



ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION
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Dear Comrades,

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News of Interest 23rd AUG

QUOTE OF THE DAY

'IT'S ALL ABOUT QUALITY OF LIFE AND FINDING A HAPPY BALANCE BETWEEN WORK AND FRIENDS AND FAMILY. ' PHILIP GREEN

HIGHLIGHTS

- 1. KERALA BANKS TO RESCHEDULE LOANS, NOT TO CHARGE FOR NEW CHEQUE BOOKS**
- 2. OPERATING GUIDELINES BY NEXT WEEK, SAYS SBI DEPUTY MD**
- 3. RBI ASKS RATING FIRMS TO SCAN COMPANIES' BANK DETAILS**
- 4. EYEING HIGHER RETURNS, UNION BANK TO BOOST LENDING TO MSMES, MID-CORPORATE SEGMENTS**
- 5. CHECK NPA FRAUDS OR FACE LEGAL ACTION: FIN MIN TO PSBS**

Business Standard

1. Kerala banks to reschedule loans, not to charge for new cheque books

The state Level Bankers Committee, Kerala, at its emergency meet on Tuesday also decided to announce a moratorium on education loan for a period of six months and all other loans for one year

[Press Trust of India](#)

Banks in Kerala have decided to reschedule loans and to not levy service charges and fees for issuing new cheque books to customers affected by the floods that has left a trail of destruction.

The state Level Bankers Committee, Kerala, at its emergency meet on Tuesday also decided to announce a moratorium on education loan for a period of six months and all other loans for one year besides rescheduling the loan repayments for five years.

Addressing a press conference on Wednesday, Canara Bank Chairman T N Manoharan and its Executive Director and SLBC Chairperson P V Bharathi also said no fees would be levied for debit card and cheque books, among other things, for customers affected by the floods.

"We will not charge any fees from customers affected by floods to restart their banking activities. This will come into force immediately and this facility would be available till October 31," Bharathi said.

All documents and data were safe as there was a Disaster Recovery Centre for every bank, she said.

A total of 323 bank branches and 423 ATMs had submerged in the floods, she added.

Of the affected branches, 162 have resumed functioning, Bharathi said.

Giving details about the branches that have not started functioning again, she said there are 67 in Pathanamthitta, 33 in Alappuzha, 29 in Ernakulam and 19 in Thrissur districts.

With regard to ATMs, 82 have been reactivated, she added.

Though some of the branches have been opened, the banks have yet to start full-fledged operations as computer systems were not fully functional, she said.

Asked whether articles kept in bank lockers were safe, bank officials said lockers in some branches were also under water.

"We will know only when the customer opens it, whether the articles have been damaged or not," a bank official said.

Officials also said that all the recovery proceedings already started have been stopped for three months.

In one of the worst floods witnessed in the last century in Kerala, 231 lives were lost and nearly 14.50 lakh people are still put up at about 3,879 relief camps after a murderous monsoon rampaged through the state in its second spell that began on August 8

Financial Express

2. Operating guidelines by next week, says SBI deputy MD

Guidelines will define timelines for resolutions under the ICA and will also detail how to come up with a resolution plan

By: FE Bureau | P

Operating guidelines for lead banks and the steering committee under the inter-creditor agreement (ICA) will be issued by the middle of next week, said C Venkat Nageswar, deputy managing director (global markets), State Bank of India.

Nageswar is part of the Sunil Mehta-led committee, which was tasked with developing a resolution framework for stressed assets of under Rs 2,000 crore under the government's Sashakt programme.

"We are coming out with the operating guidelines. We have already drafted it and in a couple of days' times, we will be circulating them to the banks. Once 66% of the banks agree to this, the operating guidelines will become enforceable," Nageswar told reporters on Tuesday on the sidelines of Fibac, a banking industry conference.

The guidelines will define timelines for resolutions under the ICA and will also detail how to come up with a resolution plan, determine valuations and invite investment bankers as well as a voting mechanism. The committee is looking at floating an asset management company (AMC) and alternative investment funds (AIFs) and is in an advanced stage of discussions with respect to the two.

"There are many funds that have shown keen interest in partnering with us. So, we are working on the structure of the AMC and again it might take another 10-15 days to incorporate or come out with the AMC and kick-start the process. Both domestic and international investors," Nageswar said, adding that the committee is very clear that PSBs' stake will not be more than 30% in the fund. The possibility of floating one or multiple AMCs is being considered who will be charged with managing sector-specific funds. "Depending on the sector and the number of assets that are there, each fund can be in the range of Rs 2,000 crore to around Rs 8,000 crore or up to Rs 10,000 crore," Nageswar said.

So far, 32 banks and financial institutions have signed the ICA, including 20 public-sector banks (PSBs). One PSB is likely to sign it this week. "What we have seen is that banks which have around 85% of the exposure have already signed and it is only people with minimum exposure who are outside the ICA," Nageswar noted.

He brushed aside concerns about foreign banks staying out of the ICA, saying that their exposure to the relevant cases is limited and they can choose to become part of resolution plans of individual assets. As for the private banks which are yet to sign the agreement, Nageswar said lawyers working on the ICA are talking to such banks' lawyers to bring them on board.

Asset reconstruction companies (ARCs) can also join the ICA by signing a deed of accession, he said.

Economic Times

3. RBI asks rating firms to scan companies' bank details

By Sugata Ghosh

Corporates will soon come under pressure to disclose bank statements with credit rating agencies.

The Reserve Bank of India (RBI) has directed rating firms to scan bank account details

— capturing the flow of fund in and out of a company — in assessing its ability to repay loans.

Many companies, it is widely believed, would be reluctant to part with such information which are shared with an external agency only when banks or regulators order a forensic audit of a borrower's books. A rating agency tracking such data on money flows could be in a position to red flag possible diversion of fund through subsidiaries, shell companies or other parties.

Understandably, any evidence of suspicious fund movements could put a company under rating watch and raise its cost of borrowing from banks and financial institutions, said a person familiar with the decision. About 25,000 companies are rated in the country, which half are estimated to be below investment grade.

The rating agencies are, however, overwhelmed by the task which would involve scrutinising thousands of bank statements in judging a company's debt servicing capability. "Agencies have told the banking regulator about the enormity of the exercise – the sheer logistics and time it would involve, that credit rating firms are not auditors. But, RBI is insistent," said a banker.

The rating companies may have to use special software for analysing bank statements.

While the RBI directive pertains to rating of bank loans, any adverse action on a bank debt rating immediately influences ratings of other tradable securities like bonds and debentures floated by the company to raise funds.

RBI gives rating agencies the accreditation to rate loans (of Rs 10 crore and above), money market instruments like commercial papers, and non-fund-based banking facilities such letters of credit. Loan ratings are crucial for banks because unrated loans attract higher risk weightage (as per accounting and regulatory norms) and impairs banks' capital.

Rating agencies have to often function with inadequate information – particularly on bank loan default when they often come to know about a missed interest payment months after the due date.

This is unlike the defaults in bonds and debentures which traders come to know about immediately, thanks to the information sharing arrangement for listed securities. Till now, banks and RBI have refused to give rating agencies the access to real-time default data.

"Corporates are not under RBI's jurisdiction. So making them share bank statements could call for a government intervention," said a source. The recent move follows RBI's decision to give rating agencies the mandate to rate debt instruments based on the resolution plan prepared with the consent of lenders and bankruptcy court for reviving a company

Business Line

4. Eyeing higher returns, Union Bank to boost lending to MSMEs, mid-corporate segments

K RAM KUMAR

In a bid to improve profitability, Union Bank of India is planning to step up focus on lending to businesses in the micro, small and medium enterprise (MSME) and mid-corporate segments as the lender can charge them relatively higher interest rate, leading to improvement in its net interest margin.

