



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

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Dear Comrades,

3rd July , 2018

News of Interest 3rd JUL

MOTIVATIONAL QUOTES

‘WITH THE NEW DAY COMES NEW STRENGTH AND NEW THOUGHTS. ‘

ELEANOR ROOSEVELT

HIGHLIGHTS

- 1. GOVT SHUNS BAD BANK, OPTS FOR AMC ROUTE; 5-PRONGED STRATEGY TO RESOLVE NPAS**
- 2. HDFC BANK MD'S REMUNERATION DECLINES TO RS 9.65CR IN 2017-18**
- 3. SBI, OTHER BANKS USING ARTIFICIAL INTELLIGENCE BIG TIME TO IMPROVE EFFICIENCY, CUT COSTS**
- 4. WHY HDFC HAD TO WAIT FOR SEVEN MONTHS FOR IRDAI NOD WHILE IDBI BARELY WAITED FOR TWO**
- 5. NAMED IN CBI CHARGE-SHEET, S RAMAN QUILTS RBI PANEL**

Business Standard

1. Govt shuns bad bank, opts for AMC route; 5-pronged strategy to resolve NPAs

Panel report on NPA resolution accepted; AIFs to deal with loans above Rs 5 bn

Arup Roychoudhury

In its much-awaited recommendations, a panel of public sector bankers has suggested against setting up a bad bank and instead came up with a five-pronged strategy to resolve non-performing assets (NPAs), depending on the amount of stressed assets.

The strategy to deal with NPAs included banks setting up a dedicated vertical to deal with smaller stressed assets of less than Rs 500 million, inter-creditor agreements to deal with loans between Rs 500 million and Rs

5 billion, and setting up asset management companies (AMCs) for loans above Rs 5 billion, with money raised through alternative investment funds (AIFs).

It also suggested resolving bad debts under the Insolvency and Bankruptcy Code (IBC) and setting up a trading platform for assets.

Experts found the strategy incremental, but said efforts were being made to create a market for assets first, which is commendable.

The recommendations have been accepted by the government, Union Finance Minister Piyush Goyal told reporters.

The panel, led by Punjab National Bank Non-Executive Chairman Sunil Mehta, suggested an independent AMC with a minimum capital of Rs 200 million.

Five-pronged strategy to resolve NPAs

- Accounts with non-performing assets (NPAs) up to Rs 500 million: Banks should devise templated resolution approaches for different types of assets. Resolution should be completed within 90 days
- Accounts with NPAs between Rs 500 million and Rs 5 billion: Inter-creditor agreement to authorise the lead bank to implement a resolution plan in 180 days
- NPAs with above Rs 5 billion: Asset management company/alternative investment fund approach
- NCLT/Insolvency and Bankruptcy Code process
- Asset trading platform for both performing and NPAs

Then, an AIF will be created to raise funds from foreign and institutional investors. Banks have an option to invest if they wish to participate in the upside.

The price discovery of these NPAs will be through open auction by the lead bank, and in it asset reconstruction companies (ARCs), AMCs and other investors will be free to bid.

"This AMC, AIF will become a market maker and thereby ensuring healthy competition, fair price and cash recovery. Security Receipts (SRs) will be redeemed within 60 days. The AMC/AIF will conduct an operational turnaround of the asset by itself or by engaging with an external party and can also bid for assets in the NCLT and thus play a broader role in resolutions," the presentation said.

The panel, which has State Bank of India Chairman Rajnish Kumar as a member, met for 11 hours on Monday before submitting its recommendations to the minister. Goyal, while presenting the panel's recommendations on Monday evening, said the steps suggested would be compliant with the insolvency and bankruptcy process as well as Reserve Bank of India (RBI) regulations, and would be free from government intervention.

The panel also suggested a transparent asset-trading platform among banks to trade in solvent as well as toxic assets.

For NPA accounts of less than Rs 500 million, banks will now set up dedicated verticals and have well-defined and time-bound standard operation procedures to deal with such loans. These loans will require to be dealt within 90 days. Goyal said the aim of this approach was to ensure there were no job losses and disruption to small and medium enterprises.

"Since the resolution will be under a single bank's control, we have recommended an approach that would be customised at individual bank level," the panel said.

Additionally, banks will also put in place a robust monitoring and review mechanism to track resolution with clear escalation metrics for breaching timelines.

For loans between Rs 500 million and Rs 5 billion, which usually involves a consortium of lenders, the panel has recommended that the lenders sign an inter-creditor agreement to come up with a resolution plan in 180 days. The lead bank will prepare a plan, which will be based on advice from a panel of turnaround specialists.

"Just like in the bankruptcy process, if at least 66 per cent of the lenders approve the turnaround plan, it will be accepted. In case the lead bank is unable to complete the resolution process within 180 days, the asset would move to the National Company Law Tribunal," Goyal said.

Large banks will help smaller lead banks run the process if required. Independent screening committees of eminent personalities will be appointed by the Indian Banks' Association to validate due process within 30 days at the outside, the panel said in the presentation.

