



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

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Dear Comrades,

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News of Interest 3rd AUG

MOTIVATIONAL QUOTES

'ALL YOU NEED IS THE PLAN, THE ROAD MAP, AND THE COURAGE TO PRESS ON TO YOUR DESTINATION. '

EARL NIGHTINGALE

HIGHLIGHTS

1. RBI POLICY MOVE: BANKS EXPECTED TO RAISE TERM DEPOSIT RATES GRADUALLY
2. RESERVE BANK APPROVES APPOINTMENT OF SANDEEP BAKHSHI AS COO AT ICICI BANK
3. 'TOO BIG TO FAIL' INDIAN BANKS: HERE'S WHAT RBI IS DOING ABOUT IT
4. SBI TIES UP WITH RELIANCE JIO TO ACCELERATE DIGITAL TRANSACTIONS
5. 'CENTRE MUST RECONSIDER DECISION TO BRING DOWN EQUITY HOLDING IN IDBI BANK'

Business Standard

1. RBI policy move: Banks expected to raise term deposit rates gradually

Mortgage lender HDFC hiked home loan rates by 20 bps. Women can take a loan up to Rs 3 mn at 8.70%

[Nikhat Hetavkar & Abhijit Lele](#)

While the Reserve Bank of India (RBI) has hiked the repo rate by 25 basis points (bps) for a second time this year, banks are expected to raise term deposit rates only gradually as liquidity in the system is fairly adequate. Deposit rates might rise by about 10 bps this quarter, said bankers.

Mortgage lender Housing Development Finance Corporation (HDFC), meanwhile, hiked home loan rates by 20 basis points. Women can take a loan up to Rs 3 million at an interest rate of 8.70 per cent, while other

borrowers can avail of loans at 8.75 per cent. For loans above Rs 3 million, the revised rate is 8.80 per cent for women borrowers and 8.85 per cent for others. The new rates are effective from August 1.

Referring to the impact of RBI's decision on liability side, Rajkiran Rai G, managing director at Union Bank of India, said interest rates on deposits were firming up, though gradually. The bank will decide on a revision in two weeks. Credit demand growth is in double-digit and banks need resources to finance loans.

The rise in deposits in the near future will be unlike the sharp rise seen in the second and third quarters of the past financial year. At the turn of the interest rate cycle, deposit rates went up by 25-50 bps in one go, public sector bank executives said.

Total bank deposits grew by 8 per cent to Rs 114.4 trillion in July from Rs 105.8 trillion in June 2017, according to RBI data. If credit demand gathers further steam in the financial year's second half, banks might have to respond with hikes in response to the competition for raising of resources. Also, lending rates are likely to go up.

"Banks have been raising rates since January-February, even before the RBI hiked its rate, as a response to improving business conditions and growth in credit demand. This policy's current rate hike was already factored into our evaluation of deposit rates and there would no such immediate reaction to it," said Rajeev Ahuja, executive director, RBL Bank.

Deposit rates vs lending rates

A CARE Ratings report says banks react faster on lending rates, compared with deposit rates, in a rising interest rate scenario. It has also been observed that the degree of transmission of the lending rate is more than that of the deposit rates.

However, RBI's rate hike of 25 bps in June saw deposit rates increasing on an average by 13 bps, while the Marginal Cost of Lending Rate (MCLR) increased by 5 bps.

This quicker transmission in the deposit rate could be partly attributed to the reversal of the interest rate regime witnessed in recent months, said CARE. The strain on banks' performance and margins would not only delay but also moderate the transmission of the recent rate hike into higher deposit rates. Decreased competition is also a key factor for the stickiness.

Most public sector banks are under RBI's prompt corrective action (PCA) framework, due to a rise in stressed loans beyond a point. Hence, they are unable to disburse new loans. Given low competition from PCA banks, other PSBs, which can grow their loan book, might not be willing to increase their deposit rates, says ratings agency ICRA. While private banks want to take further market share, they still hold only a small part of the country's deposits, despite offering somewhat higher deposit rates than PSBs.

"An increase in deposit rates by private banks might not necessarily result in a meaningful gain in their share in deposits. Hence, they are likely to undertake only modest and calibrated hikes in their deposit rates in the immediate term," it adds.

HDFC Bank raised rates for deposits above Rs 50 million to a range of 4.25-7 per cent, effective Thursday. Axis Bank had also raised its bulk deposit rates to a range of 5.75-7 per cent the previous year. On the first day of the three-day meeting of RBI's Monetary Policy Committee, State Bank of India had raised its long-term deposit rates, albeit marginally. The repo rate hike is not the only factor influencing deposit rates. A lot will depend on the flow of deposits and demand for credit. Higher growth in credit would make banks increase their deposit rates, said CARE. "RBL Bank has been nudging deposit rates up for the past three to six months, due to rising market yields and greater demand for loans," said Ahuja. Banks are likely to reap the benefit of quicker transmission of lending rates than deposit rates in an increasing interest scenario.

2. Reserve Bank approves appointment of Sandeep Bakhshi as COO at ICICI Bank

CEO Chanda Kochhar will be on leave till completion of the external enquiry against her in the Videocon loan matter

Press Trust of India

ICICI Bank on Wednesday said the Reserve Bank of India has approved the appointment of Sandeep Bakhshi as the Chief Operating Officer with effect from July 31, 2018 for three years.

"We wish to inform you that RBI vide its letter... dated July 31, 2018 has approved the appointment of Sandeep Bakhshi as Whole time Director designated as Chief Operating Officer (COO) of the bank effective July 31, 2018 till July 30, 2021.

Earlier on June 18, the bank had informed about the appointment of Bakhshi as Whole time Director and COO with effective from June 19, 2018 or the date of receipt of RBI approval, whichever was later.

"We affirm that Sandeep Bakhshi is not debarred from holding the office of director by virtue of any order of SEBI or any other such authority," ICICI Bank said in a regulatory filing.

CEO Chanda Kochhar will be on leave till completion of the external enquiry against her in the Videocon loan matter and named Sandeep Bakhshi as chief operating officer, who would be handling all the businesses, ICICI Bank had said in June.

Bakhshi, before this, was the MD and CEO of ICICI Prudential Life Insurance.

He reports to Kochhar, who is continuing in her role as MD and CEO of ICICI Bank and is on a leave pending probe into the alleged conflict of interest in giving loans to few corporate houses.

In May, ICICI Bank had announced an independent enquiry into the allegations against Kochhar following a complaint from a whistle-blower.

Financial Express

3. 'Too big to fail' Indian banks: Here's what RBI is doing about it

The RBI was asked if there was any engagement from the central bank over the controversy surrounding one of the three 'too big to fail' banks and if there was a bigger issue of governance at private sector banks

By: Pragya Srivastava

The Reserve Bank of India (RBI) faced an interesting question on Wednesday at the August monetary policy press conference. The RBI was asked if there was any engagement from the central bank over the controversy surrounding one of the three 'too big to fail' banks and if there was a bigger issue of governance at private sector banks.

The RBI has recognised three banks — SBI, ICICI Bank, and HDFC Bank — as domestic systemically important banks (DSIBs), which is along the lines of 'too big to fail' concept.

Popularised by US Congressman Stewart McKinney in 1984, 'too big to fail' is a concept used for banks or financial institutions that are so big and interconnected that if they fail, the economy is at the risk of substantial damage. The term gained more popularity during the 2007-08 financial crash.

The question was ostensibly asked against the backdrop of allegations of conflict of interest made against CEO and MD of ICICI Bank Chanda Kochhar, and subsequent involvement of SEBI and the US SEC into the allegations.

Dubbing discussion on a specific bank "inappropriate", deputy governor NS Vishwanathan said that the RBI is aware of developments in the banking system and is "dealing with situations as they emerge".

"As far as too big to fail is concerned, there is a global standard for that," he said, adding that additional capital required in the banks (to keep them healthy) is being maintained.

Indian banks are currently dealing with a huge pile of non-performing assets (NPAs), making provisions against which have led them to take losses in the last couple of quarters. Moreover, ICICI Bank and Punjab National Bank have been marred by controversies as well.

