



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

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Dear Comrades,

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News of Interest 26th SEP

MOTIVATIONAL QUOTES

“PRESS FORWARD. DO NOT STOP, DO NOT LINGER IN YOUR JOURNEY, BUT STRIVE FOR THE MARK SET BEFORE YOU.” —GEORGE WHITEFIELD

HIGHLIGHTS

- 1. FM ARUN JAITLEY HITS OUT AT RAJAN FOR MSME BANKING CRISIS STATEMENT**
- 2. GOVT TO CONSIDER PSBS' DEMAND TO RELAX PCA FRAMEWORK FOR BANKING SYSTEM**
- 3. BAD DEBTS ON A DECLINE, LOAN RECOVERY PICKING UP OF PSU BANKS, SAYS FINANCE MINISTER ARUN JAITLEY**
- 4. RBI REPORT TWICE SAID IL&FS FINANCIAL SERVICES' NET-OWNED FUNDS WERE WIPE OUT**
- 5. NOW, ALEXA TO HELP INDUSIND BANK CUSTOMERS CARRY OUT TRANSACTIONS**

Business Standard

1. FM Arun Jaitley hits out at Rajan for MSME banking crisis statement

Rajan in a note to a parliamentary committee had warned against ambitious credit targets and loan waivers

Press Trust of India

Finance Minister Arun Jaitley Tuesday hit out at former RBI governor Raghuram Rajan for predicting that the next banking crisis would be triggered by MSME lending, saying post-mortem is easier than taking action when it was required.

Rajan, who had as the chief economist at IMF warned of impending financial crisis of 2008, in a note to a parliamentary committee warned against ambitious credit targets and loan waivers, saying that they could be the sources of next banking crisis.

"I think for anyone to do post-mortem is easier than action when it was required," Jaitley said when asked to comment on Rajan's view about MSME to be next source of crisis for the banking sector.

"Government should focus on sources of the next crisis, not just the last one. In particular, government should refrain from setting ambitious credit targets or waiving loans.

Credit targets are sometimes achieved by abandoning appropriate due diligence, creating the environment for future NPAs," Rajan said in the note.

"Both MUDRA loans as well as the Kisan Credit Card, while popular, have to be examined more closely for potential credit risk. The Credit Guarantee Scheme for MSME (CGTMSE) run by SIDBI is a growing contingent liability and needs to be examined with urgency," he had said in the note submitted to the committee headed by Murli Manohar Joshi.

Rajan also said that a list of high profile cases related to banking frauds was sent to the Prime Minister's Office (PMO) for a coordinated action.

Rajan, who was RBI governor for three years till September 2016, is currently teaching at the Chicago Booth School of Business.

2. Govt to consider PSBs' demand to relax PCA framework for banking system

Finance Minister Arun Jaitley held the annual performance review meeting of PSBs on Tuesday and discussed wide-ranging issues, including the need for early capitalisation of banks this fiscal year

Somesh Jha

The Union government on Tuesday said it will consider demands from public sector banks (PSB) to approach the Reserve Bank of India (RBI) on relaxing the Prompt Corrective Action (PCA) framework for the banking system in the country.

Finance Minister Arun Jaitley held the annual performance review meeting of PSBs on Tuesday and discussed wide-ranging issues, including the need for early capitalisation of banks this fiscal year.

"Bankers have certain expectations which I have told them we will consider. Some of them (banks) mentioned that the PCA guidelines should be revisited as they are indirectly affecting their lending ability. The government be more upfront in capital requirement of some of these banks," Jaitley said in a press conference, after a day-long review meeting.

He said the government was as keen as the banks to ensure the opportunity of high consumption cycle, high economic growth, bad loans recovery, and credit off-tick "is not missed."

"Banks are confident they will maintain the liquidity in the economy which is required. If I had to describe today's (Tuesday's) meeting and having attended four such annual reviews in the past, I think we have overcome what was traditionally described as legacy issues," Jaitley said.

A committee of bankers was formed to send specific recommendations to the government within a week on the PCA norms that need to be amended.

Department of Financial Services Secretary Rajiv Kumar said PSBs want an alignment of PCA provisions with the globally accepted Basel norms.

Basel-III, an international regulatory framework for banks, is being implemented in India in phases since April 2013, and will be fully implemented by March 2019. "The banks requested for alignment (of PCA) with Basel, in terms of various risk weight, provisioning and capital norms," Kumar said, adding the framework should be re-aligned in a way that gives banks some headroom to grow.

The RBI uses the PCA as an early warning tool to maintain sound financial health of banks, initiated once the thresholds related to capital, asset quality, and non-performing assets are breached. The PCA framework has been in place since 2002, but was revised and tightened by the RBI in 2017.

According to sources, PSBs have sought relaxation on all the minimum capital requirement and net non-performing assets (NPA) criteria of the PCA framework. A top PSB executive said the regulator can look at the provision coverage ratio (PCR) as a parameter instead of focusing on breaching threshold limits on net NPA. The PCR refers to the proportion of bad assets that has been provided for.

Currently, any of the three scenarios — banks registering net NPA level of 6 per cent, two consecutive years of negative return on assets, defined as a percentage of profit to average total assets, or the capital adequacy ratio falling below the regulatory requirement — can prompt the RBI to put a bank under the PCA.

"If a bank's PCR is 70 per cent then the risk associated with the assets should be to the tune of 30 per cent. If a bank's PCR is good then the NPA threshold may be relaxed," said a chief executive of a PSB.

Financial Express

3. Bad debts on a decline, loan recovery picking up of PSU banks, says Finance Minister Arun Jaitley

Finance Minister Arun Jaitley Tuesday said bad debts or NPAs in the banking system are on the decline as recoveries of unpaid loans have picked up

By: [PTI](#) |

Finance Minister [Arun Jaitley](#) Tuesday said bad debts or NPAs in the banking system are on the decline as recoveries of unpaid loans have picked up. Speaking to reporters after the annual review meet with top PSU bankers, he said last several years had been challenging for public sector banks as a large amount of lending was held up in NPAs. But after the Insolvency and Bankruptcy Code (IBC) came into force, which calls for an auction of assets of loan defaulting entities, recoveries have picked up.

Recoveries are better, the lending ability of banks is much better and to top it all credit growth has significantly moved upwards, he said. "We are passing through a phase of good growth as far as the economy is concerned. Consumption has moved up, and therefore the banking activity is bound to pick up," he said.

Financial Services Secretary Rajeev Kumar said banks expect to recover Rs 1.8 lakh crore through IBC and other routes during the current fiscal. The review meeting Tuesday discussed credit growth and asset quality, he said. The focus should now be on arresting fresh slippages, he said adding close to Rs 18,000 crore worth of non-core assets will be sold by PSBs this financial year.

Economic Times

4. RBI report twice said IL&FS Financial Services' net-owned funds were wiped out

By *Sangita Mehta* , ET Bureau

The Reserve Bank of India had expressed concerns about the operations of IL&FS Financial Services (IFIN), pointing out in its report three years ago that the net-owned funds of the finance company had been wiped out and that it was over-leveraged.

Yet, the top management of the finance company declined to take corrective measures, two senior officials from the banking circles told ET.

"The annual inspection report for the year 2014-15 has observed that net owned funds of the company turned negative and a similar observation was made in the subsequent year too," said one of the persons cited above. "However, the top management of the parent company, IL&FS, refuted the observation made by the RBI and failed to take any corrective measures."

IL&FS was downgraded from triple A to a defaulting status in a span of 45 days after it failed to repay Rs 1,000 crore by way of loans to Sidbi. The default also created a massive crisis of confidence in the equities market, with speculation that most non-banking finance companies (NBFC) are facing a liquidity problem.

To prevent the contagion from spreading, SBI chairman Rajnish Kumar said that the country's biggest bank would continue to fund finance companies, while Life Insurance Corporation chairman V K Sharma pointed out that LIC would not allow IL&FS to collapse.

Senior officials cited above have blamed the top management of IL&FS for "the current state of affairs", adding that "RBI had expressed concerns that IFIN is over leveraged in its annual inspection report since 2015." IFIN and the central bank did not respond to a query sent by ET. "The annual inspection report of 2015 was presented to the board only after the RBI insisted upon it," said one of the persons cited above.

The annual report of IFIN shows that the company posted a net profit of Rs 208 crore in FY17. It reported total bad loans of Rs 409 crore and after provisioning, these were reduced to Rs 290 crore, or 2.3% of net loans.

However, RBI officials are of the view that the share of bad loans is much higher than disclosed in the annual report and thus the provisioning requirement should have been much higher than what is reflected in the balance sheet. For FY18, the company reported that its net profit was down 50% over the previous year to Rs 99.6 crore.

Interestingly, the annual report of FY17 says that the company reviewed its risk management policies wherein it found a few procedural gaps, which were remediated. However, the auditor Deloitte Haskins & Sells LLP has not

pointed out any concerns or made an adverse remark about the company in the report.

Business Line

5. Now, Alexa to help IndusInd Bank customers carry out transactions

OUR BUREAU

Customers of IndusInd Bank can now use Amazon's virtual assistant Alexa to carry out transactions such as fund transfers, mobile phone recharge and credit card payments.

"The bank has launched its artificial intelligence-based Alexa Skill-IndusAssist, which enables its customers to conduct financial and non-financial banking transactions on Amazon Echo and other Alexa-enabled devices using voice-based commands," the private sector lender said in a statement on Tuesday.

To use the service, customers have to do a one-time registration to link their bank details using the Alexa app on their smart phone.

Post registration, all authentications and transaction requests will remain voice-based – transactions would follow the standard two-step authentication process to ensure that they are safe and secure. "They will now be able to recharge their mobile phones, pay credit card bills and so on by voicing out simple commandments such as 'Alexa, ask Indus Assist to recharge my mobile number', or 'Alexa, ask Indus Assist to pay my credit card bill'," said the bank.

It is the first Indian bank to enter into such a partnership; most banks use text-based chat bots for financial transactions and assistance to customers. "The integration of our chatbot Indus Assist with Alexa is our attempt at taking banking beyond banking channels to the Internet of Things," said Ritesh Raj Saxena, EVP & Head – Savings, Digital & Payments Business, IndusInd Bank.

Meanwhile, Aviva Life Insurance also announced its debut on Amazon's Alexa platform with its Insurance Made Easy initiative. "Aviva becomes the first life insurance company in India to offer an Alexa skill to engage with its customers to simplify life insurance jargon," it said in a release.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**

