



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

Dear Comrades,

14th June , 2018

News of Interest 14th JUN

QUOTE OF THE DAY

'WHAT WE HAVE ONCE ENJOYED WE CAN NEVER LOSE. ALL THAT WE LOVE DEEPLY BECOMES A PART OF US.' HELEN KELLER

HIGHLIGHTS

1. BAD BANK = BAD IDEA: THERE'S DUBIOUS MERIT IN A REHAB CLINIC FOR TOXIC DEBT
2. PRADHAN MANTRI JAN DHAN YOJANA: CLOSE TO 65 LAKH JAN DHAN ACCOUNTS OPENED IN HARYANA
3. NIRAV MODI FRAUD HIT PNB'S CAPITAL ADEQUACY FALL BELOW REGULATORY REQUIREMENT
4. SBI SEES MOBILE BANKING TRANSACTIONS AT 3,360 LAKH IN FY19
5. IB AGENTS ON THE PROWL AT IDBI BANK BRANCHES TO SEEK STAFF VIEW ON STAKE SALE

Business Standard

1. Bad bank = Bad idea: There's dubious merit in a rehab clinic for toxic debt

The whole point of having a bad bank is to discover and recover the steady-state economic value of assets that may be currently depressed

[Andy Mukherjee |](#)

Bad ideas keep returning to the corridors of power in New Delhi with the unflinching regularity of migratory birds. This year is no exception. According to media reports, some kind of a state-blessed asset manager to take over the distressed assets of Indian lenders is being considered again.

The proposal to set up a bad bank looked senseless even when it was first mooted in early 2016. It looked downright silly when the finance ministry floated the idea of raiding the central bank's reserves to run the rehab clinic for toxic debt.

As much as 90 percent of nonperforming assets are with state-run banks. Suppose they're asked to unload the mess into something like Sareb, the Spanish bad bank whose shareholders include Banco Santander SA and Caixa Bank SA, among others. Sareb investors are set to lose 73 percent of their original investment. If the same happens to Indian lenders' equity, taxpayers might end up paying over and above the \$32 billion recapitalization for which they're already on the hook.

The whole point of having a bad bank is to discover and recover the steady-state economic value of assets that may be currently depressed. In Sareb's case, the task was relatively easy because boom-bust cycles in real estate – the recipient of Spain's lending binge – are fairly predictable, certainly more so than the economics of Indian power plants. (About 12 percent of the country's total power generation capacity is in financial distress.)

Skeletons Still in the Closet

Besides, Sareb assumed the loans of savings banks after a 45.6 percent reduction in their carrying value. To compensate the proposed Indian bad bank for under-recovery risk, exposing lenders to a haircut of even 50 percent may not be adequate, according to Jefferies analysts Nilanjan Karfa and Harshit Toshniwal. Given just how capital-starved some of the 21 state-run banks are, having them book steep upfront losses on sales would necessitate immediate consolidation or, in some cases, closure. That would mean taking on powerful unions.

The maneuver makes sense only if unclogging balance sheets restores lenders' profitability to a point where they can absorb future losses on their bad-bank investment. With a respected former central bank governor saying that confidence in state-controlled lenders is at a historic low, miracles can't be the base-case scenario.

Besides, for a decisive turnaround, there must be parallel efforts to improve governance, risk management and underwriting standards. The urgency with which politicians and bureaucrats are looking for a solution is directly proportional to the existential threat to India's government-dominated banking sector. Take away the hanging sword, and the pressure to reform may also ebb.

Lost Decade

So why then a bad bank? A year has elapsed, and bankruptcy resolution, which was supposed to take no more than 270 days, has so far been successful with only two large debtors out of an original list of a dozen. Meanwhile, the central bank – the regulator – has taken away lenders' leeway to extend and pretend. They're now being forced to make aggressive loan-loss provisions. But where's the money? Hardening yields are inflicting mark-to-market losses on state-run banks' outsize holdings of government debt, crimping their ability to climb out of the hole.

A bad bank will buy some time and give the impression something is being done. With general elections due next year, this looks like a politically expedient proposal of dubious economic merit.

Financial Express

2. Pradhan Mantri Jan Dhan Yojana: Close to 65 lakh Jan Dhan accounts opened in Haryana

Jan Dhan Yojana aims to open bank accounts of each economically backward family on zero balance with Accidental Insurance Cover of Rs one lakh, an official spokesman said here today

By: PTI |

As many as 64,95,997 bank accounts have so far been opened in Haryana under the Pradhan Mantri Jan Dhan Yojana up to March 31, 2018, out of which 58,33,365 accounts have been linked with Aadhaar. Jan Dhan Yojana aims to open bank accounts of each economically backward family on zero balance with Accidental Insurance Cover of Rs one lakh, an official spokesman said here today.

He said that as many as 28,56,587 people have been registered under the Pradhan Mantri Suraksha Bima Yojana in the state. Under the scheme, all the saving bank account holders of 18 to 70 years of age are being provided Accidental Death Risk Cover Insurance of Rs two lakh on annual premium of Rs 12 only.

Apart from this, all the saving bank account holders of 18 to 50 years of age are being insured for Rs two lakh on annual premium of Rs 330 under the Pradhan Mantri Jeevan Jyoti Bima Yojana. 8,68,257 beneficiaries have so far been registered under the scheme, the spokesperson said.

3. Nirav Modi fraud hit PNB's capital adequacy fall below regulatory requirement

Fraud-hit Punjab National Bank's capital adequacy has fallen short of the regulatory requirement of Reserve Bank of India due to unprecedented loss in the fourth quarter of 2017-18

By: PTI

Fraud-hit Punjab National Bank's capital adequacy has fallen short of the regulatory requirement of Reserve Bank of India due to unprecedented loss in the fourth quarter of 2017-18. At the end of March, 2018, total capital ratio as per the Basel- III requirement declined to 9.20 per cent as against 11.66 per cent at the end of March 2017. On consolidated basis, it slipped to 9.82 per cent as against 11.98 per cent during the same period.

As per the RBI's norms, the total capital adequacy, including counter-cyclical buffer should be upwards of 11.5 per cent. So, to that extent, there is shortfall as far as capital adequacy of PNB is concerned as on the March 31, 2018. "...the capital position of the bank as at March 31, 2018 being below the regulatory requirement (including countercyclical buffer) of Reserve Bank of India, Hong Kong Monetary Authority (HKMA) is enhancing the Supervisory arrangements on our Hong Kong branch," PNB said in a regulatory filing today.

The erosion of capital can be primarily being attributed to over Rs 14,000 crore fraud wherein billionaire jeweler Nirav Modi and associates had allegedly acquired fraudulent letters of undertaking (LoUs) from one of the branches of PNB for overseas credit.

The scam was perpetrated by way of fraudulent LoUs generated in the name of Punjab National Bank. As a result of the country's biggest fraud, PNB last month posted its largest ever quarterly loss of Rs 13,416.91 crore for January-March period, mainly on account of high provisioning for Nirav Modi fraud and bad loans.

Economic Times

4. SBI sees mobile banking transactions at 3,360 lakh in FY19

Country's largest lender State Bank of IndiaNSE 1.71 % (SBI) expects the mobile banking transactions to grow to 3,360 lakh, amounting to Rs 7,56,000 crore, during the current financial year.

In FY18, the number of its mobile banking transactions stood at 2,706, with a total volume of Rs 6,00,502 crore.

"We expect the numbers of mobile banking transactions to grow to 3,360 lakh, amounting to Rs 7,56,000 crore in FY18-19," SBI's deputy managing director and chief information officer, Mrutyunjay Mahapatra, said.

As on March 31, the bank had over 305 lakh registered users of mobile banking channel.

SBI chairman Rajnish Kumar had recently said the share of number of transactions that takes place on bank's alternate channels like Internet banking, point of sale (PoS), mobile banking and ATMs, among others, has increased to 80 per cent as of March-end.

Only 20 per cent of the banking transactions are happening in the branches, he had said.

"With smartphone penetration sharply going up due to competition in the telecom space, cost-effective models being available and expansion of Wi-Fi/4G/3G networks, we are well poised to further our leadership position in mobile banking," Mahapatra added.

Business Line

5. IB agents on the prowl at IDBI Bank branches to seek staff view on stake sale

VINSON KURIAN NS VAGEESH

Notwithstanding the presence of a few charismatic personalities, including a rockstar governor with dazzling good looks who floored the media, banking has generally remained a staid occupation in India, far removed from the shadowy world of the sleuth. Until now.

In a new development, agents from the Intelligence Bureau have been frequenting branches of IDBI Bank in many parts of the country, including Kerala, to get a low-down on the employee reaction to the Centre's proposed move to sell a stake in the bank.

The Centre currently owns 80.96 per cent of the Mumbai-based bank, which saw some employee unrest over the stake sale move two years ago, resulting in the suspension or transfer of a few.

At least a couple of officers of the bank in Kerala told *Business Line* that they had been approached by IB sleuths, who wanted to know their views on the stake sale.

This has prompted the state leadership of the officers' union to issue an unusual advisory to members, asking them to bring any such outreach to its notice.

Union advisory

According to an officer, the advisory said that "if any branches/offices are receiving calls from IB officials, kindly redirect to the state committee members. Also inform that we strongly oppose privatization of IDBI Bank."

The Centre reportedly proposes to showcase IDBI Bank as a model of its plan to gradually reduce its shareholding to less than 50 per cent. In the 2016-17 budget, Finance minister Arun Jaitley had said as much, inviting howls of protest from employees.

"I was accosted by a lady IB officer. She told me that her brief is to learn about any plans for an agitation/strike against the stake sale," said another officer. The officer added: "My reply to the IB official was that we strongly oppose privatization. We're even ready to launch an indefinite strike to support the cause of the bank."

Earlier this year, the Centre had infused ₹10,610 crore into the bank. Of this, ₹7,881 crore was allotted by way of recapitalization bonds, and ₹2,729 crore as the direct capital infusion for the current financial year.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY

