



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

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Dear Comrades,

1st April , 2019

### News of Interest 1<sup>st</sup> APR

#### QUOTE OF THE DAY

TACT IS THE ABILITY TO DESCRIBE OTHERS AS THEY SEE THEMSELVES

ABRAHAM LINCOLN

#### HIGHLIGHTS

1. VIJAYA, DENA TO BECOME BANK OF BARODA FROM MONDAY; TO WORK AS BOB OUTLETS
2. PNB TO SELL STAKE IN PNB HOUSING TO GENERAL ATLANTIC, VARDE FOR RS 1,851 CR
3. RBI SHOULD EXTEND FINTECH SANDBOX GUIDELINES TO ITS REGULATION MAKING PROCESS ALSO, SAYS EXPERT
4. SBI PLANS TO BRING MORE HIGH NET WORTH CUSTOMERS INTO ITS FOLD
5. RBI SEEN CUTTING RATE BY 25 BPS AS INDUSTRY SLOWS
6. IT IS ABOUT THE BANK, NOT PROMOTERS: KOTAK MAHINDRA TELLS RBI

#### Business Standard

##### 1. Vijaya, Dena to become Bank of Baroda from Monday; to work as BoB outlets

The government in September last year announced the first-ever three-way consolidation of banks in India, with a combined business of Rs 14.82 lakh crore

Press Trust of India

In a first three-way amalgamation, Vijaya Bank and Dena Bank will merge with Bank of Baroda (BoB) from April 1 to create the third-largest lender of the country.

As a result, branches of Vijaya Bank and Dena Bank will function as BoB outlets from Monday onwards.

"Customers including depositors of Vijaya Bank and Dena Bank will be treated as customers of Bank of Baroda with effect from April 1, 2019," the Reserve Bank of India (RBI) had said in a statement on Saturday.

To make merger a smooth affair, the government last week decided to infuse Rs 5,042 crore in BoB to enhance its capital base to meet additional expense.

According to the Scheme of Amalgamation, shareholders of Vijaya Bank will get 402 equity shares of BoB for every 1,000 shares held. In the case of Dena Bank, its shareholders will get 110 shares of BoB for every 1,000 shares.

The government in September last year announced the first-ever three-way consolidation of banks in India, with a combined business of Rs 14.82 trillion, making it the third-largest bank after State Bank of India (SBI) and ICICI Bank.

The announcement of the three-way merger was among several reforms initiatives undertaken by Financial Services Secretary Rajiv Kumar to make public sector banks (PSBs) healthy, robust and globally competitive.

As part of the reform process, the government had also announced transfer of majority 51 per cent stake to Life Insurance Corporation (LIC) in IDBI Bank in August last year to transform the Mumbai-based lender.

Besides, the Department of Financial Services made a record capital infusion of Rs 1.06 lakh crore in the PSBs in the current fiscal. As a result five public sector banks including Bank of India, Corporation Bank and Allahabad Bank were out of the prompt corrective action framework of the RBI earlier this year. Non-performing assets (NPAs) have shown negative trend in 2018-19 and have reduced by Rs 23,860 crore between April-September 2018.

Following the merger, the number of PSBs will come down to 18.

Announcing the merger, Finance Minister Arun Jaitley had said "the consolidation will help create a strong globally competitive bank with economies of scale and enable realisation of wide-ranging synergies".

The merged entity will have better financial strength, Financial Service Secretary Kumar had said adding that its net NPA ratio will be at 5.71 per cent, significantly better than PSBs' average of 12.13 per cent.

Besides, provision coverage ratio would be better at 67.5 per cent against an average of 63.7 per cent and the cost-to-income ratio of the combined entity would come down to 48.94 per cent as compared to average of 53.92 per cent, he had said last year.

## **2. PNB to sell stake in PNB Housing to General Atlantic, Varde for Rs 1,851 cr**

PNB has entered into an agreement to sell 1,08,91,733 equity shares held in PNB Housing Finance Ltd to Varde Partners at a price of Rs 850 per share, aggregating to Rs 925.80 crore

[Press Trust of India](#)

State-run Punjab National Bank (PNB) Friday said it will sell its partial stake in PNB Housing Finance to global private equity firm General Atlantic Group and alternative investment firm Varde Partners for Rs 1,851.6 crore.

PNB has entered into agreements in relation to the said transactions Friday, the public sector bank said in a regulatory filing.

As per the agreement, PNB will sell 1,08,91,733 equity shares held in PNB Housing Finance Ltd (PNBHF) to General Atlantic Group at a price of Rs 850 per share, aggregating to Rs 925.80 crore.

PNB has also entered into an agreement to sell 1,08,91,733 equity shares held in PNBHF to Varde Partners at a price of Rs 850 per share, aggregating to Rs 925.80 crore.

Post these transactions, PNB said it would continue to hold strategic stake of 19.78 per cent of the paid up capital of PNBHF and shall continue as a promoter and strategic shareholder of PNBHF.

The transactions are subject to "satisfaction of customary conditions, including receipt of applicable regulatory approvals", PNB added.

As on December 31, 2018, PNB held 32.79 per cent stake in PNB Housing Finance.

Shares of PNB Housing Finance were trading 3.39 per cent higher at Rs 857.60 apiece on BSE, while shares of PNB were trading with gains of 0.52 per cent at Rs 95.85 on BSE.

### **Financial Express**

## **3. RBI should extend fintech sandbox guidelines to its regulation making process also, says expert**

By: [Sandeep Soni](#)

Even while [RBI](#) governor Shaktikanta Das on Monday stressed on setting up a 'regulatory sandbox' for fintech ecosystem, which he said has the potential to revamp India's financial services ecosystem, the market expert opined that relevant sandbox guidelines needn't be limited to fintech companies only.

"The guidelines to be adopted by the RBI for regulatory sandbox should also be applicable in the central bank's regulation-making process and designing policies, by adopting the Regulatory Impact Assessment (RIA) framework," Amol Kulkarni, Director, CUTS International told Financial Express Online.

Incorporating RIA basically means that it can enable RBI to design several regulatory options aimed at achieving regulatory objectives; assess costs and

benefits of such options and the possibility of achieving objectives through stakeholder consultation and data analysis. This can then help the RBI in figuring out which is the most appropriate approach to achieve regulatory objectives in a way that costs to stakeholders are substantially outweighed by benefits, said Kulkarni.

Kulkarni asserted that policies, for instance, pertaining to prepaid payment instruments (PPI) and peer-to-peer (P2P) lending, adopted by the RBI in financial services are "more or less a knee jerk reaction" to various market developments without thinking through in terms of consequences.

CUTS International in its report on digital payments in April last year had highlighted that as per PPI regulations, all existing non-bank PPI issuers are required to have a minimum positive net-worth requirement of Rs 15 crore as on March 31, 2020, from Rs 1 crore earlier.

"The substantial increase in net worth requirement may adversely impact smaller players currently operating in the market, who might not be in a position to comply with the revised requirements by March 2020. In addition, the revised requirements may dissuade smaller interested players to enter the market," the report said.

With respect to P2P lending, there are caps on exposures of lenders and amounts borrowed by borrowers. The lenders can lend a maximum of Rs 10 lakh cumulatively while individually they can have an exposure to a borrower up to Rs 50,000. "This is expected to reduce the attractiveness of the platform and the design of products which lenders can offer," the report added.

While the objective is to reduce the risk and ensure that the lending happens in an orderly manner, Kulkarni said that there are better ways to do that by asking for greater disclosure and transparent mechanism which are market-based to ensure that lenders and borrowers are aware of the risks involved.

The sandbox would "benefit fintech companies by way of reduced time to launch innovative products at a lower cost," Das said at an event organised by NITI Aayog, adding that as many as 1,218 fintech companies are operating in India that have created a large number of jobs.

The RBI's working group on fintech and digital banking had, in November 2017, stressed on launching a regulatory sandbox for containing the consequences of failure and analysing its reasons.

## **Economic Times**

### **4. SBI plans to bring more high net worth customers into its fold**

SBI has opened wealth management service in 44 major centres so far with a network of 121 wealth hubs

*By Atmadip Ray*

State Bank of India is going to open 55 wealth management centres across the country by 2020 to attract high networth customers from private lenders into its fold.

SBI has opened wealth management service in 44 major centres so far with a network of 121 wealth hubs.

"This is our service oriented initiative. We want to be known as a bank which gives correct advice to customers," Managing Director Arijit Basu said.

The bank has Friday inaugurated its fourth hub in Kolkata at Chowringhee branch.

SBI's wealth service has so far on boarded about 52000 customers and is managing their assets worth Rs 30000 crore.

SBI is offering its wealth management service to existing customers with minimum Rs 30 lakh manageable assets. For new customers, the entry threshold has been fixed at Rs 10 lakh, chief general manager Giridhara Kini said.

## **Business Line**

### **5. RBI seen cutting rate by 25 bps as industry slows**

#### Our Bureau

Retail inflation in RBI's comfort zone

A deceleration in industrial activity and the fear of a global economic slowdown are expected to prompt the Reserve Bank of India to cut the repo rate by 25 basis points in the monetary policy review scheduled on April 4.

Retail inflation staying below the RBI's 4-per cent target is a comfort factor for the central bank to put through a second rate cut on the trot. Market players say a rate cut to support growth will be opportune.

Industrial growth, represented by the Index of Industrial Production, dipped to 1.7 per cent in January from 2.6 per cent in December 2018.

Though the retail inflation, as measured by the consumer price index, rose to a four-month high of 2.57 per cent in February against 1.97 per cent in January, the reading is still lower than the RBI's inflation target of 4 per cent.

In its sixth monetary policy review, in February, the central bank had cut the repo rate from 6.50 per cent to 6.25 per cent. The repo rate is the rate at which the RBI provides funds to banks to overcome short-term liquidity mismatches.

Union Bank of India MD & CEO Rajkiran Rai G said: "Rate cut seems to be very much visible now. The last monetary policy committee (MPC) meeting talked about output gap (opening up modestly). I think the RBI was very clear last time when they spoke that they are trying to push growth. There are indications of global growth weakening. So, a rate cut will give a fillip to growth."

Stage ripe for larger cut

Soumya Kanti Ghosh, Group Chief Economic Advisor, State Bank of India, said: "Rural demand continues to look increasingly weak and fragile... Urban demand is also worrying. A deceleration in global trade growth is also impacting export outlook through the trade channel. Investment scenario, as can be inferred from order inflows, has declined in Q3FY19 by 20 per cent. Credit growth is not broad-based and is in selective areas.

"We expect at least a 25 basis points rate cut in the April policy (cumulative 50-75 bps over next 2/3 policies) though we believe the stage is ripe for a larger rate cut. If the rate cut is of 25 basis points only, then the RBI could indicate more cuts through a possible shift in stance/ policy statement."

## **6. It is about the bank, not promoters: Kotak Mahindra tells RBI**

PTI Mumbai

Locked in a legal battle with RBI over promoter stake dilution issue, Kotak Mahindra Bank has alleged the regulator is "unfairly" creating an impression that the lender was trying to further promoter Uday Kotak's interest.

Countering an affidavit filed by the Reserve Bank of India in the Bombay High Court where it has challenged a regulatory directive, Kotak Mahindra Bank said the reply unfairly seeks to create an impression that the promoters' interest is being furthered through the petition, and seeks to question the locus-standi of the petitioners (the bank) in challenging the reduction communications.

RBI had asked the bank to cut promoter shareholding to 20 per cent of paid-up capital by December 31, 2018, and 15 per cent by March 31, 2020.

As on December 31, 2018, Uday Kotak, the bank's vice-chairman and managing director, held 29.72 per cent stake in the bank.

The lender in August 2018 had proposed perpetual non-cumulative preference shares (PNCPS) to cut promoter holding to 19.70 per cent, which the RBI rejected.

The bank has challenged RBI's contention in the Bombay High Court, which is hearing the matter.

The RBI's bank licensing rules mandate that a private bank's promoter will need to pare holding to 40 per cent within three years, 20 per cent within 10 years and to 15 per cent within 15 years.

The RBI has told the Bombay High Court that the bank has petitioned the court, and not the promoters whose shareholding the central bank has asked to be lowered.

The RBI's decisions seek to regulate the shareholding rights of bank's promoters, the central bank said.

"They (the promoters) have no issue with holding being regulated in the manner provided for by the RBI," the banking regulator had told the Bombay High Court in response to Kotak Mahindra Bank's petition challenging RBI's direction to trim promoter shareholding.

In response, Kotak Mahindra Bank has said in an affidavit filed with the court that if that were the case, the RBI cannot take any action against the petitioner (the bank) in relation to these matters (i.e. reduction of promoter shareholding).

The bank also said in such a case, the regulator's series of correspondence over several years with the bank, and not the promoter, becomes questionable.

The RBI has wrongly addressed correspondence to the petitioner (the bank) over the years, wherein it has also threatened regulatory action, the bank said.

If the RBI's stand that such matters related to or affect the bank's promoters, then the RBI would have no basis to initiate any action against the bank for not paring promoter shareholding.

Moreover, the bank told the court that RBI's view runs contrary to its own allegation that failure to reduce promoter shareholding would result in the bank being in serious breach of law.

"The RBI has attempted to unfairly allege that the bank needs to be more independent and not reflect the interest of just one individual or family is mischievous, incorrect, ignores the high standards of governance of the bank," it added.

The bank denied the allegations and what it termed as insinuations and said it also belittles the impact of the RBI's unreasonable and arbitrary position on the bank, its shareholders, depositors and public at large.

The bank said reducing promoter shareholding would require raising a huge amount of capital not warranted for its business and growth, which would be detrimental to all stakeholders, including non-promoter shareholders, and disruptive to the banking system.

Any suggestion that the petition is a device to benefit any vested interests is baseless, misconceived and devoid of any merit.

With kind regards,

Yours Comradely,



( **N. GOVINDRAJULU** )  
**GENERAL SECRETARY**