



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

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Dear Comrades,

25th June , 2018

NEWS OF INTEREST 25TH JUN

‘MANY OF LIFE'S FAILURES ARE PEOPLE WHO DID NOT REALIZE HOW CLOSE THEY WERE TO SUCCESS WHEN THEY GAVE UP. ‘

THOMAS A. EDISON

HIGHLIGHTS

1. ICICI BANK GETS FRESH WHISTLEBLOWER COMPLAINT ON 31 LOAN ACCOUNTS
2. ARREST OF BOM BRASS: BANKERS ON THE WARPATH, MAY MEET GOVT ON WITCH-HUNT
3. PIYUSH GOYAL CREDITS ARUN JAITLEY FOR NPA CLEAN-UP; SAYS BANKS POISED FOR GROWTH NOW
4. GOVERNMENT WEIGHS ROPING IN LIC TO CAPITALISE IDBI BANK
5. 34 IN FRAY FOR MD POST IN PSBS; INTERVIEWS TO BE HELD FROM JUNE 28

Business Standard

1. ICICI Bank gets fresh whistleblower complaint on 31 loan accounts

The bank said that based on its investigations before the closure of accounts for the fiscal 2017-18, the claims have not been proven

[Nikhat Hetavkar](#)

India's largest private sector lender ICICI Bank said another whistle-blower had accused it of having lax controls over operations. This is the third instance of such complaint. In the first two complaints, the bank's Managing Director and Chief Executive Officer Chanda Kochhar is facing an inquiry by the board and is on leave till investigations are over. The latest complaint relates to the incorrect asset classification of 31 loan accounts, and alleges

that interest income and recoveries from non-performing assets (NPA) have been accounted as fees.

It also alleges that the bank overstated the value of mortgages offered for getting corporate loans.

The amount outstanding against these accounts was Rs 60.82 billion as on March 31, 2018, or about 1.1 per cent of its advances book, the bank said in a notification to exchanges. However, the accounts referenced in the complaint were all classified as non-performing before December 31, 2017, it said.

"All these loans had been classified as non-performing prior to the bank becoming aware of the complaint," said the filing. It said classification of certain accounts as non-performing under Indian accounting rules were delayed in earlier years.

The bank said that based on its investigations before the closure of accounts for the fiscal 2017-18, the claims have not been proven.

The interim report of the inquiry was reviewed by the bank's auditors, but "the findings in the interim report had no material impact on the financial statements for FY18," the bank said. The interim report has also been submitted to the regulator, it said.

The bank is facing a potential reputation risk due to conflict of interest allegations against Kochhar, pertaining to loans extended by the lender to the Videocon group. Videocon group and its promoter Venugopal Dhoot had business relations with NuPower Renewables, owned by Chanda Kochhar's husband Deepak Kochhar.

"An inquiry was instituted as per the Whistle Blower Policy of the Bank under the supervision of the Audit Committee of the Board of Directors, without involvement of the senior management other than Internal Audit. The inquiry was carried out by Head of the Internal Audit Group under the supervision of the Audit Committee," said the bank adding that the statutory auditors were provided periodic updates and their inputs were factored into the inquiry process.

The first whistle-blower complaint came from ICICI Bank and Videocon shareholder Arvind Gupta alleging that a corrupt nexus between Kochhar's dealings with Dhoot and his family was well established. While the Videocon-NuPower deal was first brought to notice two years ago in 2016, it has only been in the limelight since the last few months.

Following the second whistleblower complaint, the bank board appointed former Supreme Court judge B N Srikrishna to probe allegations of conflict of interest against Kochhar. He will be aided by a number of internal and external 'experts' to complete the investigation.

Earlier this week, the bank appointed Sandeep Bakhshi as whole-time director and chief operating officer (COO) for five years.

2. Arrest of BoM brass: Bankers on the warpath, may meet govt on witch-hunt

Sources said bankers held discussions with Devendra Fadnavis late Friday night about the arrest of BoM executives

Anup Roy & Advait Rao Palepu

Bankers have decided to unite and fight back against "arbitrary arrests" and "harassment" by probe agencies, in a move that comes against the backdrop of the arrest of the CEO and other senior executives of state-run Bank of Maharashtra.

In an hour-long meeting on Friday, the Indian Banks' Association (IBA), the apex banking lobby, decided to meet senior government officials next week and present its case. V G Kannan, CEO of the IBA, said the association would provide legal assistance to the embattled bankers even after their retirement.

Bankers suggested that the association set up an independent committee comprising senior bank executives to look into the probity of allegations levelled against banks. This panel could be consulted by law enforcement agencies before taking any punitive action, they said.

The country's top lenders strongly protested the sudden arrest of Bank of Maharashtra MD and CEO Ravindra Marathe, Executive Director R K Gupta and Zonal Manager Nityanand Deshpande in connection with a soured loan given to real estate developer D S Kulkarni. Among others arrested were the bank's former CMD Sushil Muhnot, Kulkarni's CA Sunil Ghatpande, and Vice-President of the engineering department of Kulkarni's firm, Rajiv Newaskar.

Sources said bankers held discussions with Chief Minister Devendra Fadnavis late Friday night about the arrest of BoM executives. The department of financial services is also looking into the issue.

The Economic Offences' Wing of the Pune police had arrested Marathe on Wednesday morning when he was returning from Yoga classes. Kannan said the bankers were not given any notice. They were presented before the court and straightaway arrested under the Maharashtra Protection of Interest of Depositors (MPID) Act, he said.

However, the "Act is not applicable for bankers," he said, adding that according to the Reserve Bank of India (RBI) guidelines, "any loan fraud of above Rs 2.5 billion has to be handled only by the Central Bureau of Investigation. We are unable to understand how arrests have been made by the state police."

The bank had a long association of over 20 years with the company, and a consortium of lenders had extended a loan of Rs 6 billion to the group, in which Bank of Maharashtra's share was Rs 1 billion. Recently, the bank had released a short-term loan of Rs 150 million, but it had also recalled the loan. However, the Pune police "rushed in to arrest" the bankers.

"The entire episode is unfortunate and is a cause for concern for bankers. The IBA has decided to lead representations to the highest authorities within the Government with a memorandum by senior bankers from the industry," the IBA CEO said in an interaction with the media.

According to the IBA, safeguarding bankers on a bona fide decision is critical for the growth and development of the economy. However, the concern now was that simultaneous investigations by different investigative agencies are being conducted on the same transactions, affecting normal functioning of the banks, Kannan said.

"The economy has bigger issues, and many internal factors lead to NPAs. Just because a company goes into NPA, it is not fair to blame bankers (for this)," Kannan said.

"The entire banking community is backing Bank of Maharashtra," he said, adding there was now "an element of anguish and to some extent, bankers are demoralized as they are being pulled out over short notice".

During its meeting with finance ministry officials, a date for which is yet to be decided, the IBA will put forward recommendations of bankers, including increasing their insurance covers that provide a security against legal fees for investigations and fraud.

Financial Express

3. Piyush Goyal credits Arun Jaitley for NPA clean-up; says banks poised for growth now

Having recognised the huge NPA pile by "biting the bullet", the banking system is now poised for a better future and support the credit needs of the economy, interim finance minister Piyush Goyal said today

By: PTI

Having recognised the huge NPA pile by "biting the bullet", the banking system is now poised for a better future and support the credit needs of the economy, interim finance minister Piyush Goyal said today. "Our banking system is now poised for very good times ahead," he told reporters on the eve of Asian Infrastructure Investment Bank (AIIB)'s maiden annual summit being held here, when asked about the two meetings he had with bankers on dud loans resolution.

"Prime Minister (Narendra) Modi believes that it is important to bite the bullet, and finance minister Arun Jaitley has brought out the truth before the nation," said Goyal, who is holding charge at North Block during Jaitley's absence following a kidney transplant, said referring to the actions on NPAs in the recent past. It can be noted that the Reserve Bank's asset quality review has led to the recognition of a huge pile of NPAs hidden on bank books which is worth over 40 per cent of the system-wide bad loans.

This was followed by steps on resolution of stressed assets, including the passage of the Insolvency and Bankruptcy Code. Crediting Jaitley for the ongoing NAP clean-up, he said the banking system is now strengthened to once again start becoming a powerful engine of growth, financing the infrastructure and other credit needs of the economy.

It can be noted that in recent times, concerns have been raised over the ability of the banking system, 70 per cent of which is dominated by state-run lenders, to support the credit needs of the economy as provisions for the bad assets drain capital buffers, leaving little for lending.

"There is a lot of enthusiasm among bankers to lend to particularly MSMEs and other small businesses. They are very keen to participate in the growing infrastructure story in the country," he said.

Economic Times

4. Government weighs roping in LIC to capitalise IDBI Bank

By *Dheeraj Tiwari*

The government has held internal preliminary discussions over a possible infusion of fresh capital in debt-laden IDBI Bank NSE 1.99 % by Life Insurance Corporation of India (LIC) but no decision has been taken on selling its stake in the bank to the insurer, said a senior official.

"LIC would use that amount to capitalise the bank to maintain its capital adequacy ratio. It would not be a stake sale by government," the official told ET.

The official, however, said the government is expected to hold discussions with banking, insurance and market regulators before taking a final call.

There haven't been any formal discussions with LIC on the matter, the official said. The insurer already has a 10.82% stake in IDBI Bank and would require regulatory clearance to increase this beyond 15%.

ET had reported earlier this month that the government was considering a preferential capital issue by IDBI Bank to bring its holding below 50% as part of plans to transform its fortunes, along the lines of Axis Bank.

The official said all options are being discussed, including the issue of preferential shares allowing multiple investors, which could include LIC and other government-owned entities.

The government infused around Rs 10,610 crore in FY18 to help the bank meet its minimum capital requirements. As of March 2018, the bank's core equity capital (CET-1) stood at 7.42% against the norm of 7.37% but fresh slippages may increase the requirement.

Issuance of new equity will raise more capital and also dilute the government's stake in the bank.

IDBI Bank's gross non-performing assets or bad loans grew to Rs 55,588 crore in March 2018 from Rs 44,753 crore a year earlier. State Bank of India managing director B Sriram has been given temporarily charge of IDBI Bank for three months.

"IDBI will need more capital infusion and LIC can put that money towards further strengthening the bank," said the official cited above. If the insurer makes a profit on its investment at a later stage, this can always flow down to the government as dividend, he said. Another official aware of deliberations said the government may hold informal consultations with Reserve Bank of India (RBI), Insurance Regulatory and Development Authority of India (Irdra) and market regulator Securities and Exchange Board of India (Sebi).

"This is to avoid any regulatory hurdles so that the process of selling stake to LIC doesn't get derailed at some later stage," he said.

If LIC takes a substantial stake in IDBI Bank, it will have to secure clearances from both RBI and Irda. The government holds an 80.96% stake in the bank. Under Irda norms, LIC has to seek the regulator's nod to increase its stake beyond 15%. "We may also need to seek exemption from Sebi as it was granted in the case of the ONGC-HPCL deal," said the official cited above. As per Sebi's takeover code, if a company acquires control of another listed entity or more than a 25% stake, it has to make an offer to minority shareholders to buy at least 26% more in the target firm.

The government had in 2015 announced its intention to transform IDBI Bank on the lines of Axis Bank. Finance minister Arun Jaitley had said in his FY17 budget speech that IDBI Bank's transformation had already begun and that the government would also consider the option of reducing its stake to below 50%.

Business Line

5. 34 in fray for MD post in PSBs; interviews to be held from June 28

PTI

The Banks Board Bureau (BBB) will next week begin the process of identifying suitable candidates for the post of managing director in nearly a dozen state-owned banks.

For the first time in several years, Deputy MDs at SBI will appear for an interview for the post of MD.

The BBB will interview as many as 34 executive directors, deputy managing directors and other senior officials.

When asked, Financial Services Secretary Rajiv Kumar said the BBB, headed by former Secretary, Department of Personnel and Training, BP Sharma, has fixed the interview schedule. "As per the schedule, the interviews will be held over three days, beginning June 28," he said.

There are already some vacancies at the MD level and some will be created during the course of the current fiscal year, he said, without giving any further details.

MD-level vacancies exist at a number of state-owned banks, including Dena Bank, Andhra Bank and Punjab & Sind Bank.

PCA framework

The majority of the banks where top-level vacancies are to be filled are under the RBI's Prompt Corrective Action (PCA) framework.

For instance, the RBI had recently imposed lending and deposit restrictions on Dena Bank and Allahabad Bank.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**