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Dear Comrades,

2nd May, 2018

News of Interest 2nd MAY

QUOTE OF THE DAY

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

HIGHLIGHTS

1. BANK WILL BOUNCE BACK FROM FRAUD HIT IN 6 MONTHS, SAYS PNB CHIEF
2. CREDIT UNDERWRITING NORMS TIGHTENED TO CURB FRAUDS, SAYS PNB
3. KOTAK MAHINDRA BANK Q4 RESULTS 2018: PROFIT JUMPS 27% TO RS 1,789 CRORE; UDAY KOTAK RE-DESIGNATED AS MD, CEO
4. FORMER RBI DIRECTOR FOR J&K TO BE NEW RELIGARE COMPLIANCE HEAD
5. TAKE ACTION ON BANKS FOR UNFAIR TREATMENT OF CUSTOMERS, AIBEA TELLS RBI

Business standard

1. Bank will bounce back from fraud hit in 6 months, says PNB Chief

In February, PNB reported the Rs 130 billion fraud committed by the accused diamantaire Nirav Modi and his uncle Mehul Choksi -- both of whom are on the run

IANAS

State-run [Punjab National Bank](#) (PNB) said on Tuesday that it will recover from the impact of the recent fraud in six months' time and is actively working to improve its internal systems by incorporating analytics and artificial intelligence (AI), as Niti Aayog CEO Amitabh Kant ruled out privatization of [banks](#).

According to a [PNB](#) release, at the bank's circle heads' conference here [PNB](#) Chief Executive Sunil Mehta said the bank has strengthened the process of credit underwriting "to wean out any possibility of fraudulent behaviour and ensure a fair evaluation".

In February, [PNB](#) reported the Rs 130 billion fraud committed by the accused diamantaire [Nirav Modi](#) and his uncle Mehul Choksi -- both of whom are on the run.

"Every threat is an opportunity and PNB has the capability and capacity to come out of this situation. It will bounce back in six months," Mehta said in his address, according to the statement.

"Over the past few months, PNB has been actively working towards improving internal systems by incorporating analytics and AI for reconciliation of accounts.

"With the help of third-party analytics, PNB will get access to contact information of PNB defaulters who have good credit record with other lenders and identify and automate profitable lending strategies and minimize credit and fraud risk," he said.

Amitabh Kant said in his address that the government is not interested in privatizing public sector [banks](#) (PSBs) and that the bigger challenge for PSBs is the advent of new players and increased competition.

According to the statement, he said: "My message to PNB is to stay determined, recognize gaps, recapitalize, resolve and reform."

2. Credit underwriting norms tightened to curb frauds, says PNB

The second largest public-sector lender had reported an alleged fraud of over Rs 130 billion by diamantaire Nirav Modi in February-March this year

Press Trust of India

Punjab National [Bank](#) (PNB) today said it has tightened bank's credit [underwriting](#) norms to curb frauds and has put in place an off-site monitoring to identify risks.

"The [bank](#) has strengthened the process of [underwriting](#) of credit to wean out any possibility of fraudulent behaviour and ensure a fair evaluation," the [bank](#) said in a statement.

The second largest public-sector lender had reported an alleged fraud of over Rs 130 billion by diamantaire [Nirav Modi](#) in February-March this year.

The process is divided into four components with different employees focused on sourcing; appraisal, processing and underwriting; documentation and disbursement and recovery, [PNB](#) said.

"Internal audit process has been augmented to give higher weightage to the off-site monitoring mechanism. The analysis from the off-site monitoring mechanism will reduce dependence on physical inspection and audit to identify risks and the detachment between the front office and offline monitoring system will drive greater transparency in reporting," the bank said during its circle head conference held here yesterday.

The guidance from [PNB](#) leadership for 2018-19 is total business of Rs 12 trillion which will account for 10.8 per cent year-on-year growth, the bank said.

[NITI Aayog CEO](#) Amitabh Kant, who was present at the occasion, asked [PNB](#) to stay determined, recognize gaps, recapitalize, resolve and reform.

Responding to a question on privatization, Kant said "the government is not interested in privatization of public sector [banks](#) (PSBs)".

"Today, what (PNB) should aspire for is to stay competitive. It must relook at its business processes, its market positioning and understand what the competition is doing to stay ahead of the curve," said Sunil Mehta, [Managing Director and Chief Executive Officer](#) of the bank.

The 'Mission Parivartan' team at PNB will serve as the bank's own think-tank to drive change, he said.

PNB has "the capability and capacity to come out of this situation", Mehta said, highlighting various steps taken recently to curb frauds such as 'Mission Parivartan', revamping of credit [underwriting](#) and strengthening internal audit mechanism, he added.

Financial Express

3. Kotak Mahindra Bank Q4 Results 2018: Profit jumps 27% to Rs 1,789 crore; Uday Kotak re-designated as MD, CEO

Kotak Mahindra Bank Q4 Results 2018: India's fourth-largest private sector bank Kotak Mahindra Bank on Monday reported a rise of 27% in consolidated net profit to Rs 1,789 crore for the quarter ended 31 March 2018 following a marginal rise in provisioning as asset quality improved

By: [Abhijeet Singh](#)

India's fourth-largest private sector bank by assets Kotak [Mahindra Bank](#) on Monday reported a rise of 27% in consolidated net profit to Rs 1,789 crore for the quarter ended 31 March 2018 following a marginal rise in the provisioning as the asset quality improved in the reporting period. [Kotak Mahindra Bank](#) posted a net profit of Rs 1,404 crore in the January-March duration of the financial year 2016-2017. "The board of directors has re-designated Mr Uday Kotak as Managing Director & CEO with effect from 1 May 2018, in line with good governance practice," Kotak Mahindra Bank said in a statement.

For the full fiscal year 2017-2018, Kotak Mahindra Bank's net profit grew by 26% to Rs 6,201 crore as against a net profit of Rs 4,940 crore in the financial year 2016-2017. Among the consolidated profit figures, [Kotak Mahindra Bank's](#) (standalone) contribution in the net profit for the fourth-quarter of FY18 stood at Rs 1,124 crore, up by 15% from Rs 976 crore in the comparable quarter last year while the bank posted a net profit of Rs 4,084 crore, up by 20% as compared to Rs 3,411 crore in FY17. The consolidated net income of Kotak Mahindra Bank jumped 9.25% to Rs 10,874.12 crore for the Jan-Mar period of the fiscal year 2017-2018 as against Rs 9,953.57 crore for the fiscal year 2016-2017.

On the assets front, [Kotak Mahindra Bank's](#) balance sheet size grew to Rs 2,64,933.39 crore, up by 23.46% as at 31 March 2018 as compared to Rs 2,14,589.96 at the end of 31 March 2017. In relative terms, the gross NPAs of Kotak Mahindra Bank stood dropped to 1.95% at the end of 31 March 2018 from 2.01% as at 31 December 2017 and 2.25% as at 31 March 2017 while net NPAs declined to 0.86% at the end of 31 March 2018 as compared to 0.94% as at 31 December 2017 and 1.09% as at 31 March 2017.

For the quarter ended 31 March 2018, Kotak Mahindra Bank made a provisioning of Rs 313.37 crore, 45.91% higher than Rs 299.61 crore as compared to corresponding period of last financial year and 38.48% higher sequentially.

[Kotak Mahindra Bank](#) Q4 Results 2018 Highlights

- Kotak Mahindra Bank's net interest margin (NIM) for Q4FY18 at 4.35% as against 4.63% in Q4FY17
- Kotak Mahindra Bank's net interest income (NII) for FY18 increased to Rs 9,532 crore from Rs 8,126 crore in FY17 up 17% and for Q4FY18 up 19% to Rs 2,580 cr from Rs 2,161 cr in Q4FY17

- Kotak Mahindra Bank's advances as on 31 March 2018 were up 25% to Rs 1,69,718 crore from Rs 1,36,082 crore as on March 31, 2017.
- Kotak Mahindra Bank's capital adequacy ratio as per Basel III is 18.2% as on 31 March 2018 and Tier I ratio is 17.6%.

The board of directors of the Bank have proposed a dividend of Rs 0.70 per share having face value Rs 5 for the year ended 31 March 2018 subject to the approval of shareholders at the annual general meeting, Kotak Mahindra Bank said in an exchange filing. Following the earnings reaction, shares of [Kotak Mahindra Bank](#) rose 2.5% to a lifetime high of Rs 1218.3 before closing up 1.83% at Rs 1210.35 on BSE on Monday. Kotak Mahindra Bank Ltd has a national footprint of 1,388 branches and 2,199 ATMs at the end of 31 March 2018 with a combined net worth of Rs 50,486 crore as on March 31, 2018

Economic Times

4. Former RBI director for J&K to be new Religare compliance head

By Prabha Raghavan

Nitya Kishore Sahu, former Reserve Bank of India director for the J&K region, has been appointed as Religare Enterprises Ltd's new compliance group head, the company told stock exchanges. Sahu will be responsible for "spearheading" Religare's group-wide compliance function.

"His appointment is in line with the strong focus on the highest standards of corporate governance, particularly in the area of business ethics and regulatory compliance by the board of the company," stated Religare in a release.

The development comes after Religare has raised nearly Rs 146 crore by issuing convertible warrants to 38 persons and companies, including the Burman family of the Dabur group.

"Given his deep and incisive understanding of the financial sector in India, we are sure that he will contribute immensely to strengthening Religare as a financial institution, particularly in the areas of regulatory compliance and governance," said Ashok Mehta, interim CEO of Religare.

Religare is currently facing issues like an ongoing investigation by the Serious Fraud Investigation Office into the affairs of the company and an arbitration lawsuit by private equity firm True North.

The firm has been under regulatory scrutiny after its auditors said in February they were launching an extensive review of its financial services arm following a Reserve Bank of India inspection that found diversion of funds within group firms to the tune of Rs 525 crore, despite a directive against corporate lending.

Sahu has worked with the Reserve Bank of India (RBI) for more than 35 years and has handled several roles in the areas of banking regulation and supervision, non-banking regulation and supervision, human resource management, financial management and payment and settlement systems.

Business Line

5. Take action on banks for unfair treatment of customers, AIBEA tells RBI

Disturbed over the frequent, arbitrary and one-sided increase in banking charges, a group of consumer activists, policy watchers, bankers and trade

unions have put forth a joint request to RBI Governor Urjit Patel to ensure that "banks treat customers without discrimination and in a fair manner".

Some of the specific areas identified by the group for taking corrective action include digital payments, account number portability, bank charges, one-sided loan agreements and frequent changes in RBI's master circular, among others.

Sharing details of this joint memorandum, CH Venkatachalam, General Secretary, All India Bank Employees Association (AIBEA), said: "While the Reserve Bank has been proactive in improving the customer service rendered by banks, it has not taken banks to task on the many customer-unfriendly practices that are increasing with impunity." The Union Government, for instance, has been pushing digital payments. With an increase in digital transactions, it is necessary to put in place a mechanism to protect customers from unauthorized banking transactions. A notification from the banking regulator on limiting liability in an unauthorized banking transaction will make a huge impact on protecting customers from frauds, the statement said.

Call for basic model

There was also a demand for prescribing a basic model agreement to limit banks from harming customers, and to put an end to the wrong e-mails being tagged by faulty algorithms of banks, as it defeats the purpose of KYC.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY