



ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION

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Dear Comrades,

7th June , 2018

News of Interest 7th JUN

Motivational Quotes

LEADERSHIP IS THE CAPACITY TO TRANSLATE VISION INTO REALITY.

WARREN BENNIS

HIGHLIGHTS

1. RBI POLICY: RBI HIKES RATE BY 25 BPS TO 6.25%, BUT KEEPS NEUTRAL STANCE
2. RBI TO SET UP PUBLIC CREDIT REGISTRY TO MAKE CREDIT MARKET MORE EFFICIENT
3. COOPERATIVE BANKS COULD SOON GET A TAG OF SMALL FINANCE BANK
4. PNB AIMS FOR RS 20,000 CRORE NPA RECOVERY IN H1 OF FY19
5. MSMES GET A BREATHER FOR REPAYMENT OF LOANS

Business Standard

1. RBI policy: RBI hikes rate by 25 bps to 6.25%, but keeps neutral stance

RBI retained its GDP growth projection for 2018-19 at 7.4%

BS Web Team

RBI on Wednesday hiked the key rate for the first time in over four years -- by 0.25 per cent -- to curb inflationary pressure from high oil prices, a move which will translate into higher EMIs for home, auto and other loans.

With all its members voting for the increasing, the 6-member Monetary Policy Committee (MPC) surprised markets by raising the repo rate, at which

it lends to other banks, to 6.25 per cent but kept its policy stance as "neutral".

The reverse repo rate, at which it borrows from banks, was also raised by similar proportion to 6 per cent.

This is the first increase in interest rate since January 28, 2014 when rates were hiked by a similar proportion to 8 per cent.

In the subsequent years, RBI cut interest rate on six occasions. In its last revision, on August 2, 2017, rates were cut by 25 basis points to 6 per cent.

In the second bi-monthly monetary policy of the 2018-19, RBI saw major upside to inflation from higher oil prices but kept its GDP growth outlook unchanged at 7.4 per cent for the financial year. The Reserve Bank of India (RBI) on Wednesday announced a 25-basis-point hike in the repo rate to 6.25 per cent, in line with market expectations. The six-member Monetary Policy Committee (MPC) kept its stance neutral, despite a repo rate increase. All of the six members of the MPC, including Governor and MPC Chairman Urjit Patel voted in favour of a rate hike.

Repo rate is the rate at which the Reserve Bank of India lends money to commercial banks.

Consumer Price Index (CPI) based retail inflation was projected at 4.6 per cent for the April-September period and 4.7 per cent in second half of 2018-19 fiscal.

Anticipating firming of interest rate, several banks including SBI, ICICI and Bank of Baroda had in last one week raised lending rates by up to 0.1 per cent making loans costlier for their borrowers.

The MPC, headed by RBI Governor Urjit Patel, said it decided to increase the policy repo rate by 25 basis points and keep the stance neutral.

Consequently, the reverse repo rate under the LAF stands adjusted to 6 per cent, and the marginal standing facility (MSF) rate and the Bank Rate to 6.5 per cent.

Patel said the MPC reiterates its commitment to achieving the medium-term target for headline inflation of 4 per cent on a durable basis.

The decision of the MPC is consistent with the neutral stance of monetary policy in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth, he added.

Headline inflation has been sharper than anticipated and it remained above the 4 per cent target in last 6 months, with RBI maintaining status quo during the period.

As per the latest print, retail inflation inched up to 4.58 per cent in April.

The domestic economic activity has exhibited sustained revival in recent quarters and the output gap has almost closed, Patel said.

Investment activity, in particular, is recovering well and could receive a further boost from swift resolution of distressed sectors of the economy under the Insolvency and Bankruptcy Code, he added.

However, he said: "Geo-political risks, global financial market volatility and the threat of trade protectionism pose headwinds to the domestic recovery."

RBI said the pick-up in the momentum of inflation excluding food, fuel and Housing Rent Allowance has imparted persistence into higher CPI projections for 2018-19.

Crude oil prices have been volatile recently and this imparts considerable uncertainty to the inflation outlook both on the upside and the downside, it said.

Since the last MPC meeting in early April, the price of Indian basket of crude surged from \$66 a barrel to \$74.

Assuring that the RBI would continue to be vigilant on inflation, Patel said that "domestic economic activity has exhibited revival in recent quarters and output gap has almost closed".

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All members of the MPC Chetan Ghate, Pami Dua, Ravindra H. Dholakia, Michael Debabrata Patra, Viral V Acharya and Urjit Patel voted in favour of the hike in interest rate.

The minutes of the MPC's meeting will be published by June 20, while the third bi-monthly meeting for the current fiscal is scheduled on July 31 and August 1, 2018.

The BSE Sensex surged almost 276 points to end above the key 35,000-mark even as the RBI hiked the policy rate by 0.25 per cent on inflation concerns.

It saw some decline in day's gains briefly after the policy announcement but recovered.

RBI retained the GDP growth forecast for 2018-19 at 7.4 per cent on hopes of further boost to investments and higher consumption. Besides, it kept its stance neutral.

2. RBI to set up Public Credit Registry to make credit market more efficient

The move follows recommendations by a high-level task force on Public Credit Registry for India, with Yeshwant M Deosthalee as chairman

Nikhat Hetvakar & Advait Rao Palepu |

The Reserve Bank of India (RBI) has decided to set up a Public Credit Registry (PCR), which would be an extensive database of credit information for India, accessible to all stakeholders.

The PCR will be introduced in a modular and phased manner. An Implementation Task Force is being constituted by RBI to help design and undertake logistics for the next steps in setting up of the PCR, said the RBI in its Statement on Developmental and Regulatory Policies.

This move follows recommendations by a high-level task force on PCR for India, with Yeshwant M Deosthalee as chairman. The task force was constituted by RBI to review the current availability of information on credit, adequacy of existing information utilities, and to identify gaps that could be filled by a PCR.

The task force, which submitted its report on April 4, 2018, recommended that a PCR should be set up by the central bank, with a view to address information asymmetry, foster access to credit, and strengthen the credit culture in the economy. "The PCR will act as a single point for mandatory reporting of all material events for each loan, regardless of the type of borrower or the value of the loan amount," said the report.

Each loan can be traced over its life-cycle and the PCR will link related ancillary credit information, which is usually produced and published outside the existing banking and financial system. This may include corporate balance sheet information, GST information, and corporate governance reports, among others.

Further, the value of having a granular repository for the credit market through a PCR is undeniable, said the report, as lenders can trace a particular borrower's complete credit history across various sources of funding. "It would help in enhancing the efficiency of the credit market, increase financial inclusion, improve ease of doing business, and help control delinquencies." the report stated. While the PCR would be a great enabler for lenders, the report also promises borrower's privacy. This information will include tax information, cases of criminal liability against a company, insolvency or bankruptcy proceedings and regulatory actions.

At present, there are various Credit Information Companies (CICs), four privately-operated ones and over three publically-promoted ones. The RBI has multiple granular credit information repositories like CRILC (Central Repository of Information on Large Credits), which is a borrower level (commercial banks only) supervisory data set that records transactions with an aggregate exposure of Rs50 million. Presently, banks and non-banking financial companies report their loan disbursement data to two separate CRILC platforms. The other RBI-promoted repository for credit information is BSR-1 (Basic Statistical Returns), which is a loan level statistical dataset focusing, on the distributional aspects of credit disbursement, without any threshold limit.

The central bank will implement the PCR project in phases, with maximum coverage to be achieved in the first phase by on-boarding all scheduled commercial banks and top NBFCs that are already a part of CRILC and/or BSR-1 actively.

Most central banks around the world have CICs, and regulate their respective financial systems through public and private credit registries. In the Indian context, RBI wishes to consolidate the multi-level credit information system that exists today.

All credit disbursements from financial institutions, borrowings from the market or external commercial borrowings, and other sources of credit are recorded over multiple systems. This results in replication of the same information across these systems, data quality issues, and reporting issues. A common PCR, with technology acting as an enabler, is aimed at solving these issues.

Financial Express

3. Cooperative Banks could soon get a tag of Small Finance Bank

The Reserve Bank will soon come out with a scheme for conversion of urban cooperative banks (UCBs) into small finance banks, Deputy Governor N S Vishwanathan

By: PTI

The Reserve Bank will soon come out with a scheme for conversion of urban cooperative banks (UCBs) into small finance banks, Deputy Governor N S Vishwanathan.

The central bank has received demand from some quarters to allow this conversion, he said.

"We will come out with a detailed scheme on conversion from urban cooperative banks into small finance banks," he told reporters after RBI's second bi-monthly monetary policy announcement.

A high powered committee on UCB, chaired by the then deputy governor R Gandhi, had recommended the voluntary conversion of large multi-state UCBs into joint stock companies as also other UCBs, which meet certain criteria, into small finance banks.

RBI plans to encourage more players to participate in and promote pan-India payment platforms so as to give a fillip to innovation and competition in the sector.

A policy paper in this regard will be put out for public consultation by September 30, 2018, RBI policy document said.

With the maturing of the retail payments market, it is important that the concentration risk in retail payment systems is minimised from a financial stability perspective, it noted.

With regard to problems faced by the visually challenged in conducting their day to day business with Indian banknotes, it said technological progress has opened up new vistas for making Indian banknotes more recognizable.

"Accordingly, it has been decided that the Reserve Bank, in consultation with various entities representing the visually challenged, will explore the feasibility of developing a suitable device or mechanism for aiding them in the identification of Indian banknotes. The Reserve Bank will issue necessary guidelines in this regard within six months," it said.

In the wake of spurt in the yields of government securities, RBI said, banks were given an option to spread, over four quarters, the mark-to-market

losses recorded on their investment portfolio during the quarters ended December 2017 and March 2018.

It was also required that banks build an Investment Fluctuation Reserve (IFR) of 2 per cent of their holdings in the AFS and HFT categories to avoid such eventualities, it said.

"In view of the continuing rise in yield of government securities as also the inadequacy of time to build IFR for many banks, it has been decided to grant banks the option to spread the mark-to-market (MTM) losses on investments held in Available for Sale (AFS) and Held for Trading (HFT) portfolio for the quarter ending June 30, 2018, equally over a period of four quarters, commencing from the quarter ending June 30, 2018," it said.

The circular in this regard will be issued within a week, it said.

Economic Times

4. PNB aims for Rs 20,000 crore NPA recovery in H1 of FY19

By *Dheeraj Tiwari*

State-run Punjab National Bank has set a target to recover around Rs 20,000 crore from its non-performing assets (NPAs) in the first half of this fiscal. The bank has already recovered around Rs 5,600 crore in the first two months of the fiscal from its other loan accounts gone bad, a bank executive said on condition of anonymity.

"We have set a target of recoveries to the tune of around Rs 8,000 core in the first quarter, already we have achieved the total amount of recovery done last year," the executive said. PNB had reported its highest quarterly loss so far during January-March at Rs 13,416.91 crore, hit by the Nirav Modi-Mehul Choksi scam.

The bank said it has paid Rs 6,586.11 crore to other banks to discharge its liabilities towards letter of undertakings (LoUs) and foreign letter of credits (FLCs) issued fraudulently. The total hit that the bank took is around Rs 14,000 crore.

PNB, which has divested two of its executive directors of their powers for their alleged involvement in the scam, is looking to sell its non-core assets and further consolidate its loan book. The bank is also hopeful to get Rs 400 crore through resolution of Electrosteel Ltd. "There are some cases being dealt through the Bankruptcy Code, we also expect them to be resolved in this year itself," said the PNB executive quoted earlier. The two cases where PNB will benefit the most include Bhushan Power and Essar Steel.

Another PNB executive said the bank's move to set up a separate stressed asset vertical has fast tracked the recovery process. "We have set up a new system of sanctioning loans under which different employees will handle sourcing, appraisal, processing and underwriting, documentation and disbursement of credit and the recovery part," he said.

The bank reported a standalone profit of Rs 261.90 crore in the quarter ended March 2017. It ended the fiscal FY18 with a net loss of Rs 12,283 crore, against a profit of Rs 1,324.8 crore in the year before. The bad loans rose to Rs 86,620 crore at the end of March 2018 from Rs 55,370 crore a

year ago. The net NPA also rose to Rs 48,684 crore from Rs 32,702 crore over this period.

Business Line

5. MSMEs get a breather for repayment of loans

OUR BUREAU

Get relaxation of 180 days without being classified as 'non-performing'

In a relief to micro, small and medium enterprises affected by the roll-out of the Goods and Services Tax (GST), the Reserve Bank of India on Wednesday gave them a temporary breather, allowing them to delay their loan repayments by 180 days without being classified as non-performing.

"Accordingly, eligible MSME accounts, which were standard as on August 31, 2017, shall continue to be classified as standard by banks and NBFCs if the payments due as on September 1, 2017, and falling due thereafter up to December 31, 2018, were paid not later than 180 days from their original due date," said the RBI in its Statement on Developmental and Regulatory Policies, which was issued along with the second bi-monthly monetary policy statement. The facility would be available to all MSMEs with aggregate credit facilities of up to ₹25 crore, irrespective of whether they are registered under the GST or not.

Banks and NBFCs have to typically classify a loan as a non-performing asset if the repayment has been delayed beyond 90 days.

The RBI, in February, extended the temporary relief through banks and NBFCs to the MSMEs to help ease their transition to the formalised sector after their registration under the GST.

The benefit will be phased out gradually, starting with those businesses that do not register under GST.

"In view of the benefits from increasing formalisation of the economy for financial stability, the 180-day past due criterion, in respect of dues payable by GST-registered MSMEs from January 1, 2019, onwards shall be aligned to the extant norm of 90-day past due in a phased manner," said the RBI.

For entities that do not get registered under GST by December 31, 2018, the asset classification in respect of dues payable from January 1, 2019, onwards shall immediately revert to the 90-day norm, it added.

The move was welcomed and seen as a big relief to small and medium firms that are just about getting their feet back on the ground after the twin disruptions from GST and demonetisation.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**