Ashvin Parekh, managing partner at Ashvin Parekh Advisory Services, said the recommendations were not radical.

On the AMC-AIF approach, he said the process amounted to shifting assets from the banks' balance sheet to the treasury. "And if there is participation by banks, there will be conflict of interest," he said.

However, he said there were efforts to create a market first amid a huge supply of stressed assets.

A banker said the strategy, particularly relating to small-size stressed assets, would create jobs.

As of March 31, 2018, bad loans across listed banks stood at over Rs 10 trillion.

According to the RBI's recently released Financial Stability Report, the gross NPA ratio is set to rise by March 2019 to 12.2 per cent from 11.6 per cent in March 2018.

2. HDFC Bank MD's remuneration declines to Rs 9.65cr in 2017-18

The remuneration drawn by Puri and bank employees, in terms of ratio, stood at 209:1 meaning he took home 209 times more than the median employees' remuneration for the year

Press Trust of India

HDFC Bank Managing Director Aditya Puri took home nearly Rs 9.65 crore during 2017-18, less than Rs 10.05 crore in the previous year, according to the bank's annual report.

Also, Puri exercised stock options worth over Rs 31.41 crore in 2017-18 against Rs 57.42 crore worth of stock options in 2016-17, the report showed.

"This includes stock options granted and vested over several previous years, but exercised during the last financial year," the bank's annual report 2017-18 said.

However, the remuneration drawn by Puri and bank employees, in terms of ratio, stood at 209:1 meaning he took home 209 times more than the median employees' remuneration for the year.

The percentage increase in median remuneration of employees during the 2017-18 fiscal was 11.17 per cent.

As on March 31, 2018, HDFC Bank had 88,253 permanent employees on its rolls.

Puri held 0.14 per cent of the paid up share capital of the bank by the end of 2017-18.

The paid up equity share capital of the lender was Rs 519.02 crore as on March 31, 2018, up from Rs 512.51 crore during the same period in the preceding year.

On the succession planning, as Puri's tenure is set to end in October 2020, HDFC Bank said the Nomination and Remuneration Committee will identify a successor and work to ensure that this is done in a manner that will allow appropriate time for an effective transitions of responsibilities.

The bank's net profit during 2017-18 increased by 20.2 per cent to Rs 17,487 crore. Total income rose to Rs 95,461.70 crore from Rs 81,602.5 crore in 2016-17.

HDFC Bank said its bad loans are among the lowest in the industry. Bad loans or non-performing assets were 1.30 per cent of gross advances and net NPAs at 0.4 per cent as on March 31, 2018.

"This was largely due to the bank's prudent credit evaluation of the targeted customer profile and having a diversified loan book spread across customer segments, products, sector, and managing risk-return decisions with discipline."

The bank's board has recommended a dividend of Rs 13 per equity share for the year against Rs 11 paid in the fiscal ended March 2017.

Being accorded the domestic systematically important bank by the Reserve Bank during the year, HDFC Bank said it is geared up for the next phase of growth, given the looming market opportunities.

"This year (2018-19), the objective has been to continue building sound customer franchises across distinct businesses so as to be preferred banking

services provider to achieve healthy growth in profitability consistent with the bank's risk appetite," it said.

The lender's banking outlets stood at 4,787 across 2,691 cities and towns across the country. The numbers of ATMs were 12,635 by the end of March 2018.

Financial Express

3. SBI, other banks using Artificial Intelligence big time to improve efficiency, cut costs

Indian banks, including state-owned SBI and Bank of Baroda, have started deploying artificial intelligence (AI) in a big way to improve efficiency, detect human behaviour and reduce operational costs

By: PTI

Indian banks, including state-owned SBI and Bank of Baroda, have started deploying artificial intelligence (AI) in a big way to improve efficiency, detect human behaviour and reduce operational costs. State Bank of India, the India's largest lender, has SBI Intelligent Assistant (SIA) — a smart chat assistant, evolved from the "cutting edge technology of artificial intelligence, that efficiently resolves queries of NRI customers, similar to that of a bank representative. "It provides instant solutions on everyday banking queries in the chat box on the SBI portal," the state-run lender said.

The bank is also in the process of instituting an 'Innovation Centre' that will explore how emerging technologies such as AI and Robotic Process Automation (RPA) can help in making internal banking processes more efficient. Another state lender Bank of Baroda has evolved an innovative concept by setting up of hi-tech digital branch equipped with advanced gadgets like artificial intelligence robot named Baroda Brainy and Digital Lab with free Wi-Fi services.

Private sector banks too are using the advance innovative technology for improving workforce productivity and enhancing the customer experience.

"The Indian banking industry is on a rapid digital journey and has been adopting technologies like artificial intelligence and machine learning which will reshape the future. "The Indian banks are using AI as a tool to detect human behaviour, increase efficiency in automated processes and reduce cost for iterative activities," said Tobias Puehse, vice president, Innovation Management, Digital Payments and Labs, Asia Pacific, MasterCard.

Allahabad Bank said that its app 'emPower' is scheduled to get major enhancements like Chatbot and artificial intelligence based e-commerce payments. Supratim Chakraborty, Associate Partner, Khaitan & Co, said that given the immense competition in the banking sector, push for process driven services and the demand from customers to provide more customised solutions, many banks are opting for technologies using AI.

However, the complexity involved in these technologies creates several regulatory challenges. "Justice Srikrishna Committee has opined that the biggest challenge in regulating emerging technologies such as big data, artificial intelligence and the Internet of Things lies in the fact that they may operate outside the framework of traditional privacy principles," said Chakraborty.

He opined that RBI will have to play a more proactive and dynamic role in framing regulations to balance the business interest of banks and at the same time ensure customer privacy and information protection. When asked about the implications of use of new technology, Kalpesh Mehta, partner, Deloitte India, said that investing in the right AI technology can have a major impact on bank's operational efficiency and that its success boils down to the customer impact above all else.

"Indian banks are making AI investments in areas that are data intensive, systematic and critical to the bank's focus on profitability, customer experience, productivity and compliance," he said. According to a global consultancy firm PwC, in this era of technology disruption, enterprises are under immense pressure to digitise operations, and they see a future where human work can be augmented through the use of software robotics.

These enterprises, the report said, are beginning to view a digital workforce as part of their digital transformation strategy by combining elements of robotic process automation (RPA), AI and analytics to automate business processes.

Economic Times

4. Why HDFC had to wait for seven months for Irdai nod while IDBI barely waited for two

By Shilpy Sinha Dheeraj Tiwari

Here's a tale of two deals. HDFC Bank, the most sought-after Indian lender by investors, waited seven months before Delhi signed off on its proposal to raise funds. By contrast, IDBI Bank, which would have had a limited number of suitors, got the government nod in a couple of months after the idea was floated, people familiar with the matter told ET.

Irdai's approval has taken less than two months. But the deal will have to go through cabinet approval as the LIC Act needs an amendment: The existing law bars the insurer from taking over any company.

HDFC Bank started the process to raise Rs 24,000 crore in December 2017. The exercise took longer as it needed approval from the foreign investment promotion board (FIPB) due to concerns of breaching overseas shareholding.

After six months, the bank got approval from FIPB in June to raise additional capital. Now, HDFC Limited is waiting for approval from National Housing Bank to invest in the issue and close the fundraising programme. "The approvals for LIC-IDBI Bank deal came fast since the government is behind it," said UR Bhat, director, Dalton Capital Advisors. "The government approved the deal in record time because there is public interest involved. Even within Irdai, issues like product approvals take longer."

According to sources in the government, the decision to rope in LIC was on since January. "The process got delayed because of the fraud in the Punjab National Bank," an official said. Once the government managed that crisis, the focus was back on the transformation of IDBI Bank. Another government official said there were at least three scenarios worked out for the stressed lender's transformation, including likely stake sales to private players or multilateral agencies.

"But it then came out that there was virtually no interest from the private sector," he said, adding that selling real estate valued around Rs 7,000 crore separately would also have been a long drawn-out process. "We also wanted the Bankruptcy Code process to settle down because the success of IDBI transformation hinges on how it is able to resolve bad loans," he added.

The government put the process on fast track after March, when RBI raised concerns over IDBI Bank's financial health. IDBI Bank's stressed assets are at 27.95% of the total, the highest among all banks. Its capital adequacy is at 10.7% as on March 31, 2018. It hasn't made profits in the past three fiscal years.

"The LIC-IDBI Bank deal got cleared in record time because the intent of the government is to bring in an investor before the bank goes into ICU. In HDFC Bank's case, there may be some reservations pertaining to foreign shareholding," said Deven Choksey, MD, KRChoksey.

Business Line

5. Named in CBI charge-sheet, S Raman quits RBI panel

OUR BUREAU

S Raman, former chairman of Canara Bank, has voluntarily stepped down from the RBI-appointed committee that was looking into bank frauds and bad loan divergences after his name figured in a CBI charge-sheet. The CBI, last Thursday, named Raman and another former Canara Bank chairman, AC Mahajan, in connection with a ₹146-crore loan default by Winsome Diamonds. The diamond firm has defaulted on more than ₹7,000 crore of loans.

Raman, who last worked with SEBI as whole-time member between 2013 and 2017, said the development has caused a lot of anguish to him. In a letter to the committee, Raman said "keeping with the lofty standards of corporate governance" recommended by the committees he has been associated with, he "would not work with any government or regulatory committee until his name is cleared". A copy of the letter was reviewed by *BusinessLine*.

Sources told *BusinessLine* that the CBI was mainly zeroing in on all top bank officials who were known to be close to the former finance minister in the UPA government.

Raman was part of the PJ Nayak committee, which reviewed governance of bank boards in 2014. He also assisted the Uday Kotak committee on corporate governance, which submitted its report last year.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**