



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

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Dear Comrades,

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News of Interest 20th JUN

‘OPTIMISM IS THE FAITH THAT LEADS TO ACHIEVEMENT. NOTHING CAN BE DONE WITHOUT HOPE AND CONFIDENCE. ‘ HELEN KELLER

HIGHLIGHTS

1. PSBS TO FOCUS ON CREDIT NEEDS OF 'GENUINE' COMPANIES, SAYS PIYUSH GOYAL
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Business Standard

1. PSBs to focus on credit needs of 'genuine' companies, says Piyush Goyal

PSBs promise to boost credit; 4,500 companies to be assessed; banks to work on two-stage process

Somesh Jha

Public sector banks (PSBs), in a meeting with Finance Minister Piyush Goyal on Tuesday, have decided to chalk out a road map for supporting the credit needs of "genuine" companies.

The banks would take up the credit needs of "genuine, deserving, well-performing and good companies" in two stages, Goyal said.

In the first stage, the PSBs will conduct a focused study on the credit needs of around 4,500 companies, with borrowings in the range of Rs 2 billion to

Rs 20 billion. In the second stage, the credit needs of companies with borrowings of up to Rs 2 billion — mostly micro, small and medium enterprises (MSMEs) — will be covered.

“One of the thoughts before the PSBs is to support MSMEs along with genuine and good companies that need working capital finance or loans on investments in fixed assets and have faced difficulties in the past. Banks will work as a team to arrive at a decision to support business,” Goyal said.

The finance minister held a meeting with the top executives of 18 PSBs, including chief executives and non-executive chairpersons, Department of Financial Services Secretary Rajiv Kumar and other officials. The meeting deliberated on the issue of merging PSBs.

The PSBs also decided to take steps to smoothen the process of sanctioning loans through a consortium and multiple banking arrangements. In one such move, a decision taken by 66 per cent of the banks within a consortium will be binding on all the lenders. This is in line with the recent amendments carried out in the Insolvency and Bankruptcy Code through an Ordinance.

The voting percentage was reduced from 75 per cent to 66 per cent for the committee of creditors to approve special plans, such as those relating to insolvency resolution.

A model inter-creditor agreement will soon be formulated to lay down ground rules, which will have to be followed by all the banks within a consortium.

This will be done following consultations with the Indian Banks’ Association and the boards of respective banks.

“The idea is to improve the working of consortiums and multiple banking arrangements through formal agreements between banks, so that there are certain ground rules. This element is missing at present. Most PSBs will sign this agreement and do everything to support each other,” SBI Chairman Rajnish Kumar said.

Kumar highlighted some of the operational issues and “practical difficulties” faced by banks while lending to corporates in a consortium or through multiple banking arrangements. “It has been experienced that bankers participating in a consortium feel they do not have enough powers. Even if 80-90 per cent of banks agree on a certain proposal and some other bank feels otherwise, the process is scuttled,” he said.

On mergers, Kumar said there was a consensus that banks were “too fragmented” at present and needed scaling up. “The pitfalls and advantages of mergers were discussed. Individual banks will now have to decide based on opportunity,” he said. However, the SBI chairman ruled out further plans for merger due to regulatory reasons. “We are too big. When a bank has a market share of 23 per cent, it becomes an important bank and bigger banks are not advisable from the system’s perspective,” he added.

2. RBI may raise rates again by year-end but August hike still in play: Poll

In a poll ahead of the central bank's June meeting the median consensus had shown no hike until August

Reuters

The Reserve Bank of India (RBI) is expected to raise interest rates again in the final three months of this year, according to a Reuters poll of economists, but over one-third of them predicted a hike as early as at the next meeting in August.

Accelerating inflation and India retaining top spot as the fastest-growing major economy prompted the RBI to lift the repo rate by 25 basis points to 6.25 per cent at the June 4-6 meeting, wrong-footing a slim majority of economists polled by Reuters who had expected no change.

The latest poll, taken in the past week, showed 43 of 56 economists forecasting the RBI's repo rate at 6.50 per cent or higher in the quarter ending December.

But over a third, or 21 of 58 economists, expected the RBI to move earlier with a 25 basis-point hike in August.

In a poll ahead of the central bank's June meeting the median consensus had shown no hike until August.

Some respondents in the latest poll said the next move won't come until 2019.

The common theme in recent Reuters polls showed there will be just two interest rate hikes through to the end of next year and the latest suggests economists have just brought forward expectations for tightening with the median consensus now for no move in 2019.

"Whether it is August or October will be determined by the evolution of inflation and crude prices in particular, but also by developments on growth and emerging markets sentiment," said Abhishek Upadhyay, an economist at ICICI Securities Primary Dealership Ltd.

Although inflation has stayed above the RBI's target of 4 per cent for seven months running, upcoming seasonal monsoon rains and the Indian rupee, which has weakened over 6 per cent this year, could determine its path ahead.

But a separate Reuters poll of foreign exchange strategists showed the rupee will gain slightly over the coming year on stronger growth prospects after being one of the worst performing currencies this year.

RBI Governor Urjit Patel told reporters after the surprise June rate increase that the hike was a response to emerging risks to the inflation target. Minutes of the RBI's June meeting are due on Wednesday.

"We also await minutes for further cues, but for now it appears that the Monetary Policy Committee will prefer to spread out the rate hikes," ICICI's Upadhyay said.

When asked if the RBI's June hike was the start of a tightening cycle, economists were split - 27 of 50 said it did but the remainder said it was not.

Economists didn't comment on when the central bank would change its neutral bias, which it maintained at this month's meeting to the surprise of some analysts.

"The upcoming weeks are the litmus test for whether or not the past rate hike is sufficient to tame markets and prevent further portfolio outflows and stabilize the INR," said Hugo Erken, senior economist at Rabobank.

"Meanwhile, the RBI will keep a close watch on the oil price and the Fed tightening cycle to see if acceleration is needed."

Financial Express

3. Why ICICI Board is the biggest loser in the Chanda Kochhar episode

It gave her a clean chit with undue and unseemly haste, and didn't ask her to go on leave till a proper probe took place

By: [The Financial Express](#)

Without doubt, Chanda Kochhar has had a remarkable career. Chosen by KV Kamath and Narayanan Vaghul to lead ICICI Bank from May 2009—she was picked over Shikha Sharma—Kochhar has been a competent CEO. She has neither the brilliance of Vaghul nor the dynamism of Kamath and, compared with her predecessors, has, by and large, kept a low profile. But her nine years at the bank have shown her to be a confident leader—one who has steered the ship with steady hands. To be sure, ICICI Bank's loan losses have turned out to be far higher than anticipated, but the environment hasn't been easy; every lender that bet on infrastructure has had to pay a price. Else, under her watch, the ICICI franchise has done well.

It is unfortunate, therefore, that her career should end on such a low note. But that is entirely her fault. One misstep has cost the level-headed Kochhar her reputation—the decision not to step aside sooner to allow an independent investigation into allegations she failed to make adequate disclosures about her husband's company. The firm, NuPower Renewables, is believed to have benefitted from funds received by the Videocon Group to which ICICI Bank had earlier loaned money. The criticism that Kochhar has invited by staying on—or rather digging in her heels—is more than valid. While it is true the ICICI board has behaved most unprofessionally in having given her a clean chit with undue and unseemly haste, it is also true Kochhar needed to have gone on leave as soon as the allegations became public. After all, ICICI Bank is a listed entity with thousands of shareholders.

Had she called for an independent probe rather than waiting for others to initiate it, Kochhar would have won appreciation and admiration. But her insistence on staying put even after the Securities and Exchange Board of India (Sebi) issued a 12-page show-cause notice, on May 23, was unwarranted. The fact is that both Kochhar and the board have failed to explain what exactly has happened. If indeed, as the board first said, Kochhar has complied with the lender's disclosure rules, why not put out a statement with all the details? Instead, the board put out a sketchy release

while all Kochhar has said is that she and the bank are co-operating with the concerned agencies. Indeed, the ICICI Bank board comes across as hopeless, weak and powerless—even spineless—because even after the BN Srikrishna committee was appointed to probe the matter, it didn't ask Kochhar to go on leave. Members should have been mindful of the fact that the central investigative agencies—ED, CBI—were probing the case and that shareholders were rattled.

While some of the board members are her colleagues, and can plead loyalty, the chairman and the four independent directors needed to be made of sterner stuff. MK Sharma needed to have convinced the others—long ago, when the matter first arose—that Kochhar must be asked to step aside. Indeed, the claim made by Kochhar on Monday night that she was going on leave to uphold corporate governance standards ring hollow. Had she really believed in it, she would not have waited so long.

Economic Times

4. Why Intellectual Property Rights as security for loans is correct in legal terms

ET CONTRIBUTORS

Recently the Supreme Court has ruled that a trademark cannot be assigned to a bank by a borrower who has defaulted on the loan. In the case of Canara Bank vs NG Subbaraya Setty, the Supreme Court held that assignment of a trademark — EENADU — for agarbattis, as a security for a loan outstanding is against the Trademarks Act and the Banking Regulation Act. The Supreme Court took the view that the trademark cannot be said to be property which has come into possession of the bank in satisfaction of any of the claims of the bank. Trademarks are not part of any securities for loans or advances.

The court also stated that the assignment was against section 6 and 8 of the Banking Regulation Act. A bank cannot use a trademark to sell agarbattis.

It cannot step outside the banking business. It can sell goods only to realise the security held by it.

It cannot allow 3rd parties to use the trademark and get a royalty. The court also noted that the bank manager, who accepted the assignment of the trademark, was dismissed and prosecuted.

It is respectfully submitted that the parties to the litigation should have viewed the entire matter in the context of provisions contained in the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act). Section 2(1)(t) of the SARFAESI Act defines the expression property and specifically includes intangible assets being knowhow, trademark, copyright, licence or franchise. Further section 2(1)(zf) defines "security interest" as a right, title or interest of any kind upon property created in favour of secured creditor and includes such right title or interest in intangible assets.

Further, the expression secured creditor is defined to include any bank or financial institution holding any right, title or interest upon any tangible asset or intangible asset as a secured creditor. It is respectfully submitted that in terms of the above provisions of the SARFAESI Act, the bank

accepting assignment of any trademark as the security for a loan outstanding is the secured creditor having security interest over the trademark and is entitled to sell or assign the trademark for a royalty and recover the defaulted loan.

It is further submitted that all security interests created over property rights in favour of banks and financial institutions are transfer of interest or rights in the property and in the event of default in repayment of the loans secured by the security interest, the lenders have a right to sell the property and realise their defaulted loans. The same principles are applicable in respect of intangible property rights such as trademarks or copyrights or patents and licence to use the intangible property for a specified royalty has to be treated as equivalent to sale of secured assets to recover loan.

The object of making a clear provision facilitating creation of security rights over intangible properties is to facilitate availability of credit to intellectual property owners and other intellectual property rights holders, thereby enhancing the value of intellectual property owners and other intellectual property rights holders, thereby enhancing the value of the intellectual property rights as security for credit. The intellectual property rights (e.g. translation rights of a bestseller book or patent for a drug for treatment of cancer or a well-established trademark for a best-selling product), have substantial value and the law needs to permit creation of security rights over such valuable properties to raise funds. The United Nations Commission on International Trade Law (UNCITRAL) has undertaken an elaborate exercise to prepare a legislative guide on secured transactions along with a supplement on security rights in intellectual property. The objective of the guide with respect to intellectual property is to promote secured credit for businesses that own or have the right to use intellectual property, by permitting them to use rights pertaining to intellectual property as encumbered assets without interfering with the legitimate rights of the owners, licensors and licensees of the intangible property.

Section 6(1)(f) & (g) of the Banking Regulation Act, clearly provides for dealing with any property or any right, title or interest in such property which forms the security for the loan. It is unfortunate that the above aspects of the legal status of creation of security or intellectual property rights were not brought to the attention of the Supreme Court while considering the assignment of trademark in favour of the bank. It is hoped that in a suitable case, the view taken by the Supreme Court is reviewed in the context of the provisions of the SARFAESI Act, so that lending against the security of intangible properties is facilitated. The UNCITRAL has also approved a model law on secured transactions for adoption by the member countries and India needs to consider enactment of Secured Transactions Law based on the UNCITRAL model, applicable to all secured lenders.

Business Line

5. PSBs team up to bolster consortium lending

OUR BUREAU

Okay 'inter-creditor' arrangement to improve delivery of credit to enterprises

In an initiative that is expected to iron out problems faced in consortium lending, public sector banks (PSBs) have agreed to enter into an "inter-

creditor” arrangement that would set the ground rules for lending. Besides, it will also cover lending under multiple banking arrangements.

This will help banks work as a team and remove procedural glitches so that timely credit is available to enterprises, Interim Finance Minister Piyush Goyal told the media on Tuesday after chairing a meeting with chief executives of the PSBs of North and East India.

State Bank of India Chairman Rajnish Kumar said the proposed inter-creditor arrangement will be a model agreement. “The Indian Banks Association (IBA) will examine it, as will all the banks. This will be a voluntary arrangement,” he said.

Goyal said banks had agreed to adopt the Insolvency and Bankruptcy Code (IBC) threshold of 66 per cent for decision-making: a decision taken by 66 per cent of the lenders will be abided by all banks that are part of the consortium, he said.

Goyal said banks had collectively decided to take up in two stages the credit needs of genuine, well-performing companies.

Boost for MSMEs

Over the next four weeks, PSBs will undertake a focussed study of the credit needs of companies with borrowings of ₹200-₹2,000 crore. There are about 4,500 such companies, most of them in consortium lending. In the second stage, PSBs will take up accounts with borrowings of up to ₹200 crore, and look at the genuine needs of MSMEs.

“The PSBs will work collectively to address the credit needs of genuine borrowers. [In] almost every sector, we are seeing an up-tick in demand, which the banks believe is an opportunity,” Goyal said.

In response to a question, Goyal said he did not concur with RBI Governor Urjit Patel’s recent deposition to the Standing Committee of Finance that the central bank does not have enough powers to deal with errant PSB Boards. “We believe the RBI has adequate powers and if there is a requirement of any more powers, the government is very open to it. It will be a conversation between the Government and the RBI,” he said.

Public money is safe

Goyal also asserted that public money is extremely safe in PSBs. “The Government stands behind public sector banks. Your money is extremely safe in PSBs. I don’t know how safe it is in certain private companies that have huge tax dues.”

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY