



ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION
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Dear Comrades,

30th June , 2018

News of Interest 30th JUN

MOTIVATIONAL QUOTES

“IF YOU OBEY ALL THE RULES YOU MISS ALL THE FUN. “ KATHARINE HEPBURN

HIGHLIGHTS

1. IRDAI ALLOWS LIC TO BUY UP TO 51% STAKE IN DEBT-RIDDEN IDBI BANK
2. BANK OF MAHARASHTRA BOARD TAKES AWAY MARATHE, GUPTA'S EXECUTIVE POWERS
3. KEY APPOINTMENT: GC CHATURVEDI IS NEW ICICI BANK CHAIR
4. RBI TO PUNISH AUDITORS FOR LAPSES IN BANK AUDIT
5. SYNDICATE BANK TO RAISE EQUITY CAPITAL OF ₹ 7,840 CR

Business Standard

1. Irdai allows LIC to buy up to 51% stake in debt-ridden IDBI Bank

LIC, which holds stakes in several banks, will also need the Reserve Bank of India's (RBI's) approval to own such a large stake in IDBI Bank

Shrimi Choudhary & Abhijit Lele

The Insurance Regulatory and Development Authority of India (Irdai) board on Friday approved Life Insurance Corporation's investment in IDBI Bank, allowing LIC to own up to 51 per cent in the beleaguered lender. LIC will now be able to pump Rs 100-130 billion into IDBI Bank in tranches through a preferential allotment of new equity shares at a price determined by a formula under the Securities and Exchange Board of India's (Sebi's) rules.

However, Irdai put some caveats and directed the insurer to bring down its stake in IDBI Bank over a period of five-seven years. "The regulator has

asked LIC to submit a plan with a timeline for paring its stake in the bank," said a government official in the know.

LIC sources maintain that it will only be an investment for the insurer. "LIC would remain a strategic investor in the bank and it will not control the bank's management," said a source. However, the insurer will appoint one or two directors to the bank's board.

The deal comes with several regulatory challenges, though. It will trigger an open offer as LIC will acquire more than a 26 per cent stake in the fresh issue. Also, it is not clear whether LIC's shareholding will be considered public shareholding. IDBI Bank's current public shareholding, at around 19 per cent, is below the Sebi-mandated 25 per cent. LIC and IDBI Bank would need to seek clarification on both issues from the market regulator.

LIC, which holds stakes in several banks, will also need the Reserve Bank of India's (RBI's) approval to own such a large stake in IDBI Bank. Both IDBI Bank and LIC own mutual fund arms, which too are not allowed under the Sebi rules. LIC will also end up owning a stake in IDBI Federal Life Insurance after this purchase, which will be a breach of Irdai's regulations. Irdai may already have considered this issue before giving the clearance.

However, experts are optimistic on LIC getting all due regulatory clearances as it is a government-owned institution, which has rescued ailing public sector banks in the past too.

"It is a radical decision and one could sense that there was an element of urgency as public sector banks are going through a tough time. It will be interesting to see how the working scenario would change at the bank on various fronts, such as their business practices, corporate governance, and so on," said Ashvin Parekh, managing partner, Ashvin Parekh Advisory Services.

LIC has over a 10 per cent stake in six public sector banks, including IDBI Bank.

LIC held 10.82 per cent in the beleaguered bank in March 2018. The government's current stake is 80.96 per cent, which will drop below 50 per cent.

J N Gupta, managing partner, Stakeholder Empowerment Services, says IDBI Bank will remain a public sector bank. "It is irrelevant how much the equity distribution between the government and LIC is as long as the total is more 51 per cent. IDBI Bank's status would not change after this deal," he added.

V G Kannan, chief executive, Indian Banks' Association (IBA), said, "Running a bank is not the same as managing an insurance company and the LIC management wouldn't have the bandwidth to run a bank." The control should not vest with the insurer, he added.

A former IDBI Bank official said capital would no longer be a problem for the bank. "If the government holding does indeed fall below 50 per cent, it will be an opportunity for the bank management to overcome its problems," he said. "If B Sriram gets a longer tenure with a free hand to run the bank, his

all-round experience in retail and corporate banking will provide an edge," he added.

The government has been attempting to bring a strategic investor in the ailing public sector lender for over three years but has not met with success. International Finance Corporation had done due diligence of the bank's books, but the matters did not move ahead.

Currently, IDBI Bank is under the RBI's prompt corrective action framework due to very high level of bad loans.

2. Bank of Maharashtra board takes away Marathe, Gupta's executive powers

Bank executives said the proposal was moved by representative of the government, which holds a majority stake in Pune-based bank

Abhijit Lele

The board of Bank of Maharashtra (BoM) has taken away functional powers of its managing director and chief executive Ravindra Marathe and executive director R K Gupta to avoid reputation risks to public sector lender arising out of criminal cases against two executives.

A C Rout, existing executive director, will look after all the functional responsibilities of Marathe and Gupta.

On June 20, 2018, the Economic Offences Wing of the Pune police had arrested six persons, including Marathe and Gupta in a cheating case lodged against city-based real estate developer D S Kulkarni and his wife. On June 27, a special Pune court granted bail to Marathe in a case involving D S Kulkarni.

In view of the recent developments, the board, at its meeting, decided that MD&CEO and executive director be divested of all functional responsibilities of bank with immediate effect, state-owned bank said in filing with BSE.

Bank executives said the proposal was moved by representative of the government, which holds a majority stake in Pune-based bank. While the charges against bank officials are in the nature of allegations, it was thought that it would be prudent to keep the bank, listed entity, away from being under a cloud.

Financial Express

3. Key appointment: GC Chaturvedi is new ICICI Bank chair

The ICICI Bank board on Friday approved the appointment of Girish Chandra Chaturvedi as non-executive part-time chairman of the bank. The term of the current chairman MK Sharma comes to an end on June 30

By: FE Bureau

The ICICI Bank board on Friday approved the appointment of Girish Chandra Chaturvedi as non-executive part-time chairman of the bank. The term of the current chairman MK Sharma comes to an end on June 30.

The appointment of Chaturvedi, who has extensive administrative experience, comes at a crucial juncture when the bank is battling one of its worst management crisis with the MD and CEO Chanda Kochhar going on a long leave to allow retired justice B Srikrishna to complete an investigation into whether there was a conflict of interest in loans given by the lender to the Videocon Group.

Earlier this month, after Kochhar announced her decision to go on leave to facilitate a fair probe, the board of the bank appointed Sandeep Bakhshi, the former CEO and MD of ICICI Prudential Life Insurance, as a whole-time director and chief operating officer-designate for a period of five years.

Banking sector experts believe Chaturvedi, a seasoned bureaucrat who has been a director at various financial services companies, will help bring an element of stability to the bank and win back investor confidence.

His appointment will be effective from July 1, or whenever the Reserve Bank of India gives its approval.

Chaturvedi is an Indian Administrative Service (IAS) officer and has an administrative experience of more than 34 years. He has served as the secretary at the ministry of petroleum and natural gas. He has also served as an additional secretary (financial services). In the banking and financial services sector, he has served as a director at Bank of Baroda, IDBI Bank and Canara Bank, among others.

In a statement to the stock exchanges, ICICI Bank said, "The Board is extremely pleased with this development and believes that Chaturvedi will provide maturity and sagacity to the deliberations of the board. This would also ensure a seamless and smooth transition of leadership at the board and would address stakeholder concerns in this behalf."

The need for the probe into the loans given to the Videocon Group was felt after complaints that Kochhar's husband Deepak Kochhar benefited financially, via his company Nupower Renewables, from the business relationship between ICICI Bank and the Videocon Group. Investigative agencies, including the Enforcement Directorate and the Central Bureau of Investigation have been pursuing an enquiry in the matter.

While the board had initially come out in strong support of Chanda Kochhar, it changed its stance because of the ongoing investigations and a notice from the Securities and Exchange Board of India (Sebi). It was only then that the board, led by Sharma, said there would be an enquiry into the matter. In May, Sebi had sent a notice to Kochhar, seeking her response on the alleged non-compliance with norms in dealings with the Videocon Group and Nupower Renewables.

Before finalising Chaturvedi's appointment, the board of ICICI Bank is understood to have considered some former finance ministry officials including former revenue secretary Shaktikanta Das, former financial services secretary DK Mittal. Former Sebi chairman CB Bhavne was also considered.

Economic Times

4. RBI to punish auditors for lapses in bank audit

By Atmadip Ray

Reserve Bank of India said it would punish statutory auditors for lapses in conducting banks' statutory audit and may even bar them from taking fresh audit assignment depending on the magnitude of it.

The regulator said the quantum of punishment will depend on the magnitude of divergence from the prescribed norms and the auditors would be provided sufficient hearing before action is taken.

Although statutory auditors play important role in contributing to financial stability but their role has recently been called into question for lapses in bad loan classification. RBI had found significant divergence in asset classification in almost all leading banks including ICICI Bank and Axis Bank.

RBI said it will put a graded enforcement framework in place to enable take action for their lapses such as providing wrong certifications, giving wrong information in the Long Form Audit Report and any other misconduct by auditors in respect of their bank audit assignments.

"Quality bank audits are also a valuable input in the supervisory process of the Reserve Bank of India commercial banks," the regulator said.

Senior bankers said that detect loan frauds or provide an early warning also falls within the scope of their responsibilities but given the paucity of time for auditing, this has never become a reality.

In case of those auditors whose audit quality or conduct is not found satisfactory, RBI said it would not approve their appointments for undertaking statutory audit in commercial banks for a specified period.

RBI will examine non-adherence to its guidelines in audit, the extent of the violation, i.e., the difference between the figures in audited financial statements and the actual, the frequency of the violation, and most importantly the impact of the violation.

Further, RBI may also not approve auditors, who have been debarred by other regulators.

The impact of the violation would be assessed in terms of impact on a bank's capital to risk weighted assets ratio (CRAR), and in case of other lapses, the impact would be calculated as the effect on the bank's business area concerned.

RBI said it will keep the Institute of Chartered Accountants of India, the professional body of the audit community, in the loop whenever it takes any enforcement action, including issuance of cautionary advice, on an audit firm.

Business Line

5. Syndicate Bank to raise equity capital of ₹ 7,840 cr

PTI

Syndicate Bank will raise up to ₹ 7,840 crore by issuing equity shares through various modes including preferential issue to the government.

The annual general meeting of the bank took place today in which it proposed to raise the equity capital of the lender.

As part of the special resolution, it is sought to raise up to ₹5,000 crore by creating equity shares by way of qualified institutional placement or rights issue or follow on public issue or any another mode in one or more tranches, the bank said in a regulatory filing.

Besides, it will "create, offer, issue and allot up to 37,59,76,691 equity shares of face value of ₹ 10 each for cash at an issue price of ₹ 75.51 including premium of ₹ 65.51 ... aggregating up to Rs 2,839 crore on preferential basis to the government," the bank said.

Stock of the bank closed 4.51 per cent down at ₹ 39.20 on BSE today.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY