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Dear Comrades,

9th May , 2019

News of Interest 9th May

QUOTE OF THE DAY

“THE STRUGGLE YOU’RE IN TODAY IS DEVELOPING THE STRENGTH YOU NEED FOR TOMORROW” – SWAMY VIVEKANANDA

HIGHLIGHTS

1. RBI TO UPDATE RTI DISCLOSURE NORMS AFTER LOK SABHA ELECTIONS 2019
2. RBI PULLS OUT CIRCULAR ASKING BANKS TO REVEAL THEIR IL&FS EXPOSURE
3. BANKING FRAUDS: IBA SEEKS APPLICATIONS TO MAKE FORENSIC AUDITORS’ LIST
4. RELIGARE FINVEST SKIPS APRIL INSTALLMENT TO BANKS; PROPOSES DEBT RESOLUTION PLAN
5. RBI GOVERNOR, FINANCE PANEL CHIEF DISCUSS NEED FOR EXPENDITURE CODES

Business Standard

1. RBI to update RTI disclosure norms after Lok Sabha elections 2019

Earlier updation by the central bank, on April 30, only removed sections deemed objectionable by the SC

Anup Roy

The Reserve Bank of India (RBI) is working on its disclosure policy under the Right to Information Act (RTI), and will release an updated version in a few weeks, possibly after the election results.

The central bank had, on April 30, updated its disclosure policy on its website to reflect the omission of certain clauses. These had been deemed objectionable by the Supreme Court in its April 24 ruling, through which it gave the RBI a ‘last opportunity’ to make public its confidential reports on banks, shared earlier only with the management.

A comparison with the cached webpage of the RBI's disclosure policy shows that the central bank had essentially deleted section 8(1) (a) and section 8(1) (d) — which talk about affecting the sovereignty and integrity of India, and impacting third party interests — from its purview.

Except for these two sections and the mention of a 'disinvestment' proposal, the two disclosure policies were near-identical. "This is just removing a few sensitive clauses that the Supreme Court had found objectionable. This is in no way a finished product. We will come up with the updated policy in a manner that won't contravene the Supreme Court order and also ensure that the RBI is not on the wrong side of law," said a senior official of the central bank.

However, it is unlikely that it will come up with the policy before the election results are declared, given its sensitive nature. Section 8(1)(a) of the RTI Act 2005 regards "information, disclosure of which would prejudicially affect the sovereignty and integrity of India, the security, strategic, scientific or economic interests of the State, relation with foreign State or lead to incitement of an offence".

Section 8(1)(d) regards "information including commercial confidence, trade secrets or intellectual property, the disclosure of which would harm the competitive position of a third party, unless the competent authority is satisfied that larger public interest warrants the disclosure of such information".

The Supreme Court had observed that issues of national economic interest; disclosure of information regarding currency or exchange rates/interest rates/taxes; regulation or supervision of banking, insurance and other financial institutions; proposals for expenditure or borrowing, and foreign investments, could all, in some cases, harm the national economy, especially if released prematurely.

"However, lower-level economic and financial information such as contracts and departmental budgets should not be withheld under this exemption, according to this Court in the judgment dated 16.12.2015," said the Supreme Court ruling.

The RBI had wished to withhold information under Section 8(1) of the RTI Act, regarding "inspection/supervisory/scrutiny reports of banks/Financial Institutions (FIs). Any information derived from these reports or contained in such reports, and supervisory action taken thereon." The RBI's rationale for not disclosing the sensitive scrutiny report was that these constituted advisory to the bank management for them to work on their weakness. Divulging the information to public might lead to a run on banks even when the issue is temporary in nature.

Besides, by making the information public, the RBI would be divulging a lot of information about the clients with whom the banks are bound by client confidentiality agreements. However, the Supreme Court — first in its 2015 ruling, and then in the 2019 ruling — had found that the regulator had no such relationship with banks.

The RBI was yet to put in public domain any of the scrutiny reports of banks, but is now bound to do so after the Supreme Court ruling.

STORY SO FAR

- SC had given RBI 'last opportunity' in its April 24 ruling to make confidential reports on banks public
- RBI said this was advisory to the bank management for rectifying weaknesses as making it public could lead to repercussions for banks

2. RBI pulls out circular asking banks to reveal their IL&FS exposure

Group entities of IL&FS began to default because of asset liability mismatch in the second quarter of 2018-19

Subrata Panda

With the National Company Law Appellate Tribunal (NCLAT) allowing banks to declare the defaulting accounts of Infrastructure Leasing & Financial Services (IL&FS) group as non-performing assets (NPAs), the Reserve Bank of India (RBI) on Wednesday withdrew its previous circular asking banks, financial institutions to declare details of their exposure to the group that are bad loans.

According to the NCLAT order, banks can declare the defaulting accounts of the beleaguered group as NPAs but they cannot start the recovery process and debit money until a resolution for the group is found.

Group entities of IL&FS began to default because of asset liability mismatch in the second quarter of 2018-19. Its payment obligations on maturing loans were far more than its cash flows. The defaults caused a liquidity squeeze in the markets, affecting the non-banking financial companies and the housing finance companies adversely. The group companies have a debt of more than Rs 94,000 crore.

