



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

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Dear Comrades,

5th April , 2019

News of Interest 5th APR

QUOTE OF THE DAY

"SUCCESS DOES NOT CONSIST IN NEVER MAKING MISTAKES BUT IN NEVER MAKING THE SAME ONE A SECOND TIME." GEORGE BERNARD SHAW

HIGHLIGHTS

1. STATE BANK OF INDIA TO REDUCE RATE ON SAVINGS DEPOSITS BY 25 BPS TO 3.25%
2. RBI MONETARY POLICY: REPO RATE LOWERED BY 25 BPS TO 6% TO BOOST GROWTH
3. RBI TO PUT OUT NEW RULES TO DEAL WITH STRESSED ASSETS
4. BANKS, OTHERS MAY LOSE OVER RS 90,000 CRORE AS VIDEOCON SINKS
5. RBI TO SET UP PANEL ON DEVELOPMENT OF HOUSING FINANCE SECURITISATION MARKET

Business Standard

1. State Bank of India to reduce rate on savings deposits by 25 bps to 3.25%

The reduction in the marginal cost of funds based lending rate (MCLR) is likely to be 8-10 basis points, depending on the tenor of loans, a senior SBI executive said

Abhijit Lele

State Bank of India will reduce the interest rate by 25 basis points on cash credit and overdraft facilities with a balance over Rs 1 lakh from May 1. This comes after the Reserve Bank of India's decision to cut the repo rate by 25 basis points (bps) to 6 per cent. The revised rate will be 8.25 per cent.

The reduction in the marginal cost of funds based lending rate (MCLR) is likely to be 8-10 basis points, depending on the tenor of loans, a senior SBI executive said.

The bank will also cut the rate on savings deposits (above Rs 1 lakh) by 25 bps to 3.25 per cent.

In March, SBI had said that it would use the RBI's policy rate as external benchmark for the savings deposit rates and short-term loans from May 1. It is the first bank to announce a timeline for switching to external benchmarks.

The interest on cash credit accounts and overdraft accounts with over Rs 1 lakh will be 2.25 percentage points above the repo rate. The risk premiums over and above this floor rate would be based on the risk profile of the borrowers.

And for savings bank deposit accounts with balances above Rs 1 lakh will be 2.75 percentage points below the repo rate.

2. RBI monetary policy: Repo rate lowered by 25 bps to 6% to boost growth

Deputy Governor Viral Acharya and external member Chetan Ghate voted against a rate cut, while Ravindra Dholakia favoured a change in stance to "accommodative"

Anup Roy

The six-member monetary policy committee (MPC) of the Reserve Bank of India (RBI) voted 4-2 to reduce the policy repo rate by 25 basis points (bps) on Thursday, as was widely expected by economists and bond-market participants who anticipate at least one more cut in the coming policies. Banks, however, remain non-committal about paring down their lending rates.

Deputy Governor Viral Acharya and external member Chetan Ghate voted against a rate cut, while Ravindra Dholakia favoured a change in stance to "accommodative".

According to Credit Suisse, while a rate cut was expected, two MPC members voting against it was negative for the market. The continued neutral stance was also "surprising", the brokerage said. "With no room for a fiscal stimulus, the MPC's caution on rate cuts keeps us concerned about growth," it said.

"Whether there is space (for more rate cuts), I am not getting into that. But assuming that there is space, there are upsides and downsides. All these things have to be taken into account and based on that a considerate call has to be taken," RBI Governor Shaktikanta Das said in the post-policy press conference. Das said more important than rate cuts was their transmission by banks.

"We are conscious of the fact that there has to be appropriate and effective transmission of rates. Banks have cut their MCLR (Marginal Cost of Funds-based Lending Rate) marginally by 10 basis points, but more needs to be

done.”

A Business Standard poll of 15 economists and treasurers had last week predicted a 25 bps cut, and most of them expected the MPC to maintain its neutral stance. The central bank kept the policy stance unchanged while the repo rate became 6 per cent from 6.25 per cent earlier.

In his opening remarks, the RBI governor said the Supreme Court’s recent verdict did not doubt the powers of the central bank but wanted them to be exercised in a certain manner, which he said would be done to continue its fight against bad loans.

Das remained committed to easing liquidity conditions and said the liquidity release through SLR adjustments, past bond purchases, and dollar swaps should encourage banks to lower rates.

Having moved to the MCLR regime, where a rise in market rates push up the cost of funds for banks and directly determines calculation for lending rates, it is difficult to transmit policy actions readily, bankers say. After the policy rate announcement, bond yields rose, which would reflect in banks’ MCLR calculation and could make transmission difficult if yields remain high.

Industry groups were not happy with banks not passing on the rate benefit. “The RBI governor has himself flagged the issue of marginal transmission of rate cuts by banks. If the RBI cannot enforce the transmission, who can?” said Ravi Sehgal, chairman of EEPC India.

Bankers were largely non-committal on the rates issue, but said transmission is possible.

“Banks have transmitted the rate reduction to the tune of 10 to 12 basis points. With this additional cut and improvement in the liquidity position, banks would take a call on further transmission,” said Sunil Mehta, MD and CEO of Punjab National Bank and chairman of the Indian Banks’ Association (IBA).

Zarin Daruwala, CEO of Standard Chartered Bank, India, said the repo rate cut, along with the recent dollar swaps and overlap of SLR and LCR “will not only aid in monetary transmission but will also increase the flow of credit to the system”.

The RBI also delayed linking lending rates to an external benchmark, as banks required more time. The central bank also postponed activating countercyclical capital buffer for banks, which would free up precious capital for them.

The first bi-monthly monetary policy of the fiscal 2019-20 was more concerned about growth than inflation. The policy statement indicated that a slowing global economy was casting its shadow on domestic economy as well.

Das pointed out that central banks of most global economies and major emerging markets had either eased or paused. Das, who in his first policy in February favoured a cut, voted for a cut this time too.

The central bank now expects the GDP to grow at 7.2 per cent in 2019-20, lower than its earlier projection of 7.4 per cent. The governor said recent high frequency indicators pointed to manufacturing growth slowing down, while investment demand remained subdued. But there are other mitigating factors that indicated that business sentiment might have improved.

“There are some signs of domestic investment activity weakening as reflected in a slowdown in production and imports of capital goods. The moderation of growth in the global economy might impact India’s exports,” the resolution of the MPC said.

The central bank is monitoring the government’s fiscal situation, but it won’t be right to assume there would be a slippage, Das said.

The central bank also lowered its inflation forecast, assuming a normal monsoon. The CPI inflation is now expected to be 2.4 per cent in the fourth quarter of 2018-19, 2.9-3.0 per cent in the first half of 2019-20 and 3.5-3.8 per cent in the second half, with risks “broadly balanced”.

This is a significant revision down from the February policy, which had expected inflation to be at 2.8 per cent in the fourth quarter and 3.2-3.4 per cent in the first half. The revision was done because actual inflation averaged 2.3 per cent in January-February.

However, the central bank did acknowledge the risk of disruptive monsoon due to possible El Niño conditions. Besides, there are several uncertainties clouding the inflation outlook. While prices of key food items are expected to remain favourable due to global demand-supply balance, there is a risk of an abrupt reversal in vegetable prices, especially during the summer months. Fuel prices remain uncertain and can be favourable or exert surprise, the RBI said.

“The MPC notes that the output gap remains negative and the domestic economy is facing headwinds, especially on the global front. The need is to strengthen domestic growth impulses by spurring private investment which has remained sluggish,” the resolution said.

The 10-year bond yields rose about 8 bps to close at 7.35 per cent, as the central bank allowed 2 percentage points of the statutory liquidity ratio (SLR) to be counted in calculation of the liquidity coverage ratio. This technically means a cut in SLR, albeit in four quarterly instalments till April 2020, which would release about Rs 2.4 trillion of liquidity in the system by reducing demand for bonds.

“It is a demand reduction at a time when the market is witnessing heavy supply of bonds,” said Ramkamal Samanta, vice-president treasury, at Star Union Dai-Ichi Life Insurance.

The rupee also depreciated sharply, from 68.43 a dollar on Wednesday to 69.16 after the policy, as foreign portfolio investors sold local equities.

Financial Express

3. RBI to put out new rules to deal with stressed assets

By: [FE Bureau](#) |

It also required banks to finalise a resolution plan for such defaults of over Rs.2,000 crore within 180 days, and if they failed in doing so, the account would be subject to the Insolvency and Bankruptcy Code process.

FE had reported on Wednesday that the RBI is likely to come out with a revised framework on stressed asset resolution soon and some of the earlier loan restructuring schemes, such as the scheme for sustainable structuring of stressed assets (S4A), are expected to make a comeback.

The Reserve Bank of India (RBI) will issue a revised circular for resolution of stressed assets following the Supreme Court verdict striking down its February 12, 2018, circular as ultra vires, governor Shaktikanta Das said on Thursday.

The verdict could jeopardise some Rs.3.4 lakh crore of bank loans across sectors, including Rs.2 lakh crore of exposure to the power sector, experts estimate.

"In light of Hon'ble Supreme Court order, the Reserve Bank of India will take necessary steps, including issuance of a revised circular, as may be necessary, for expeditious and effective resolution of stressed assets," Das said, adding that the RBI stands committed to maintain and enhance the momentum of resolution of stressed assets and adherence to credit discipline.

Das observed that the apex court has held that RBI's directions under Section 35AA of the Banking Regulation Act, 1949, which are in respect of debtors generally would be ultra vires of that section. Thus, the court order mandates RBI to exercise its powers under Section 35AA in respect of specific defaults by specific debtors. The powers of RBI under Section 35AA and other sections of the Banking Regulation Act, 1949 are, therefore, not under doubt, Das explained.

"What basically the Supreme Court has said is that the powers of RBI under Section 35AA have to be exercised in a particular manner and the validity of the Section stands and henceforth we have to comply with the directions of the Supreme Court in this regard and act accordingly," the governor noted.

FE had reported on Wednesday that the RBI is likely to come out with a revised framework on stressed asset resolution soon and some of the earlier loan restructuring schemes, such as the scheme for sustainable structuring of stressed assets (S4A), are expected to make a comeback.

Scrapping earlier debt-restructuring schemes like corporate debt restructuring (CDR), strategic debt restructuring (SDR) and S4A, the RBI's February 12 circular stipulated a one-day default rule on term loans, mandating that a borrower who missed repayment even for a day be treated as a 'defaulter'. It also required banks to finalise a resolution plan for such defaults of over Rs.2,000 crore within 180 days, and if they failed in doing so, the account would be subject to the Insolvency and Bankruptcy Code process.

Economic Times

4. Banks, others may lose over Rs 90,000 crore as Videocon sinks

The two main group companies - Videocon Industries Ltd & Videocon Telecommunication Ltd. - owe Rs.59,451.87 crore and Rs.26,673.81 crore, respectively.

IANS

The beleaguered Videocon Group has admitted to stupendous outstandings to various lenders - public and private - amounting to over Rs 90,000 crore, making it perhaps the biggest corporate bankruptcy case in Indian banking history, official sources said on Thursday.

The two main group companies - Videocon Industries Ltd (VIL) and Videocon Telecommunication Ltd. (VTL) - owe Rs.59,451.87 crore and Rs.26,673.81 crore, respectively or a staggering Rs.86,125.68 crore to Indian banks, led by the State Bank of India (SBI).

Besides, 731 other Operational Creditors have made separate claims of Rs.31,117, 971,029 (VIL) and Rs.12,669,978,507 (VTL) for a total of over Rs 90,000 crore, the sources said.

Interestingly, even the Group promoters - Venugopal Dhoot, Pradipkumar Dhoot and Rajkumar Dhoot - have also filed claims of Rs.57,823.24 crores on the basis of personal guarantees provided by them for various facilities availed/guaranteed by VIL, which are under evaluation.

The VTL has also claimed Rs.17,86,94,69,659 from VIL on which there is no dispute and has been accepted in toto.

This and other data has been uploaded by the company's Resolution Professional (RP) on its website today for varying periods ranging from November 2018 to January 2019.

