relatable to any recommendation made or decision taken by such public servant in discharge of his office and functions or duties

without the prior approval of the appointing authorities as specified in the section.

The effect of this provision is to ensure that appointing authority satisfies itself that there is a need to investigate the conduct of banker and grant approval for inquiry by a police officer.

The amendment to the section 13 of the bill restricting the offence of criminal misconduct to misappropriation and illicit enrichment, and addition of new section 17A requiring prior approval of the appointing authorities before commencing any inquiry or investigation, will protect the interest of the bankers in taking decisions in the course of conducting the banking business.

Business Line

5. SBI raises term deposit rates

OUR BUREAU

State Bank of India has revised interest rates on domestic term deposits (below Rs 1 crore) by 5-10 basis points in four maturity slabs of one year and above with effect from July 30.

While keeping deposit rates of up to one year unchanged, India's largest bank has nudged up the deposit rate in the 1 year to less than 2 years by 5 basis points from 6.65 per cent to 6.70 per cent.

In the 2 years to less than 3 years and 3 years to less than 5 years maturity slabs, the deposit rates have been upped by 10 basis points each to 6.75 per cent (6.65 per cent) and 6.80 per cent (6.70 per cent), respectively. In the 5 years and up to 10 years maturity slab too, the deposit rate has been increased by 10 basis points to 6.85 per cent (6.75 per cent).

The deposit rate hike comes in the backdrop of increased credit off-take and slowdown in deposit accretion in the banking system.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY