



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

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Dear Comrades,

18th June , 2018

News of Interest 18th JUN

MOTIVATIONAL QUOTES

'EDUCATION IS THE PASSPORT TO THE FUTURE, FOR TOMORROW BELONGS TO THOSE WHO PREPARE FOR IT TODAY' . MALCOLM X

HIGHLIGHTS

1. VIDEOCON CASE: ICICI BANK WEIGHS LEAVE FOR CHANDA KOCHHAR TILL PROBE REPORT
2. NPA WRITE-OFFS BY PSBS SURGE 140 PER CENT OVER THEIR LOSSES IN FY'18
3. TOP JOBS IN PSU BANKS: BBB RECOMMENDS THESE 22 GMS FOR ELEVATION AS EXECUTIVE DIRECTORS
4. CAS, LAWYERS AND VALUERS NOW IN THE LINE OF FIR FOR BANK FRAUDS
5. SOUTH INDIAN BANK MULLS RAISING RS 520 CR

Business Standard

1. Videocon case: ICICI Bank weighs leave for Chanda Kochhar till probe report

The ICICI board, which consists of 12 members, is divided on whether Kochhar should be on leave during the internal enquiry

Shrimi Choudhary

ICICI Bank Chairman M K Sharma has written an email to board members seeking their opinion on whether Managing Director (MD) & Chief Executive Officer (CEO) Chanda Kochhar should be asked to go on indefinite leave until the internal enquiry is concluded, said people in the know.

"In an email sent to board members last week, Sharma asked board members whether they agreed that Kochhar should go on indefinite leave until the ICICI Bank-constituted enquiry is completed to have a fair outcome," said one of the persons cited above.

Kochhar is on her planned annual leave, the bank had said on June 1.

The ICICI Bank board had come out in support of Chanda Kochhar on March 28, quashing allegations of a quid pro quo and favouritism in giving a loan to the Videocon group, which, in turn, had invested in Chanda's husband Deepak Kochhar's company NuPower Renewables.

The initiation of probes by multiple agencies, including the Central Bureau of Investigation, income-tax department, and Securities and Exchange Board of India (Sebi), and a subsequent complaint from an anonymous whistleblower led to the board's decision to conduct an independent probe.

"This may have prompted Sharma to ask the board on whether Kochhar should go on extended leave," said one of the sources.

Some of the board members are of the view that Kochhar should resume office after her leave so as to not cause any uncertainty among shareholders.

"Since the events are already recorded and possibly cannot be altered, requesting Kochhar to proceed on leave at this point in time may send the wrong signal to stakeholders, especially after the board had showed full confidence and faith in her when the issue first broke out," one of the board members told Business Standard.

An email sent to ICICI Bank did not elicit response. Sharma, too, did not respond to text messages and phone calls.

The ICICI board, which consists of 12 members, is divided on whether Kochhar should be on leave during the internal enquiry, indicated another person.

Sources said this matter would come up for discussion in the bank's board meeting scheduled to be held on June 27. The meeting would be the last for Chairman Sharma, who retires on June 30.

On May 28, the ICICI Bank board had issued a statement that it had reviewed the bank's internal processes for credit approvals and found them robust, reposing full faith in Kochhar.

Typically, if the MD & CEO goes on indefinite leave, the board could appoint an interim CEO to look into the day-to-day affairs.

On May 29, the board of directors decided to conduct an independent enquiry into an anonymous whistle-blower complaint alleging that the bank's MD & CEO had not adhered to provisions relating to "code of conduct" and "conflict of interest" over a period of time. The complaint further alleged quid pro quo in the course of her work in dealing with certain customers/borrowers of the bank.

Retired Supreme Court justice B N Srikrishna has been appointed to head the enquiry into the matter. He will be assisted by the bank's audit committee, which is headed by independent director Uday Chitale.

The bank had said the scope of enquiry would be comprehensive and include all relevant matters arising out of and in the course of examination of the

facts and wherever warranted, use of forensic/email reviews and recordal of statement of relevant personnel and so on.

The enquiry would also cover all connected matters in the course of the investigation to bring the matter to a final close.

Meanwhile, Sebi has initiated its adjudication proceeding in the matter and sent a show cause notice to the private lender and its MD.

Kochhar's current tenure as MD & CEO is set to end on March 31, 2019.

2. NPA write-offs by PSBs surge 140 per cent over their losses in FY'18

This is for the first time in a decade that banks have made huge write-offs of bad loans along with booking of hefty losses

Press Trust of India

Public sector banks have written off bad loans worth a whopping Rs 1.20 trillion, an amount that is nearly one-and-a-half times more than their total losses posted in 2017-18, according to official data.

This is a double whammy for the struggling PSBs as they had massive write-offs as well as huge losses in the last financial year.

This is for the first time in a decade that banks have made huge write-offs of bad loans along with booking of hefty losses.

Till 2016-17, 21 state-owned banks made combined profit while in 2017-18, they posted a staggering loss of Rs 853.7 billion, as per the data.

During 2016-17, PSU banks wrote off non-performing assets (NPAs) worth Rs 816.83 billion as against combined net profit of Rs 4737.2 million.

SBI alone has written off bad loans of Rs 401.96 billion, nearly 25 per cent of the total write-offs during 2017-18. This was followed by Canara Bank (Rs 83.1 billion), Punjab National Bank (Rs 74.07 billion) and Bank of Baroda (Rs 49.48 billion).

As per the data provided by rating agency Icra, Indian Overseas Bank has written off NPAs worth Rs 10,307 crore, followed by Bank of India (Rs 90.93 billion), IDBI Bank (Rs 66.32 billion) and Allahabad Bank (Rs 36.48 billion). These banks along with 7 others come under Prompt Corrective Action framework of RBI.

As per the government data, banks' write-offs stood at Rs 344.09 billion in 2013-14. The figure has jumped nearly four-fold in five years. In 2014-15, the banks wrote off Rs 490.18 billion; Rs 575.85 billion in 2015-16, Rs 816.83 billion in 2016-17 and hitting a record high of Rs 1.20 trillion (provisional) in 2017-18.

Write-off in banking parlance means that the bank has made 100 per cent provision from its earning against that account. Following this, NPA is no longer part of its balance sheet.

However, a write-off puts pressure on balance sheet of banks as it erodes operating profit.

Indian banking sector is grappling with mounting NPAs and host of scams and frauds. 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, under the Prompt Corrective Action (PCA) framework of RBI.

The recent tight prudential norms released by 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 (ARC) for faster resolution of stressed accounts.

The committee under Sunil Mehta, non-executive chairman of PNB, will make recommendations for the same.

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 should be set up.

Financial Express

3. Top jobs in PSU banks: BBB recommends these 22 GMs for elevation as executive directors

Banks Board Bureau (BBB), the advisory body formed by the government for selection of candidates for top level board appointment, has recommended 22 general managers to be elevated as executive directors at the various public sector banks

By: PTI

Banks Board Bureau (BBB), the advisory body formed by the government for selection of candidates for top level board appointment, has recommended 22 general managers to be elevated as executive directors at the various public sector banks. This is the first major exercise undertaken by the BBB, headed by newly appointed chairman B P Sharma, former Secretary, Department of Personnel and Training. Sharma was appointed head of the panel in April after completion of two-year term of former CAG Vinod Rai. The chairman and members of the panel have recommended to the Government of India 22 general managers for being appointed as executive directors in public sector banks (PSBs), BBB said in a statement.

The panel has recommended general managers Manas Ranjan Biswal, Gopal Gusain, Vivek Jha, Alok Srivastava, Hemant Kumar Tamta, Ajit Kumar Das, Agyey Kumar Azad, Dinesh Kumar Garg, Sanjay Aggarwal and Shanti Lal Jain for appointment as EDs. Besides, Vijay Dube, Ajay K Khurana, A Manimekhalai, Vikramaditya Singh Khichi, Usha Ravi, P R Rajagopal, Shenoy Vishwanath Vittal, Atul Kumar, K Srinivasa Rao, Sanjay Kumar, K Ramchandran and Ajay Vyas too would be elevated.

"These recommendations are based on interactions held by the Banks Board Bureau with eligible candidates from PSBs towards appointment against vacancies in PSBs for the period 2018-19," it said.

The Appointments Committee of Cabinet headed by Prime Minister Narendra Modi will take the final decision in this regard. There are already some vacancies at executive director level and some would be created during the course of the year.

Economic Times

4. CAs, lawyers and valuers now in the line of FIR for bank frauds

By Sugata Ghosh

Lawyers, chartered accountants and valuers, who collude with fraudulent borrowers, will soon find their names in FIRs lodged by banks.

Shaken by the Nirav Modi fraud, India's second largest lender, Punjab National Bank (PNB)NSE -2.02 %), last week directed its offices that FIRs be filed not just against borrowers and guarantors but also against third parties like advocates, accountants and valuers if they have a hand in perpetrating frauds.

The June 14 advisory was issued by PNB's fraud risk management division following reports of borrowings against fake property title deeds, fictitious address proofs and sham income tax returns.

Typically, most banks blacklist legal and tax professionals once they are found to have acted hand in glove with crooked borrowers. But amid a scourge of sticky loans and wrath against wilful defaulters, high street banks are taking a zero tolerance stand. Faced with mounting losses and expensive bailouts of state-owned banks, the government too turned its glare on accountants and lawyers who, it's widely perceived, help shady borrowers to dress up books and mask frauds.

Banks generally require title searches by lawyers and solvency and other certificates by CAs prior to granting a loan. Since banks rely on these reports by independent professionals, it amounts to a clear breach of trust and fraud if such reports are blatantly wrong. A properly conducted search based on parameters set out by the Bombay High Court in the past should bring out such gaps in titles; and, a failure to do so would result in a breach of trust by professionals who have a duty of care towards their clients.

Under the circumstances, few would disagree that banks are correct in pursuing this avenue against professionals who collude with fraudsters and dupe lenders. However, unless a bank actually commissions professionals under an arrangement, it may be difficult for the banks to bring an action against these professionals. In some cases title reports and other certificates are commissioned by the borrowing client rather than the lending bank.

"It's evident lawyers and accountants cannot wriggle out easily by submitting false reports. Commissioning independent and reliable professionals from an internally prepared panel may be the best way forward, rather than lengthy and expensive recoveries. In relation to bad debts, the only solution is to strengthen risk assessment policies so gaps can be identified at origination stage," said Kaushik Mukherjee, partner, Shardul Amarchand Mangaldas & Co. A witch hunt, he said, may not help in salvaging lost loans.

According to advocate L Vishal Kumar, "Lawyers are often given very little time to complete search and they end up doing a shoddy job. Also, they keep an exit route to cover their tracks by stating upfront that the report is

'based on documents supplied by the bank.' Accountants who cook up books at the clients' instruction complicate accounts through numerous transactions to such an extent that lenders are left confused."

In quickening loan disbursal, such borrowers often hire professionals already on the bank panel of lawyers and CAs. However, a lender is not obliged to accept their reports. "Inflated valuation of properties and land is another tool in the hands of a corrupt borrower. It has been rampantly used. But this is a more tricky area, with reports differing from Valuer to Valuer," said a banker.

Business Line

5. South Indian Bank mulls raising Rs 520 cr

PTI

Private sector South Indian Bank plans to raise up to Rs 520 crore through a mix of equity and debt instruments to meet its business needs.

The bank's board will meet on July 11 and take up its fund raising agenda for the meeting.

Of the total Rs 520 crore to be raised, the bank said Rs 20 crore will be raised through equity capital and Rs 500 crore will be mopped up through bonds.

On debt instruments, the bank said it can float long-term infrastructure bonds or such other securities.

"The bank has been borrowing funds to meet the business requirements...the board of directors, after assessing its fund requirements, has proposed to obtain the consent of the members of the bank for borrowing/raising funds in Indian/foreign currency by issue of debt securities including but not limited to non-convertible debentures, bonds, up to Rs 500 crore in one or more tranches in domestic and/or overseas market to eligible investors on private placement basis," it said in a regulatory filing.

The bank raised Rs 490 crore by way of issuance of bonds till March 31, 2018 after approval from shareholders in previous AGM that was held on July 11, 2017.

The capital position as on March 31, 2017 was 11.82 per cent as against the minimum requirement of 10.25 per cent. A banking company requires adequate capital not only to meet the needs of growing business, but also to meet the applicable regulatory requirements. As business grows, capital requires to be augmented, the lender said.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY