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Dear Comrades,

12th June , 2018

News of Interest 12th JUN

QUOTE OF THE DAY

'YOU CANNOT STEP INTO THE SAME RIVER TWICE. ' HERACLITUS

HIGHLIGHTS

- 1. BANKS TO FACE BIGGER CHALLENGES THAN NPAS IN THE COMING YEARS, SAYS SBI**
- 2. PUBLIC SECTOR BANKS POST RS 870 BN NET LOSS IN FY 18, PNB TOPS THE LIST**
- 3. PNB SCAM: CBI SEEKS RED CORNER NOTICE AGAINST NIRAV MODI**
- 4. ALLAHABAD BANK REFERRED 65 ACCOUNTS TO NCLT**
- 5. ICICI BANK, CHANDA KOCHHAR FACE US REGULATORY PROBE**

Business standard

1. Banks to face bigger challenges than NPAs in the coming years, says SBI

SBI said the policy initiatives over the last four years have gathered momentum with far reaching structural transformation in all sectors and banks are unlikely to remain untouched by these changes

Press Trust of India

The coming years will be very challenging for banks which will have to look beyond the bad loan resolution and address pressing issues such as frauds, cyber security and governance, SBI has said.

The operating environment has become increasingly complex, the state-owned bank said in its Annual Report 2017-18.

Resolution of stressed assets has progressed satisfactorily and the final outcome will take some more time to reflect in the profit and loss (P&L), it said, adding that this delay is mainly because new laws take some time to mature in practice,.

"The coming years will be very challenging for the banking system as a whole," said the country's largest lender.

"The structural transformation of banks must move beyond the non-performing asset (NPA) resolution and address other pressing issues, such as frauds, customer retention and servicing , human resource, cyber security and governance," it added.

Of all the 21 public sector banks (PSBs), 19 have registered a staggering loss of Rs 873 billion in 2017-18, topped by scam-hit Punjab National Bank (PNB) which posted a net loss of nearly Rs 122.83 billion during the year. Indian Bank and Vijaya Bank were the only two PSBs which made profits.

SBI said the policy initiatives over the last four years have gathered momentum with far reaching structural transformation in all sectors and banks are unlikely to remain untouched by these changes.

With capital infusion in PSBs, it will be up to them how they grab the opportunity and deploy technology to address some of these pressing issues, the SBI report said.

As on March 31, 2018, the gross NPAs of SBI increased to Rs 2234.27 billion (10.91 per cent of the gross advances), from Rs 1778.66 billion (9.11 per cent) by end-March 2017.

The net NPAs or bad loans grew to Rs 1108.55 billion (5.73 per cent) from Rs 969.78 billion (5.19 per cent).

The largest lender of the country suffered a net loss of Rs 65.4745 billion in 2017-18, as against a net profit of Rs 104.841 billion in the preceding fiscal.

"The year 2017-18 was a difficult year as far as net profits are concerned. The main contributing factors being increase in loan loss provisions, mark to market losses on government securities and provisions and payments to employees," Chairman Rajnish Kumar said in the report.

The banking environment remained eventful in 2017-18 as asset quality, resolution of stressed assets and muted credit growth in first half continued as major challenges for most banks.

"Higher NPAs impacted interest income adversely and led to elevated provisions, thus putting pressure on the profitability of banks. Further, some PSBs have been put under the Prompt Corrective Action (PCA) framework of RBI, which puts restrictions on key areas viz. dividend payment, branch expansion.," the report said.

The external environment has also become more uncertain, despite a positive outlook on growth, it said, adding that trade wars have become more acute and the situation will continue in 2018 in the same direction.

So, the banks across the world have revisited their foreign business strategy in line with growing risks, it said.

"Such cautions prevails among Indian banks as well. The government has advised banks to rationalize their foreign branches. However, this does not constitute a blanket withdrawal but a more realistic strategy in line with changing trade patterns of the country. This rationalization in foreign business will therefore continue," SBI said.

Terming the year gone by "an exceptional year" in many ways, SBI said the future strategy of the bank has to be clearly articulated and executed.

It said that in the next two years the bank will adopt a strategy that will achieve a healthy credit growth of 10-12 per cent by 2020.

The lender plans to take a two-pronged strategy of portfolio reordering to reduce its Credit Risk Weighted Assets (CRWA) to total advances ratio and internal reorganisation of the corporate banking.

"Revamping of corporate credit structure and system within the bank will proceed on such lines that will widen the universe of clients and focus on new segments. The Corporate Accounts Group (CAG) will focus on high priority and quality individual & group relationships and the concept of Group relationship coordinators will be introduced."

Besides, the credit risk management function will also be strengthened by on-boarding sector specialists and improving due diligence.

"Drawing lessons from the experiences in the banking industry during the last year, the Bank has further strengthened the overall internal audit and control process. Human Resource (HR) issues need a fresh look as usage of advanced digital technology such as Artificial Intelligence (AI) and big data increases within the bank," SBI said

Also, given the pace of retirements in the next five years, it is important to put in place a robust plan of succession.

"Potential leaders will be identified and mentored through customized training programme to create a strong leadership pipeline. Some of these works are already in progress and concrete action plan will be implemented in the next two years," said the report.

As per the report, the Chairman and Managing Director Rajnish Kumar, who was elevated to the post from October 7, 2017, drew a gross salary of Rs 14,25,594.10 by March 31, 2018 as the new chairman.

Ex-chairperson, Arundhati Bhattacharya, took home a gross salary of Rs 14,69,975.81. She retired from the post on October 6, 2017.

2. Public sector banks post Rs 870 bn net loss in FY 18, PNB tops the list

Out of 21 state-owned banks, only two -- Indian Bank and Vijaya Bank -- posted profits during 2017-18

Press Trust of India

The cumulative loss of public sector banks crossed a whopping Rs 873.57 bn in the 2017-18 fiscal, with scam-tainted Punjab National Bank topping the chart with a hit of nearly Rs 122.83 bn followed by IDBI Bank.

Out of 21 state-owned banks, only two -- Indian Bank and Vijaya Bank -- posted profits during 2017-18. Indian Bank posted highest profit of Rs 12.58 bn and the Vijaya Bank's profit worked out to be Rs 7.27 bn.

The rest 19 government-run banks collectively posted a net loss of Rs 873.57 bn during the fiscal, as per the latest quarterly numbers posted by these lenders.

All 21 banks had together posted a net profit of Rs 4.73 bn in the 2016-17 fiscal.

Punjab National Bank, which is reeling under over Rs 140 bn scam allegedly perpetrated by Nirav Modi and associates, posted a net loss of Rs 122.82 bn last fiscal. In 2016-17, the Delhi-headquartered bank had posted a profit of Rs 13.24 bn.

PNB was followed by IDBI Bank, whose net loss widened to Rs 82.37 bn in the fiscal ended March 2018 from Rs 51.58 bn in the previous year.

India's largest bank State Bank of India too added hugely to the combined losses of PSBs. SBI's net loss in 2017-18 stood at Rs 65.47 bn as against a net profit of Rs 104.84 bn in 2016-17.

Indian banking sector is grappling with mounting non-performing assets (NPAs) and host of scams and frauds.

The NPA in the banking sector stood at Rs 8.31 trillion as of December 2017.

Weak financials due to mounting bad loans have already pushed 11 banks, out of 21 state-owned banks, under the Prompt Corrective Action (PCA) framework of the Reserve Bank.

The recent tight prudential norms released by the RBI on February 12 have added to the NPA woes.

Interim Finance Minister Piyush Goyal has announced setting up of a committee to give recommendations in two weeks on formation of an Asset Reconstruction Company for faster resolution of stressed accounts.

The committee under Sunil Mehta, non-executive chairman of PNB, will make recommendations in two weeks on setting up of an Asset Reconstruction Company or Asset Management Company for faster resolution of stressed accounts.

The finance minister said the committee will consider whether such an arrangement will be good for the banking system and, if any such suggestion is advisable, it will also consider the modalities by which such an ARC and/or and AMC should be set up.

3. PNB scam: CBI seeks Red Corner Notice against Nirav Modi

The CBI has asked the Interpol to issue a Red Corner Notice against absconding billionaire jeweler Nirav Modi in the over USD 2 billion banking scam involving Punjab National Bank, officials said today

By: PTI

The CBI has asked the Interpol to issue a Red Corner Notice against absconding billionaire jeweler Nirav Modi in the over USD 2 billion banking scam involving Punjab National Bank, officials said today. The agency has written to the Interpol to issue the notice which would mean that the member countries of the Lyon-based international police cooperation agency can arrest and extradite Nirav Modi who fled the country in the first week of January, weeks before the bank filed a complaint with the CBI. Nirav Modi was last publicly seen in a Press Information Bureau group photograph of CEOs and top brass of Indian corporate sector with Prime Minister Narendra Modi at Davos, Switzerland.

A week later, the CBI registered a FIR against him on the basis of complaint against him and his uncle Mehul Choksi. His brother and wife were also named as accused in the FIR. His wife Ami, a US citizen, brother Nishal a Belgian, and uncle Choksi, Gitanjali group's promoter, had also fled the country in the first week of January. The case pertains to allegedly cheating the state-run Punjab National Bank (PNB) through fraudulent issuance of Letters of Undertakings (LoUs) and Foreign Letters of Credit (FLCs).

The agency recently charge-sheeted both Nirav Modi and Choksi separately in the scam. It has now approached the Interpol for a Red Corner Notice aimed at bringing Nirav Modi back for facing trial in the cases against them, the sources said. The CBI, in its charge sheets filed on May 14, had alleged that Nirav Modi, through his companies, siphoned off funds to the tune of Rs 6,498.20 crore using fraudulent LoUs issued from PNB's Brady House branch in Mumbai.

Choksi allegedly swindled Rs 7080.86 crore, making it possibly the biggest banking scam in the country, it alleged. An additional loan default of over Rs 5,000 crore to Choksi's companies is also a matter of probe under the CBI. It is alleged that Nirav Modi and Choksi through their companies availed credit from overseas branches of Indian banks using fraudulent guarantees of the PNB given through LoUs and letters of credit which were not repaid bringing the liability on the state-run bank, the officials said.

An LoU is a guarantee given by an issuing bank to Indian banks having branches abroad to grant short-term credit to the applicant. The instructions for transferring the funds were allegedly issued by a bank employee, Gokulnath Shetty, using an international messaging system for banking called SWIFT platform and without making their subsequent entries in the PNB's internal banking software, thus bypassing scrutiny in the bank, they said.

Economic Times

4. Allahabad Bank referred 65 accounts to NCLT

PTI

State-run Allahabad Bank has referred 65 accounts of stressed assets involving an amount of about Rs 12,566 crore to National Company Law Tribunal (NCLT) for resolution under Insolvency and Bankruptcy Code (IBC) during last fiscal.

The bank said in its annual report that it was focusing on recovery and rebalancing loan book with emphasis on small, micro, agriculture and retail advances. The number of willful defaulters declared by the bank was 257.

In the report, the bank said it would primarily focus on aggressive recovery drive, further build-up in CASA (current account and savings account), rebalancing of loan book with focus on small, micro, agriculture and retail loans.

The Kolkata-headquartered lender would also look at different avenues to raise capital with simultaneous reduction in risk weighted assets.

At the end of the 2017-18, gross NPA (non-performing assets) of the bank stood at Rs 26,562 crore as compared to Rs 20,687 crore in 2016-17 and net NPA remained at Rs 12,229 crore as on March 31, 2018 as against Rs 13,433 crore in 2016-17.

Last fiscal was a challenging year for the Indian banking industry due to continued stress faced in asset quality on account of various macroeconomic and other factors, the report said.

Business Line

5. ICICI Bank, Chanda Kochhar face US regulatory probe

PTI

Indian regulators and investigative agencies are mulling seeking help from their overseas counterparts.

As multi-agency probe continues in India into alleged lapses involving ICICI Bank's chief Chanda Kochhar and her family members, the matter has also come under the scanner of the US markets regulator SEC. Besides, the Indian regulators and investigative agencies are mulling seeking help from their overseas counterparts including in Mauritius as part of their own probes, officials said.

When asked about its probe into matters related to ICICI Bank and Kochhar, a spokesperson for the SEC Office of Public Affairs declined to comment. The queries sent to ICICI Bank also remained unanswered. The bank has already instituted an independent enquiry into allegations of 'conflict of interest' and 'quid pro quo' in Kochhar's dealing with certain borrowers.

Earlier in March, when the reports first surfaced in this regard, the bank had said that its board has "full confidence and reposes full faith" in Kochhar. Sources said the SEC (Securities and Exchange Commission) is actively looking into the matter as ICICI Bank is listed in the US also and it may seek further details from its Indian counterpart the Securities and Exchange Board of India (SEBI), which has already issued show-cause notices to ICICI Bank and Kochhar as part of its probe.

Officials said the SEBI has been approached for some clarificatory details which would be provided to the bank and its CEO, among others to whom notices have been served. Those looking into the matter also include the banking regulator RBI and the Corporate Affairs Ministry, while the CBI had earlier registered a

preliminary enquiry against Kochhar's husband, among others, and extensively questioned her brother-in-law in April.

The cases under scanner include the bank's Rs 3,250 crore loan to Videocon Group in 2012 and the involvement of Kochhar family members in restructuring of the loan.

Last week, Interim Finance Minister Piyush Goyal said the law will take its own course in the alleged case of nepotism at ICICI Bank, even though it is a good bank with "very robust processes" and there was no cause for concern for any of the stakeholders of ICICI Bank per se.

Allegations

There are allegations of impropriety in ICICI Bank extending loans to some companies and enjoying reciprocal benefits. It has been alleged that family members of the bank's chief, including her husband Deepak Kochhar, got financial favours from the borrowers against the loans sanctioned by the bank.

It was also alleged that Videocon Group pumped money into NuPower Renewables, a firm owned by Deepak Kochhar. SEBI has served a notice on Kochhar on dealings of the bank with Videocon Group and NuPower.

There are also allegations that NuPower got investments of Rs 325 crore from Mauritius-based First land Holdings, a company owned by Nishant Kanodia, son-in-law of Essar Group co-founder Ravi Ruia.

An independent probe was ordered by ICICI Bank board after fresh allegations of quid pro quo were levelled by activist and whistle-blower Arvind Gupta, who also accused Ruia brothers of Essar group of having got undue favours from the bank for "round-tripping" investments into NuPower Group.

The allegations have been dismissed as "motivated" by the Essar Group, which maintains it has no business interest in First land Holdings. The Ministry of Corporate Affairs is looking into companies involved in the ICICI Bank controversy of alleged conflict of interest in Chanda Kochhar's dealings with certain borrowers, according to a senior official.

The official also said the affairs of ICICI Bank are not being looked into by the ministry as that is completely under the purview of the Reserve Bank of India (RBI). "The ministry is looking at allegations with respect to fraudulent, preferential or under-valued transactions... (related to) those companies which have come into controversy in the light of ICICI Bank issue," the official said

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY