



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

163/4, Kutcheri Road, Mylapore, Chennai - 600004

E mail i.d: aiubparf@gmail.com/ ubioatnng@gmail.com/ suryanarayananram@gmail.com

Com. P.B. Thomas Chairman Thiruvananthapuram M: 09447177456	Com. Nitin Desai President Ahmedabad M: 097277 60641	Com. S. Bagchi Working President Kolkata M: 0983081586	Com. N. Govindarajulu General Secretary Chennai M: 09841089111
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Dear Comrades,

1st November , 2018

News of Interest 5th NOV

QUOTE OF THE DAY

'WITH THE NEW DAY COMES NEW STRENGTH AND NEW THOUGHTS. '

ELEANOR ROOSEVELT

HIGHLIGHTS

- 1. RBI'S URJIT PATEL GETS CIC NOTICE FOR NOT DISCLOSING WILFUL DEFAULTERS LIST**
- 2. HIGHER PROVISIONING DENTS PVT BANKS' PAT DESPITE RISE IN INTEREST INCOME**
- 3. RBI VS GOVERNMENT: FINANCE MINISTRY WAS AWARE OF CHANGES IN PCA AHEAD OF ITS ROLLOUT**
- 4. SECTION 7 INVOKED ONLY AFTER RBI IGNORED GOVERNMENT WISH LIST**
- 5. ANDHRA BANK Q2 LOSS UP AT RS 434 CR**

BUSINESS STANDARD

1. RBI's Urjit Patel gets CIC notice for not disclosing wilful defaulters list

CIC has asked Patel to explain why a maximum penalty should not be imposed on him for 'dishonouring' the court verdict, which had upheld a decision calling for disclosure of names of wilful defaulters

Press Trust of India

The Central Information Commission (CIC) has issued a show-cause notice to RBI Governor Urjit Patel for "dishonouring" a Supreme Court judgment on disclosure of the wilful defaulters' list.

The CIC has also asked the Prime Minister's Office, the Finance Ministry and the Reserve Bank of India (RBI) to make public the letter of former RBI governor Raghuram Rajan on bad loans.

Irrked over the denial of information on disclosure of names of wilful defaulters who have taken bank loans of Rs 500 million and above by the RBI in spite of a Supreme Court order, the CIC has asked Patel to explain why a maximum penalty should not be imposed on him for "dishonouring" the court verdict, which had upheld a decision taken by then information commissioner Shailesh Gandhi, calling for disclosure of names of wilful defaulters.

Patel, speaking at the Central Vigilance Commission (CVC) on September 20, had said the guidelines on vigilance, issued by the CVC, were aimed at achieving greater transparency, promoting a culture of honesty and probity in public life and improving the overall vigilance administration in the organisations within its purview, the CIC pointed out.

"The commission feels that there is no match between what RBI governor and deputy governor say and their website regarding their RTI policy, and a great secrecy of vigilance reports and inspection reports is being maintained with impunity, in spite of the Supreme Court confirming the orders of the CIC in the Jayantilal case," Information Commissioner Sridhar Acharyulu said.

He concluded that it would not serve any purpose to punish the CPIO for this defiance, because he acted under the instructions of the top authorities.

"The commission considers the governor as the deemed PIO responsible for non-disclosure and defiance of Supreme Court orders and CIC orders and directs him to show cause why a maximum penalty should not be imposed on him for these reasons, before November 16," Acharyulu said.

He rejected the arguments of Santosh Kumar Panigrahy of the RBI that section 22 of the Right to Information (RTI) Act would not override various laws he quoted, prohibiting disclosure of names and details of wilful defaulters and hence, the RBI should be discharged from the obligations of disclosure.

"His contention that unless the above referred enactments are repealed, the RBI cannot disclose the details of defaulters is also absurd," Acharyulu said.

He added that another contention of Panigrahy that the pendency of a PIL before the Supreme Court on the issue would prevent him from disclosure was also baseless as he did not present any interim order passed by the Supreme Court preventing the disclosure of names of wilful defaulters or against the proceedings before the CIC.

"These submissions of the RBI show that its legal wing did not bring to the notice of the CPIO that in the RBI vs Jayantilal N Mistry case, a Supreme Court bench consisting of M Y Eqbat and C Nagappan JJ, on December 16, 2015 [Transferred Cases (Civil) Nos. 91 to 101 of 2015], gave a landmark decision, upholding the direction of the CIC to disclose the inspection reports of the RBI and the names of willful defaulters in many cases, rejecting all the above-referred contentions of the RBI," Acharyulu said.

The information commissioner said in that case, the counsel for the RBI had raised the same contentions, referring to the same cases referred by Panigrahy, and those were straightaway rejected by the Supreme Court.

"The commission finds no merit in hiding the names of, details and action against willful defaulters of big bad loans worth hundreds of crores of rupees.

"The RBI shall disclose the bad debt details of defaulters worth more than Rs 1,000 crore at the beginning, of Rs 500 crore or less at a later stage within five days and collect such information from the banks in due course to update their voluntary disclosures from time to time as a practice under section 4(1)(b) of the RTI Act," he said.

Acharyulu asked the RBI governor to remember, at least once, one of the three lakh farmers who died in the field as he failed to sustain his crop or sell his produce for an appropriate price and hence, could not pay of the debt before defying the transparency law and directions, and discontinue the non-disclosure policy which will seriously harm the economy of the nation.

2. Higher provisioning dents pvt banks' PAT despite rise in interest income

Net profit fell 1.6% as provision accounts for 44 per cent of private banks' operating profit

Shreepad S Aute & Advait Rao Palepu

During the first half of this fiscal, many private sector banks clocked double-digit growth in their revenues as several regulatory developments have attempted to improve practices at lending institutes.

Analysts say that the financial sector is entering a period of crunch going forward as liquidity issues, asset-liability mismatches and corporate lending risks are increasing.

Private sector banks seem to have taken advantage of the fact that nearly half the public sector banks (PSBs) are under Prompt Corrective Action (PCA), due to which there are restrictions on many of their activities, including branch expansion and corporate lending.

An analysis of 17 private sector banks shows that the aggregate net interest income (NII) rose by 17.7 per cent from Rs 314.2 billion in Q2 FY2018 to Rs 369.7 billion in Q2 FY2019. NII is a difference between interest earned and expensed.

This was led by a good growth in advances as the top banks reported a per cent 12 to 32 per cent year-on-year rise in advances during the second quarter of fiscal 2019.

Though personal loans and credit card business drove strong advance growth, banks such as IndusInd Bank, Yes Bank, HDFC Bank, among others clocked healthy growth in their corporate or wholesale lending book during the quarter.

This indicates that private sector banks' share of corporate lending is increasing.

With the Reserve Bank of India (RBI) having hiked the repo rate twice this year, some banks are facing the heat of higher cost of funds, which limits the upside in the NII and on the net interest margin (NIM).

Consequently, most large private lenders either experienced almost flattish growth or a contraction in NIM on a yearly basis. NIM is the NII as a percentage of average interest-earning assets/advances.

The aggregate net profit of 17 private sector banks fell by 1.6 per cent year-on-year to Rs 107.1 billion during Q2 of FY2019, on account of higher levels of provisioning and contingencies, which on aggregate grew 8.6 per cent year-on-year.

In February this year, the RBI issued new non-performing asset (NPA) recognition and results guidelines, subsuming all previous mechanisms that had been introduced since 2015.

As a result of a uniform guideline to recognition and resolve 'bad-loans' or 'defaults', many top players had to raise their provisioning over the levels last year.

For the 17 private banks, provisioning and contingencies in Q2 FY2019 accounted for 44 per cent of the aggregate operating profits of these banks. While HDFC Bank's provisioning grew 23 per cent year-on-year, Kotak Mahindra Bank, IndusInd Bank, Federal Bank had to substantially raise the level of provision by around 63 to 110 per cent, against any future NPAs.

The private banks, like their public sector counterparts, witnessed mark-to-market losses on the bond portfolio and increase in (bad loan) slippages, on a year-on-year basis, weighed on provisioning.

On a positive note, ICICI Bank and Axis Bank posted a decline in provisioning and contingencies by 11.3 per cent and 6.8 per, respectively. This ended up restricting the rise in the overall provisioning of all private banks in the present analysis, while Yes Bank reported over a two-fold year-on-year rise in provisioning during the quarter.

In fact, the share of these two banks in the overall provisioning of private banks drifted northward to 54 per cent in Q2 from 65 per cent a year back.

Gross NPAs either remained flat or inched down on a sequential basis for most of these players, barring Yes Bank. Notably, ICICI Bank and Axis Bank surprised the street on a sequential improvement in asset quality as the GNPA levels of the two contracted by around 25-27 basis points in Q2 as compared to the previous quarter.

Exposure to IL&FS-related accounts could dent to earnings potential of some banks such as Yes Bank (exposure Rs 26.6 billion), that have not made provisions yet against the infrastructure-financiers' bad loans and possible future defaults. IndusInd Bank, on the other hand, created contingent provision towards the risk.

Analysts at CLSA, for instance, say, "We lower our earnings to factor-in haircuts for exposure to IL&FS' holding company (project)." In case of Yes Bank, too, a 10-basis-point expected rise in gross NPAs due to IL&FS exposure would weigh on earnings, say analysts.

IL&FS' bank accounts with most banks were classified as 'standard accounts' as recently as the end of September.

Many analysts downgraded the earnings of banks that are exposed IL&FS and its related accounts for the potential risk of default.

Financial Express

3. RBI vs Government: Finance Ministry was aware of changes in PCA ahead of its rollout

By: [Shritama Bose](#) |

The Reserve Bank of India (RBI) had not just written a detailed letter, it had also made a presentation to the finance ministry before it rolled out the tighter norms for Prompt Corrective Action (PCA) in April 2017, persons familiar with these developments said.

The Reserve Bank of India (RBI) had not just written a detailed letter, it had also made a presentation to the finance ministry before it rolled out the tighter norms for Prompt Corrective Action (PCA) in April 2017, persons familiar with these developments said. At the time, the finance ministry responded to the central bank indicating it was "broadly in agreement" with the framework proposed by the RBI.

"The ministry had also sought clarification on one particular point, which RBI responded to. After that, there was no further response from the ministry," said one of the people in the know of the exchange.

The government has been asking for some relaxation in the norms for these banks so they can lend more. The issue is understood to have been raised, among others, in a set of letters from the finance ministry to the central bank written in October.

In these letters, the finance ministry is understood to have invoked Section 7 of the Banking Regulation Act (RBI), persons in the know said.

"The letters did invoke part (1) of Section 7, which states that directions may be issued to the RBI, but not part (2) of the same section, which refers to the formation of a central board of directors," they said.

Section 7(2) of the RBI Act states that subject to any such directions, the general superintendence and direction of the affairs and business of the RBI shall be entrusted to a central board of directors which may "exercise all powers and do all acts and things which may be exercised or done by the RBI".

There are eleven state-owned banks for which PCA has been initiated and their share of advances and deposits as on March 31, 2018, was 18.5% and 20.8%, respectively.

In a recent speech, RBI deputy governor Viral Acharya had observed that despite worse capitalisation and stressed assets ratio compared to other banks, PCA banks had credit growth that was as strong as that of other banks up until 2014.

However, since the AQR exercise and the imposition of PCA, the year-on-year growth in advances for PCA banks has declined from over 10% in 2014 to below zero (contraction) by 2016 and remained in the contraction zone since.

Acharya noted that evidence on the sustained problem of asset quality at these lenders, “this is indeed the required medicine to prevent further hemorrhaging of their balance-sheets”.

Given how the asset quality at many of these lenders continues to slip, they might require a big infusion of both regulatory and growth capital before they can start lending more, industry experts have pointed out. While tightening the PCA norms in April 2017, the RBI continued to keep capital asset quality and profitability as the key metrics adding leverage ratio as a monitorable.

The government has infused more than ` 2.3 lakh crore in PSBs since 2005, more than half of which has gone into banks currently under PCA. Within PCA banks, almost half of the total infusion or ` 63,500 crore took place in FY18 and FY19, after the banks were classified under PCA.

Acharya said the recapitalization has been an important contributor to financial stability of these banks and of the rest of the banking system they deal with.

In 2014, United Bank of India became the first bank for which the PCA was initiated. Two more were added in 2015 and eight other under-performing banks in 2017. Allahabad Bank was added to the list in January 2018.

Economic Times

4. Section 7 invoked only after RBI ignored government wish list

By Deepshikha Sikarwar

The government was forced to initiate consultations on around a dozen issues under the hitherto unused Section 7 of the Reserve Bank of India Act after the central bank failed to act on any of them, official sources told ET.

The government had been in discussions with the RBI on most of the subjects — largely aimed at easing liquidity and promoting credit offtake to spur growth —for a long time, they said. But it had not received any positive response, the sources said, implying that the regulator’s intransigence provoked the impasse and that the Centre was prepared to stand its ground on a broader range of issues than previously suggested.

“We have been engaged with the RBI on many of them for a year or more. RBI could have accepted four or five of these proposals, and said no to the others,” said an official. “It has not acted on any of them. It has not even taken them to its board. What choice did the government have?”

The issues include a special window for non-banking finance companies (NBFCs), housing finance companies and mutual funds; lower risk weights for credit to micro, medium and small enterprises (MSMEs) and also a framework for restructuring of their loan accounts. The government had sought a facility for banks to raise up to \$30 billion.

Efficacy of PCA Questioned

It also wants application of Basel III capital norms, which stipulate less stringent provisioning norms. RBI’s common equity tier-1 capital norm is 5.5%, higher than the

4.5% under Basel III. Following Basel III rules will release capital for banks to lend more, the government reasons. The government wants the central bank to drop mandatory hedging for infrastructure loans of less than 10 years and is seeking a relaxation in the limit on corporate bond holdings for foreign portfolio investors (FPIs).

FPIs currently can't have more than 20% exposure to a single company in its corporate bond portfolio. The RBI has last month proposed a discussion on a voluntary retention route for investment by FPIs under which such restrictions won't apply. The central bank has also allowed some leeway on hedging to oil marketing companies recently.

The government has also questioned the efficacy of the prompt corrective action (PCA) framework for stressed banks and wants the RBI board to discuss a proposal to revisit the capital needs of the central bank. This would allow the government to tap RBI's reserves. The 11 banks under PCA face lending restrictions, which the government feels has hurt credit growth. RBI wants these banks to be nursed back to health before they start lending while government feels allowing them to do business will help faster recovery.

The government has also questioned whether Basel III norms with higher overall capital requirement should apply to banks that are not active overseas. These issues were highlighted in the three separate letters sent from North Block, another person familiar with the development told ET. The government expects some of these issues to be resolved during the next meeting of the RBI board on November 19.

"The government in its wisdom has decided that these issues are important. The current financial situation makes it even more vital that these are addressed," the official said. Government sources said no directions have been given and only the consultation process has been initiated under Section 7. In the Indian system, Parliament is sovereign and that "accountability and autonomy" are two sides of the same coin, said one of the persons cited above.

The rift between the RBI and the government has widened over the past few weeks with deputy governor Viral Acharya warning that undermining RBI's independence could be "potentially catastrophic" in an October 26 speech. That prompted a riposte from finance minister Arun Jaitley that regulations needed to reflect ground realities and, later, that the central bank had failed to keep a check on bad loans at banks. ET reported last week that the government had felt that an opportunity to discuss matters had been ignored at an RBI board meeting on October 23.

After ET reported the invoking of Section 7, the finance ministry issued a statement saying the autonomy of the central bank, within the framework of the RBI Act, was an essential and accepted governance requirement. "Extensive consultations on several issues take place between the government and the RBI from time to time. The government, through these consultations, places its assessment on issues and suggests possible solutions. The government will continue to do so," the release said, indicating that it wouldn't shy away from bringing up what it regards as matters of concern with the RBI in the future.

Business Line

5. Andhra Bank Q2 loss up at Rs 434 cr

OUR BUREAU

Bad loans cause for concern

Andhra Bank has posted a loss of Rs 434 crore during the second quarter ended September 30, 2018 as against a loss of Rs 385 crore for the corresponding quarter of previous financial year. Last financial year, the bank had posted a loss of Rs 3,413 crore due to bad loans and provisioning for bad loans.

The Hyderabad-based state-owned lender, however, saw its total income at Rs 5,249 crore for the quarter as against Rs 5,005 crore, registering a growth of 4.88 per cent. The interest income at Rs 4,755 crore, was up 7.65 per cent for the second quarter as against Rs 4,417 core for the same period of previous fiscal.

Providing details of it's performance, the bank informed that its gross non-performing assets (NPAs) as of September quarter were at Rs 27,623 crore, net NPA at Rs 11,428 crore and the provision coverage was 65.47 per cent. Referring to the priority sector advances, the bank stated it registered year-on-year growth of 14.26 per cent during the September quarter, and this constituted 41.52 per cent of adjusted net bank credit against the norm of 40 per cent.

While the retail credit registered year on year growth of 21.62 per cent at Rs 39,558 crore, agricultural credit was up 16.39 per cent at Rs 33,381 crore and MSME credit reached 30,668 crore, up 8.3 per cent. The credit card base was at 2.73 lakh, a growth of 42 per cent.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**

