



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

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Dear Comrades,

16th November, 2018

News of Interest 16th NOV

MOTIVATIONAL QUOTES

'TRUTH CAN BE STATED IN A THOUSAND DIFFERENT WAYS, YET EACH ONE CAN BE TRUE. '

SWAMI VIVEKANANDA

HIGHLIGHTS

1. RBI-GOVT ROW NOT A HAPPY SITUATION, SHOULD STICK TO BASEL NORMS: GURUMURTHY
2. FORMER SBI CHAIRMAN O P BHATT RESIGNS FROM YES BANK'S CEO SEARCH PANEL
3. RBI, GOVT IN TALKS TO EASE LENDING NORMS TO BOOST MSME CREDIT FLOW
4. NBFCs MEET COMMITMENT ON ROLL OVERS: SBI CHAIRMAN RAJNISH KUMAR
5. HOW DELAYS ARE THROWING A SPANNER IN THE IBC WORKS

Business Standard

1. RBI-govt row not a happy situation, should stick to Basel norms: Gurumurthy

RBI board member S Gurumurthy made a case for enhancing credit for the MSME sector

[Press Trust of India](#)

Ahead of the much talked about board meeting of the central bank, RBI board member S Gurumurthy on Thursday said the stand-off between the government and the Reserve Bank was not a happy situation.

The comment comes amid the ongoing rift between the Finance Ministry and the RBI over several issues, including capital framework of the central bank and easing of lending norms for the NBFC sector.

Delivering a lecture on 'State of the Economy: India and the World' at the Vivekananda International Foundation (VIF) here, Gurusurthy also said imposition of tight provisioning norms for bad loans in one go created problems for the banking system.

The stand-off between the government and the RBI is not a happy thing at all, he said.

Gurusurthy further said India should not go beyond what has been prescribed in the Basel capital adequacy norms and made a case for enhancing credit for the MSME sector.

Tensions between the RBI and the government have escalated recently, with the Finance Ministry initiating discussion under the never-used-before Section 7 of the RBI Act which empowers the government to issue directions to the RBI Governor.

The RBI's board is meeting on November 19.

2. Former SBI chairman O P Bhatt resigns from YES Bank's CEO search panel

Last month, Yes Bank had said the search panel had finalised the potential candidate profile

Press Trust of India

Former SBI chairman O P Bhatt has resigned from the panel set up by Yes Bank to find a successor to its MD and CEO Rana Kapoor, the private sector bank said Thursday.

Bhatt, who was an external expert on the Search and Selection Committee (S&SC), resigned with "immediate effect" as "there may be a potential conflict of interest", the bank added.

Bhatt is under CBI's scanner in connection with loans given to the now defunct Kingfisher Airlines, promoted by fugitive liquor baron Vijay Mallya.

On Tuesday, Yes Bank's non-executive chairman Ashok Chawla had resigned as his name figured in a CBI charge sheet filed in the Aircel-Maxis case.

"The Nomination & Remuneration Committee ('NRC') of the Bank while accepting Mr. Bhatt's resignation has recognised his guidance and inputs during his association with the S&SC as an External Expert," Yes Bank said.

The bank further said that given the significant progress made by the S&SC with the support of Korn Ferry over the past three meetings (most recent being held on November 13) in its mandate to identify a suitable successor to Kapoor, the NRC has decided to continue with the existing members to complete the process as per the timeline communicated by RBI.

The Reserve Bank of India (RBI) has asked the private sector lender to find a replacement for its founder MD and CEO by January 31.

Last month, Yes Bank had said the search panel had finalised the potential candidate profile.

Financial Express

3. RBI, govt in talks to ease lending norms to boost MSME credit flow

By: [FE Online](#) |

In order to enhance bank lending to MSMEs, the Ministry of Finance and the RBI are in talks to ease certain 'risk-weight' guidelines for lending to MSMEs and align them to globally accepted benchmarks.

In a bid to provide the much-needed relief to micro, small and medium enterprises (MSMEs), the Reserve Bank of India (RBI) and the government are expected to reach a consensus on easing certain norms in prompt corrective action (PCA) norms that will help public sector banks start lending to MSMEs, which have of late been facing credit availability problem, The Indian Express reported citing people close the matter.

MSMEs are the backbone of the Indian economy as they contribute about 32% of the gross GDP, 45% to manufacturing output and 40% of India's exports. Also, the segment is also the largest employer in the country, after agriculture.

The Ministry of Finance and the RBI are in talks to ease certain 'risk-weight' guidelines for lending to MSMEs and align them to globally accepted benchmark of a maximum of 75% risk weight for smaller companies as compared with present 150% risks weight for both rated and unrated MSME loans.

Another issue which is expected to be resolved is to extend the classification criteria for loans provided to MSME as a standard asset. In June, the RBI had allowed NBFCs and banks to classify any due pending for up to 180 days from all MSMEs in the country as a 'standard' asset in their books. This relaxation is expiring in January 2019, after which banks will go back to 90-day norm, in a staggered manner.

"Discussions on the rules governing lending to MSMEs are currently underway. There is no demand for any special package or disregarding any prudential regulation. The idea is to align our lending norms and risk weights to globally accepted benchmarks," the newspaper reported citing two officials familiar with the development.

Risk weight is capital that has to be set aside by banks or housing finance companies while extending loans. Norms for the same for banks are set by RBI and y NHB for housing finance companies. These norms are based on risk assessment for each type of asset and therefore an asset, which is considered to be riskier, calls for higher risk weight.

At present, 11 out of the total 21 public sector banks come under the PCA framework of the central bank, and therefore MSMEs are facing funding crunch from both public sector banks and NBFCs. Any final decision on this, however, is unlikely to be taken at the central board meeting of RBI to be held on November 19. It is expected to be announced separately, sources said.

Economic times

4. NBFCs meet commitment on roll overs: SBI Chairman Rajnish Kumar

By *Dheeraj Tiwari*

Country's biggest bank, State Bank of India does not see any liquidity issue with the non-banking finance companies days ahead of the November 19

board meeting of the Reserve Bank of India where the issue is expected to be raised by the government.

"All (NBFCs) of them have been able to meet their commitment as far as roll overs are concerned," said SBI Chairman Rajnish Kumar at an event.

SBI had earlier said it could buy NBFC assets up to Rs 45,000 crore.

National Bank for Agriculture and Rural Development (Nabard) Chairman H K Bhanwala said the condition (liquidity) is improving as interest rates are seen declining. "So as such there is no big problem which is there. Issue arose on account some of entities who had borrowed short and created long assets. So, it may specific problem. It does not seems to be systemic problem," he added

Bhanwala noted that various banks including Nabard are supporting NBFCs. "My total assets are at Rs 4.80 lakh crore. Of which Rs 15,000 crore exposure to NBFCs is small. Nothing is at risk. I haven't seen any default. Everybody is meeting the commitments to Nabard," he said.

Earlier, rating agency Moody in a report had said that the Indian "economy is now at risk of a credit squeeze from non-bank financial entities, following the Infrastructure Leasing & Financial Services Ltd default crisis", though systemic risk may have been contained for now.

A section in the government is of the view that RBI could have taken more steps to address this issue, which otherwise may lead to credit crunch. This is when non-food bank credit rose to a near five-year high of 14.78% year-on-year during the fortnight ended October 26.

Rating agency ICRANSE 0.89 % in a note has said that NBFCs sold or securitized about Rs 18,000 crore retail portfolio to meet their repayment obligations in an otherwise difficult market.

The government had sought consultations with RBI under Section 7 of the RBI Act, a provision not used before, on 12 issues including a special liquidity window for NBFCs, housing finance companies and mutual funds. The other issues raised by the government include lower risk weight for credit to micro, medium and small enterprises (MSMEs), a framework for restructuring their loan accounts and a capital framework for RBI.

Business Line

5. How delays are throwing a spanner in the IBC works

PALAK SHAH

After the resolution plan is approved by the Committee of Creditors, NCLT should have no reason to interfere, say experts.

Are dissenting financial lenders and operational creditors creating inordinate delays with their repeated intervention in the resolution of cases before the National Company Law Tribunal (NCLT)? Of the initial cases shortlisted by the RBI for a speedy resolution two years ago, only four have seen closure so far.

More than half of the companies on the RBI's first list – which were referred to the NCLT for resolution – have completed more than 400 days of CIRP (computation of time period of corporate insolvency resolution process) duration against the stipulated 270 days.

These companies include Jyoti Structures (486 days), Alok Industries (472 days), Bhushan Power and Steel (464 days), ABG Shipyard (458 days), Essar Steel (457 days), Lanco Infratech (452 days) and Jaypee Infratech (450 days).

"A lot of matters are stuck in the NCLT or the NCLAT and taking substantially longer than anticipated to get resolved, which has wider implications: it adds to the operational losses to creditors, who cannot receive interest for the period. This will impact foreign investments and force companies to remain in a liquidity crisis," said a lawyer, who mainly deals with IBC cases.

For Alok Industries, even after the approval of the resolution plan by the Committee of Creditors (CoC) in June this year, there is no closure in sight. The resolution plan was approved by CoC with 72 per cent voting by value, and various dissenting financial lenders such as Kotak Mahindra Bank, Dena Bank, SICOM and IDBI Bank filed their objections to the resolution plan.

After a few of them withdrew the cases, operational creditors such as GAIL jumped in to file an objection with the NCLT.

In the past, the NCLT has rejected such interventions by an operational creditor, resulting in a delay in the process. In August, the NCLAT rejected claims of engineering and construction major L&T, an operational creditor of Bhushan Steel, opposing Tata Steel's resolution plan seeking a higher priority in debt resettlement.

Banks at loss

Experts say that the delay also results in substantial losses for banks in terms of interest. Banks can book interest on an account only up to the date of commencement of insolvency proceedings. The interest rate is calculated as per the loan agreement between the two parties, and as soon as the account is admitted by the tribunal, the claims get frozen; no further interest can be booked.

Experts say that once a resolution plan is approved by the CoC as per the requisite majority, no such objection should be entertained, as many entities unnecessarily delay the closure out of self-interest. If at all these entities have to be heard on the point of view of natural justice, it should be time-bound so that the entire process does not go for a toss.

Dissenting financial creditors are those lenders who have either abstained from voting or voted against the resolution plan approved by the CoC. But these dissenting and operational creditors come one after the other on similar issues, thereby delaying the approval process.

Once the CoC has approved the plan, NCLT should have no reason to interfere in and take cognisance of such delaying tactics, legal experts said.

With kind regards,

Yours Comradely,



(**N. GOVINDRAJULU**)
GENERAL SECRETARY