



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

163/4, Kutchery Road, Mylapore, Chennai - 600004

E mail i.d: aiubparf@gmail.com/ ubioatnng@gmail.com/ suryanarayananram@gmail.com

Com. P.B. Thomas Chairman Thiruvananthapuram M: 09447177456	Com. Nitin Desai President Ahmedabad M: 097277 60641	Com. S. Bagchi Working President Kolkata M: 0983081586	Com. N. Govindarajulu General Secretary Chennai M: 09841089111
---	--	--	--

Dear Comrades,

18th December, 2018

News of Interest 18th DEC

MOTIVATIONAL QUOTES

"START WHERE YOU ARE. USE WHAT YOU HAVE. DO WHAT YOU CAN."
ARTHUR ASHE

HIGHLIGHTS

1. REGULATORY RECTITUDE: 'CAPITAL NORMS FOR BANKS CAN'T DILUTE' – WHAT FORMER CEA SUBRAMANIAN HAS TO SAY ABOUT PSU MERGERS
2. NO RELIEF! BOMBAY HIGH COURT UPHOLDS DECEMBER 31 DEADLINE FOR KOTAK STAKE REDUCTION
3. GOVT OPENS MANAGING DIRECTOR POST AT SBI TO OTHER PSB EXECUTIVES
4. SUPREME COURT SEEKS ROLE FOR OPERATIONAL CREDITORS IN IBC PROCEEDINGS
5. RBI'S INSISTENCE ON PIN-BASED CARDS MAY NEEDLE CUSTOMERS FROM JANUARY 1

Financial Express

1. Regulatory rectitude: 'Capital norms for banks can't dilute' – What former CEA Subramanian has to say about PSU mergers

By: [FE Bureau](#) |

Former chief economic adviser (CEA) Arvind Subramanian has cautioned against any regulatory forbearance in a seeming endorsement of the central bank's reluctance to loosen its capital adequacy norms for banks and open a special credit window for non-banking finance companies (NBFCs).

Speaking at the Idea Exchange Programme of the Indian Express Group on Monday, he said, "Should the (PCA) banks be allowed to lend and grow out of the problem? Should there be any regulatory relaxation for NBFCs or capital norms (for banks)? Eight-nine years into the twin-balance sheet challenge, I don't think we can any more afford to say we should relax regulatory constraints because that would be kicking the can down the road and making the problem worse."

The former CEA, whose book, 'Of Counsel: The Challenges of the Modi-Jaitley Economy' was launched recently, however, wants the Reserve Bank of India (RBI) to be made accountable for any regulatory or supervisory failure.

Asserting that the central bank definitely has excess reserves built up over the years, Subramanian wondered why the RBI chose to miss its own Mario Draghi moment and didn't, on its own, suggest conditional transfer of surplus to the government. (At the height of the euro zone crisis, European Central Bank chief Draghi in July 2012 famously said: "...within our mandate, the ECB is ready to do whatever it takes to preserve the euro. And believe me, it will be enough.")

The former CEA, however, added that any surplus transfer to the government must be used to fund long-term investment (like recapitalising state-owned banks) and not short-term consumption.

Amid a raging debate over the need to change the RBI's governance structure, Subramanian, who quit as the CEA in late July, endorsed the view that the central bank's board should continue to play only an advisory role and policy-making should best be left to the management.

The board, headed by the RBI governor, currently consists of two government nominee directors, four deputy governors and 11 independent directors from different walks of life. In recent months, following a tussle between the finance ministry and the central bank over a host of vexed issues, there has been a clamour for further empowering the RBI board. Senior government functionaries have joined the chorus by pointing out that the powers currently being enjoyed by the RBI executive management actually devolved from the board, the repository of the RBI's authority under law.

Highlighting that the "state is back" through a string of merger and acquisitions (like ONGC's acquisition of HPCL, LIC picking up a majority stake in IDBI Bank or PFC's purchase of REC), Subramanian said the process of seeking genuine privatisation post-liberalisation seems to have been reversed. Such moves, if intended to artificially maintain the fiscal deficit target (in deference of importance attached to these by the rating agencies), are not desirable, he said, supporting the idea of an independent fiscal council which could make real-time interventions.

Subramanian didn't mind the recent decision of the central bank board to relax the capital conservation buffer deadline, as it is not a very large

component of banks' overall capital requirement. According to the RBI's capital adequacy norms, banks are required to maintain the minimum capital-to-risky-asset ratio (CRAR) at 9% (higher than the Basel-III requirements of 8%). On top of this, they were mandated to keep a capital conservation buffer of 2.5% in phases by March 2019. The implementation of the last phase of the buffer requirement?0.625% in 2018-19?has now been deferred by a year. The finance ministry wants the RBI to tweak the "stringent" capital norms and align them with the global practices. The RBI, however, has cautioned against "any push for dilution of standards in the name of aligning them with international benchmarks."

On the goods and services tax (GST) revenue trailing the budget estimate – the average monthly collection so far has been about Rs 97,000 crore, which means for the Centre to meet its budget target for GST, the collections in the last four months of the fiscal should be Rs 1.2 lakh crore/month –, Subramanian said it might not be the right way to assess the GST revenue against the budget projections. A buoyancy of 1.2-1.3 over nominal GDP growth would yield GST revenue growth of 11-12%. Actual collections, he said, might not be far behind that level.

2. No relief! Bombay High Court upholds December 31 deadline for Kotak stake reduction

By: [FE Bureau](#) |

On August 2, the bank announced completion of the PNCPS issue on that day resulting in dilution of its promoter stake to 19.7% of paid-up capital.

The Bombay High Court on Monday refused to stay regulatory proceedings against Kotak Mahindra Bank in the event of its failure to meet the Reserve Bank of India's (RBI) December 31 deadline on shareholding norms for private banks.

On December 10, the bank filed a writ petition in the Bombay High Court against the RBI decision to overrule an issue of perpetual non-convertible preference shares (PNCPS) as a valid means of reducing promoter Uday Kotak's shareholding in the bank.

It is reported that the next hearing in the matter will be held on January 17.

Following reports of the court's decision, the bank's shares fell as much as 3.7% intraday before ending 2.7% lower at Rs 1,223 apiece.

On August 2, the bank announced completion of the PNCPS issue on that day resulting in dilution of its promoter stake to 19.7% of paid-up capital.

As per the central bank rules, the bank must reduce its promoter shareholding to 20% by December 31, 2018 and 15% by March 31, 2020.

The RBI took issue with the PNCPS route for stake dilution and on August 14 the bank communicated as much to the exchanges. "We continue to believe that we have met the requirement and will engage with the RBI in this behalf," it had added.

Notifying the stock exchanges of its decision to move court, Kotak Mahindra Bank on December 14 said it had since clarified and conveyed to the RBI its position in relation to PNCPS being a part of paid-up capital and the legal basis on the matter of dilution of shareholding under the Banking Regulation Act. According to the bank, it had also shared with the central bank the opinions of eminent jurists and senior legal counsels of the country, which confirm its understanding of the rules.

As they had not heard from the RBI on the matter and given the December 31 deadline, the bank had filed the writ petition "by way of abundant caution".

Business Standard

3. Govt opens managing director post at SBI to other PSB executives

In the last few months, some of DMDs from SBI have been appointed as chief executives and MDs for the public sector banks

Advait Rao Palepu

From now on, executive directors at state-owned banks can compete for the post of managing director (MD) at the country's largest lender, the State Bank of India (SBI).

On Monday, the government decided to allow executive directors of state-

owned banks to apply for the post of managing director at SBI. By convention, the post of managing director at SBI was only open to deputy managing directors (DMDs) either positioned within the country's largest bank or the wider SBI-group.

Rajeev Kumar, secretary of the Department of Financial Services at the Ministry of Finance, said, "Earlier, DMDs of SBI were made eligible to be managing directors in nationalised banks. The government's thrust to widen top-management talent pool and sharing of experiences across the Public Sector Banks continues."

In the last few months, some of DMDs from SBI have been appointed as chief executives and MDs for the public sector banks (PSBs). These recent appointments include Pallab Mahapatra moving to head Central

Bank of India, Mrutyunjay Mahapatra moving to Syndicate Bank and Padmaja Chunduru being appointed to lead Indian Bank.

This had created heartburn among senior executives that had spent years in these PSBs, say banking executives.