Industry sources say this will be the biggest private sector bankruptcy in India after the Insolvency and Bankruptcy Code was introduced in 2016 for debt resolution -with wide-ranging ramifications for both the corporate world and the banking sector.

Last year, the company was sent by the SBI to the National Company Law Tribunal after the Dhoot-family owned company defaulted on its loans.

As per the IBC regulations, the company's board of directors has been suspended and a RP appointed to manage its routine daily operations.

Revealing the figures of claims, VIL has named a whopping 54 Indian and foreign banks, financial institutions and even a cooperative bank to whom it owes a staggering Rs 59,451.87 crore.

Against this, claims of Rs.57,443.62 crore have been admitted while claims of Rs 1,149.57 crore have been rejected and those worth Rs.782.24 crore are being verified..

There's the ICICI Bank with a claim of Rs 3,318.08 crore on VIL and another Rs 1,439 crore on VTL.

It may be recalled that in January this year, the CBI had booked the then ICICI Bank Managing Director and CEO Chanda Kochhar, her husband

Deepak Kochhar, VIL's Venugopal Dhoot and others, in an alleged quid pro quo loan scam, for criminal conspiracy and cheating.

Later that month, Chanda Kochhar quit but in a drastic action, she was sacked by the bank which also revoked all her entitlements and appointed a new COO, Sandeep Bakshi, in her place.

On January 31, the Justice B.N. Shrikrishna Committee appointed to probe the scam found her guilty of flouting the ICICI Bank's Code of Conduct as she failed to discharge her fiduciary functions to rescue herself to avoid any conflict of interest.

Among the claims of VIL's 54 lenders are 34 banks with SBI making the biggest claim of Rs.11,175.25 crore; from VTL's total 34 lenders, SBI has claimed the highest amount of Rs 4,605.15 crore.

From VIL, the second highest claimant is IDBI with Rs 9,561.67 crore. From VTL, the Central Bank of India is the second biggest claimant with Rs 3,073.16 crore.

From VIL, the Latur Urban Cooperative Bank (Maharashtra) is the lowest claimant with Rs 33 lakh and from VTL, the lowest claim has been submitted by Bank of Maharashtra for Rs 21.13 crore.

Business Line

5. RBI to set up panel on development of housing finance securitisation market

[Our Bureau](#)

The Reserve Bank of India, on Thursday, announced that it will soon set up a committee to assess the state of housing finance securitisation market in the country. The move is aimed at bringing in standardisation of asset securitisation practices to enable better management of credit and liquidity risks.

The committee, which will be announced soon, will also study the best international practices, and lessons learnt from the global financial crisis. It will propose measures to further develop these markets in India by identifying critical steps required, such as definition of conforming mortgages, mortgage documentation standards, digital registry for ease of due diligence and verification by investors, and avenues for trading in securitised assets.

"The composition and terms of reference of the committee will be announced shortly. The report will be due by the end of August," the RBI said on Thursday, as part of its Statement on Developmental and Regulatory Policies, released along with the first bi-monthly Monetary Policy Statement of 2019-20.

Higher borrowing costs

The move comes at a time when housing finance companies and NBFCs have been facing higher borrowing costs and slowdown in funding after a liquidity squeeze in the market. The RBI noted that globally, residential and

commercial mortgages are supported by well-lubricated securitisation markets, under which mortgage originators package portfolios of mortgages and resell them in capital markets as mortgage-backed securities or covered bonds.

“Well-functioning securitisation markets can enable better management of credit and liquidity risks on the balance sheets of banks as well as non-bank mortgage originators and, in turn, help lower the costs of mortgage finance in the economy,” it said, noting that in contrast, in India, the securitisation market is dominated by direct assignment and purchase of loan receivables of non-banks (including housing finance companies) by banks.

Industry players welcomed the move, and said it will help deepen the market and improve liquidity conditions.

“The focus to align the Indian housing finance securitisation market, as well as the secondary market for corporate loans with international best practices announced today, will essentially deepen these markets and ensure better price discovery,” said Khushru Jijina, Managing Director, Piramal Capital and Housing Finance

Ranjeet Mishra, Chief Credit Officer, ART Housing Finance, said the move is a positive impetus for the sector and will help on the liquidity front.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**