The public sector bank, which recorded a net profit of ₹130 crore in the first quarter ended June 30, 2018, against a net loss of ₹2,583 crore in the preceding quarter, has taken a conscious call in this regard as lending to the retail housing and top-rated corporates fetches lower margins.

Profitable segments

Given that it cannot build a business model, which is better than well-entrenched players such as HDFC, India bulls and ICICI Bank on the housing loans side and beat them at their own game, the bank has identified two segments – MSME and mid-corporates – as being very profitable if it does the right kind of underwriting, according to Rajkiran Rai G, MD and CEO.

“So, we are left with MSMEs and mid-corporates. If we want to be a highly profitable bank, we need to get our skills right to build our book in these two lines of business.

“We can charge slightly higher interest and make good margins in these two segments,” said the Union Bank chief in an interaction with *Business Line*.

Rai, however, stressed that his bank has been growing retail housing at a healthy pace of 15-20 per cent and by lending more to top-rated corporates (those with ‘AAA’ and ‘AA’ ratings).

Union Bank has built 45 MSME hubs, which are independent processing engines to which local branches across the country are linked. All non-retail loans (above ₹50 lakh and up to ₹50 crore) are channelized to this hub for processing.

“The hub and spoke model for MSME lending has been designed in such a way that the right kind of business decisions can be taken. Today, scrutiny of our existing MSME portfolio (for identifying possible stress or enhancement of limits), plus new business are happening through these hubs.

“So, this is a step towards building a quality MSME portfolio. This will give us almost 3 per cent ROA (return on assets),” explained Rai.

He observed that if the bank is able to bring down its non-performing assets (NPAs) and also take quality exposure, it does not have to waste manpower in following up for recovery, thereby saving on costs.

The bank has created a separate vertical by hiving off advances between ₹50 crore and ₹150 crore, which were earlier being managed by the large corporate vertical, to a mid-corporate vertical. It has opened 25 branches under this vertical at major industrial centers across the country.

“These branches put up loan proposals directly to the mid-corporate vertical at the headquarters. This helps in quick decision-making as well as close monitoring of these accounts,” added the Union Bank chief.

5. Check NPA frauds or face legal action: Fin Min to PSBs

PRESS TRUST OF INDIA

In a stern warning to bankers, the Finance Ministry has asked chief executives of public sector banks (PSBs) to check all NPA accounts exceeding ₹50 crore for fraud or they could face criminal conspiracy charges, according to official sources.

This missive comes in the light of the arrest of Bhushan Steel's erstwhile promoter Neeraj Singal by the Serious Fraud Investigation Office (SFIO) for allegedly siphoning off funds.

IPC Section 120B

The sources said that bankers could be held accountable under Section 120B of Indian Penal Code if they fail to report fraud in an account which is later unearthed by investigating agencies, sources said.

If the investigating agencies find diversion of funds in those defaulting accounts, bankers may be liable to face criminal proceedings, the sources said, adding that this advisory is like an extra precaution to keep bankers from getting into legal tangles.

More than a dozen companies undergoing bankruptcy resolution are being reviewed by banks and investigating agencies for fraudulent activities, including diversion of funds.

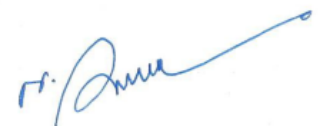
Indian banks are facing mounting non-performing assets (NPAs) or bad loans, especially at PSBs, which have reached over ₹8 lakh crore. In addition, several banking frauds have been unearthed, including the ₹14,000-crore scam at PNB, carried out allegedly by diamond jeweller Nirav Modi and his associates.

A senior government official confirmed the development and said that some discrepancies have been pointed out in the case of a steel maker and a real estate firm among the nearly dozen companies.

"There were some inputs and lenders have been asked to provide transaction details of last five years. If required, banks will also undertake forensic audit," he said.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**