A senior finance sector professional associated with recruitment for top positions in banks said that this is a good step. "The existing guys (those who become eligible to run for posts) will feel better as they are considered as qualified. It will also expand the pool of people who could compete for posts," they said. Many of today's executive directors at the PSBs were first employed in the 1980s through a competitive process, at a time when job opportunities were limited.

"There is lot of talent in the PSBs beyond SBI. It is just that they are often constrained by the system," the executive said.

Economic Times

4. Supreme Court seeks role for operational creditors in IBC proceedings

By *Samanwaya Rautray*, ET Bureau|

The Supreme Court on Monday suggested that operational creditors of bankrupt companies be given a voice in the resolution proceedings in proportion to their debt, including voting rights.

In some cases, even the operational creditors' debt is huge but at present they don't have a say in the resolution process, a two-judge bench led by Justice RF Nariman said. The bench is expected to resume hearing of the case next month, when the court will reconvene after the winter recess.

Such creditors have to be given some voice in proportion to their debt and also be given voting rights, Justice Nariman suggested. Think about this and get back, he told attorney general KK Venugopal, who defended the Insolvency and Bankruptcy Code (IBC) in its current form vehemently and urged the court not to dilute it in any way.

Currently, operational creditors such as suppliers of products and services to bankrupt companies are not included on the committees of creditors (CoCs), which comprise financial creditors like banks. They have no voting rights when a CoC decides on what to do with an asset. The bench is hearing a slew of petitions challenging several provisions of the IBC as arbitrary and discriminatory.

While some have argued on the need to keep all promoter creditors of defaulted companies out of the resolution process, others stressed that without their involvement, creditors would fail to recover the true value of assets. Some have also sought a provision for debtors to be

heard even when an insolvency proceeding has been initiated by the financial creditor.

Among those who have argued in the case was senior advocate KV Vishwanathan on behalf of Sanjay Singhal of Bhushan Power & Steel. He was assisted by lawyer Vrinda Bhandari. In his opening arguments for the government, the AG defended the IBC as a key piece of economic legislation which has aided recovery of loans for banks. He cited several figures to claim that the IBC process was robust.

There have been signs of recovery after the introduction of the IBC over previous years. Credit realised by banks have risen. Bank growth has accelerated to touch double digits," he said.

Business Line

5. RBI's insistence on PIN-based cards may needle customers from January 1

[G NAGA SRIDHAR](#)

Banks are racing against time to replace existing cards with chip-based ones.

Is your debit/credit card a chip-based one? If not, you may not be able to swipe it from the New Year.

According to an RBI circular, all existing bank cards should be Europay Mastercard Visa (EMV) chip- and pin-based from January 1. The magnetic stripe cards will not be valid after December 31.

However, with less than two weeks to go, banks are struggling to replace their old cards. Enquiries with over half a dozen public sector banks revealed that only 50-70 per cent of the old cards have been replaced.

The remaining magnetic stripe cards are those that were issued prior to September 2015. As part of its measures to beef up security and mitigate risks, the RBI made it mandatory for banks to issue only EMV chip- and pin-based debit and credit cards (domestic and international) from September 1, 2015.

Will the magnetic stripe cards function beyond the deadline? "It's not clear yet. If the RBI is not extending the deadline, banks may disable them to make customers come and apply for the new ones," a top executive of Andhra Bank told *BusinessLine*.

State Bank of India has sent new cards to those customers who had used their magnetic cards at least once in last 12 months under phase one, according to J Swaminathan Chief General Manager, SBI - Hyderabad Circle.

"Those who have not used it in the last one year should visit their respective bank branches to collect the new cards," he told *BusinessLine*. All magnetic stripe cards will not be functional after the deadline as per regulatory norms, he added.

While SBI is not charging its customers for the replacement, confusion reigns over the policy being followed by other banks.

"I have got calls from two banks with which I have accounts. While Bank of India has not charged, Andhra Bank has debited new card charge from my account," V Subrahmanyam, a customer, said even as he questioned the decision to make customers pay.

To combat rising frauds

The shift to EMV cards comes against the backdrop of increasing instances of electronic frauds such as cloning, skimming and misuse of lost cards. For using an EMV card, a Personal Identification Number (PIN) is required for executing a transaction, which rules out misuse.

With kind regards,

Yours Comradely,



(**N. GOVINDRAJULU**)
GENERAL SECRETARY