FINANCIAL EXPRESS

3. Banking frauds: IBA seeks applications to make forensic auditors' list

By: [FE Bureau](#)

The Indian Banks' Association (IBA) on Tuesday invited applications for the empanelment of firms to conduct forensic audit of frauds in the banking industry. The industry body plans to rope in firms for two separate categories of frauds — up to Rs 50 crore and above Rs 50 crore. According to a document put out by the IBA, auditors whose terms are expiring on August 27, 2019 will have to send in applications through this route. Those whose terms end on October 15, 2020 will not be required to apply.

At present, 72 audit firms are on IBA's list of empanelled entities for conducting forensic frauds of up to Rs 50 crore, all of whom will see their terms ending on August 27, 2019. The list includes the likes of Alvarez & Marsal India, Ernst and Young, BDO India, Price Water House Coopers, BMR Advisors, Deloitte and KPMG.

Among the 39 firms empanelled for audits of frauds of over Rs 50 crore whose term ends in August this year is Grant Thornton as also the others named above.

The number of bank frauds involving amounts of Rs 1 lakh and above stood at 5,917 in FY18, up 17% from 5,076 in FY17, according to a February 2019 statement by the ministry of finance placed in Parliament.

In a separate reply to a question in Parliament, the ministry said that the aggregate reported amount for frauds involving an amount of Rs 1 lakh and above, as reported by scheduled commercial banks (SCBs) and select financial institutions, stood at Rs.41,167.71 crore in FY18, up 72% from Rs.23,933.85 crore in the previous financial year.

Following the letter-of-undertaking (LoU) scam unearthed at Punjab National Bank (PNB) in February 2018, the government had issued what it called the framework for timely detection, reporting and investigation into large-value bank frauds to public sector banks (PSBs).

The framework mandated that all accounts exceeding ` 50 crore, if classified as non-performing assets (NPAs), be examined by banks from the angle of possible fraud and a report placed before the bank's committee for review of NPAs on the findings of this investigation.

PSBs would also be required to carry out an examination for wilful default immediately upon reporting fraud to RBI and seek a report on the borrower from the Central Economic Intelligence Bureau in case an account turns NPA.

Economic Times

4. Religare Finvest skips April installment to banks; proposes debt resolution plan

The Religare group company has been going through difficult times in the recent past on account of mismanagement and misappropriation of funds, RFL said in a release

PTI|

Religare Finvest Limited (RFL) failed to pay installment of principal amount on its loans in April and has proposed a debt resolution plan (RP) to banks, according to a statement Wednesday. The Religare group company has been going through difficult times in the recent past on account of mismanagement and misappropriation of funds orchestrated by the erstwhile promoters, RFL said in a release.

This has resulted in the RBI putting RFL under a Corrective Action Plan (CAP) in January 2018.

"However, given the inherent asset-liability mismatch, RFL has proposed a debt resolution plan (RP) to streamline its liability profile," it said, adding that the reference date for the RP is April 1, 2019.

The banks are in the process of seeking internal approval for the RP, it added.

"As per the RP from the reference date, RFL is in a standstill arrangement and is required to service only interest. The principal installments will be restructured to align with asset maturity profile. In line with this RP, RFL did not pay the banks the principal installments falling due during April 2019," the non-banking financial company said.

However, RFL said it had adequate funds from its operations to meet the April installment.

RFL said despite the RBI action, it has made principal repayments and interest payments of over Rs 4,400 crore till end of March 2019 and banks and financial institutions were kept current by that time.

Further, it said the rating agencies have considered non-payment of the April principal installment as a technical default and downgraded its rating to D (ICRA: from BB to D, Fitch: Long term loans - from B+ to D and Tier 2 - from B+ to C).

As a part of RP, banks have separately appointed two rating agencies for rating the entire RP and the same would be applicable once the plan is implemented.

"The operations and financial position of the other group companies, Religare Housing Development Finance Corporation Limited and Religare Broking Limited are not affected by the impact of this development in RFL and both are current with all the banks, with all the banks, without any delay in debt servicing," it said.

BUSINESS LINE

5. RBI Governor, finance panel chief discuss need for expenditure codes

[Our Bureau](#)

The setting up of State finance commissions, public sector borrowing requirements and the continuity of the Finance Commission were among the issues discussed by RBI Governor Shaktikanta Das and Finance Commission Chairman NK Singh here on Wednesday.

"It was felt that this was required more in view of the fiscal management requirements of the States, especially given the absence of mid-term reviews of awards granted by the Finance Commission, as it used to happen earlier with the awards granted by the Planning Commission," said a press statement issued after the meeting.

The need for expenditure codes — especially given that expenditure norms vary from State to State — and the role of States in growth and inflation were also discussed.

The RBI made a detailed presentation to the Finance Commission on State government finances for FY20

During his two-day visit to Mumbai, the Finance Commission chief is slated to have meetings with banks, financial institutions and economists as well.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)
GENERAL SECRETARY**