"With the PSBs still under losses, net profits of all banks declined by about 30% in Q1 FY19 vis-à-vis a growth of about 18% witnessed a year ago," a Care Ratings analysis of 15 public sector banks and 6 private banks said recently.

While the overall NPA ratio increased to 7.92% of total loans in Q1 FY19 from 7.52% in Q1 FY18, PSBs have thrice the exposure than private banks.

To deal with the banking crisis, not only did the Narendra Modi government introduced Insolvency and Bankruptcy Code (IBC) to clean-up NPA mess but also announced a massive Rs 2.11 lakh crore bank recapitalisation plan for PSBs, which is being infused in tranches.

Back-to-back controversies of bank fraud and conflict of interest in PNB and ICICI Bank respectively created resentment among people, and questions were asked on the role played by the government, the RBI and other regulators in stopping such events from emerging.

Economic Times

4. SBI ties up with Reliance Jio to accelerate digital transactions

By *Atmadip Ray*

State Bank of India has inked a pact with Reliance Jio Infocomm to integrate its digital banking solution Yono with MyJio application to boost digital payment.

SBI said Yono would now be preloaded on Reliance Jio handsets and SBI customers would benefit from Jio Prime, a consumer engagement and commerce platform with exclusive deals from Reliance Retail, Jio and partner brands.

Existing Jio customers will get the benefits either by downloading Yono on their handsets or at the time of replacement cycle, SBI's deputy managing director Mrutyunjay Mahapatra told ET.

"It's a non-exclusive tie up so we can do similar arrangement with other service providers. However, there is no such move at present," he said.

About 1.5 crore of 42 crore SBI customers are using Yono now while the banking behemoth expects the number to multiply with the partnership with Jio.

The latest pact is going to deepen SBI and Reliance's partnership after their 30:70 joint venture in Jio Payments Bank.

"The scale of the SBI customer base is unmatched globally. Jio is committed to using its superior network and platforms combined with the Retail ecosystem to accelerate digital adoption serving all the needs for SBI's and Jio's customers," Reliance Industries Ltd Chairman Mukesh Ambani was quoted as saying in a press statement issued by SBI.

MyJio, over-the-top mobile applications will now bring in financial services capabilities of SBI and Jio Payments Bank.

SBI will also be engaging Jio as one of its preferred partners for designing and providing network and connectivity solutions. Additionally, Jio Phones will be available on special offers for SBI customers.

"All the areas of co-operation are mutually beneficial enhancing the digital foot-print for SBI customers with superior and rewarding customer experiences," SBI chairman said.

The service will be rolled out in the next 60-90 days.

Business Line

5. 'Centre must reconsider decision to bring down equity holding in IDBI Bank'

K R SRIVATS

AIBEA, AIBOA say reducing stake to below 51% will go against the Articles of Association of the bank.

The Centre must reconsider its decision to bring down the equity holding in IDBI Bank Ltd to less than 51 per cent, two top bank employee associations have said.

In a joint letter to the Union Finance Minister, the All India Bank Employees' Association (AIBEA) and the All India Bank Officers' Association (AIBOA) have expressed "strong protest" to the decision, stating that it will have implications on the public sector character of the bank.

Articles of Association

"While we welcome the contribution of LIC into the capital of IDBI Bank, you will appreciate that it cannot be allowed to hold 51 per cent because this would reduce the Government's share to less than 51 per cent which would go against the Articles of Association of the bank and also the solemn assurance to Parliament made in 2003 during the then NDA/BJP regime when Shri Vajpayee was the Prime Minister," said the letter jointly signed by AIBEA General Secretary C H Venkatachalam and AIBOA General Secretary S Nagarajan.

When IDBI was converted as IDBI Bank, the Government had given an assurance in Parliament that at all times they would hold a minimum of 51 per cent of the capital in IDBI Bank. Accordingly, this was duly incorporated in the Articles of Association of IDBI Bank which provides that Government will maintain 51 per cent of the equity at all times, the joint letter highlighted.

Tough measures

The need for additional capital for the bank arises out of its huge bad loans and hence urgent measures to recover the bad loans are needed to address the issue of capital constraints of the bank, the letter said.

"We strongly urge upon the Government to take tough measures to recover the bad loans of the bank," the letter added.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**