



Banking News

Estd. 20-4-1946

23 JULY, 2016

NEWS BULLETIN from ALL INDIA BANK EMPLOYEES' ASSOCIATION

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**WE OPPOSE PRIVATISATION OF BANKS
BECAUSE
IT IS PRIVATISATION OF HARD EARNED
SAVINGS OF THE PEOPLE
TOTAL DEPOSITS IN BANKS: 1,16,00,000 CRORES**

**ALL INDIA BANK STRIKE ON 29TH JULY, 2016
BY 10 LACS EMPLOYEES & OFFICERS OF PUBLIC SECTOR BANKS,
OLD PRIVATE BANKS, FOREIGN BANKS, REGIONAL RURAL BANKS
AND CO-OPERATIVE BANKS**



AIBEA – AIBOA



Public sector banks' NPAs have doubled, says staff association



21st July 2016

CHENNAI: The gross non-performing assets in public sector banks have nearly doubled last financial year, alleged the All India Bank Employees Association, which has gone public with the names of the defaulters.

The association added that the government and RBI were not taking tough measures to recover bad loans.

According to the figures, the NPAs in public sector banks has risen from Rs 2.78 lakh crore in 2014-15 to Rs 5.39 lakh crore in 2015-16. It has also released the names of 5,600 wilful defaulters.

"People should know who are the defaulters, as the loan amount is given from public money. When poor borrowers are harassed, corporate defaulters are given all concessions. The number of wilful defaulters is also on the rise," alleged CH Venkatachalam, general secretary of the association.

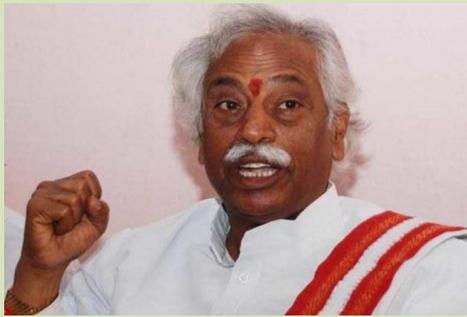
He said that there are 3,192 accounts of wilful defaulters in nationalised banks (excluding SBI and associate banks), who have defaulted on loans worth Rs 28,775 crore.

Similarly, there are 1,546 accounts in SBI and associate banks that have defaulted on loans worth Rs 18,576 crore. In the case of private banks, there are 792 bank accounts that have defaulted on loans worth Rs 10,250 crore.

Finance Ministry rejects Workers' Bank proposal by EPFO

Then Labour Secretary Gauri Kumar had earlier said EPFO might not have the core competence to run a Workers' Bank.

By: PTI | Hyderabad | Published: July 20, 2016



Labour Minister Bandaru Dattatreya had earlier said a committee in CBT is examining the issue to come up with suggestions. (Reuters)

The Ministry of Finance has rejected a proposal for setting up a Workers' Bank by Employees' Provident Fund Organisation(EPFO), according to a senior official of the Labour Ministry.

Earlier, the EPFO had sent proposals to the Finance Ministry seeking permission to start a bank to serve its members.

The EPFO, which has about 3.7 crore subscribers, wanted to set up a bank and the proposal was discussed in the Central Board of Trustees' (CBT) meeting on December 19, 2014.

CBT is the apex decision making body of EPFO.

"The bank proposal was rejected by the Ministry of Finance. They are of the opinion that we do not have necessary competence for running a bank. Some internal discussions are going on in the Ministry. We are trying to come up with answers to satisfy Finance Ministry's queries," the official told PTI on condition of anonymity.

The core idea of setting up the bank is not to make huge profits, but to serve our own members primarily, the official said.

Another senior official of the EPFO said currently it manages funds to the tune of Rs 7.5 lakh crore and another Rs 2.5 lakh crore will be with the organisations of companies who were exempted to deposit PF with EPFO.

Then Labour Secretary Gauri Kumar had earlier said EPFO might not have the core competence to run a Workers' Bank.

However, the suggestions for such bank can be referred for consideration of Department of Financial Services based on discussions in CBT.

Labour Minister Bandaru Dattatreya had earlier said a committee in CBT is examining the issue to come up with suggestions.

'We are today 50% of the ARC market'

TANYA THOMAS / K RAMKUMAR BUSINESSLINE 22 7 16

From the beginning we wanted to be revival-focussed, says Edelweiss ARC chief

With about ₹27,000 crore of assets under management, Edelweiss Asset Reconstruction Company has emerged as the largest buyer of stressed corporate loans. In an interview with *BusinessLine*, Siby Antony, MD and CEO, emphasised that his company is focussed on turning around stressed assets and not just stripping them and selling them in parts. The parent company Edelweiss Financial Services, which is also the sponsor of the ARC, is committed to investing around ₹1,000 crore a year to expand the portfolio. Excerpts from the interview.

How has Edelweiss ARC evolved over the last few years?

We got the licence at the end of 2009 and we started the business in March 2010. At that time, banks would try their best (to make recovery themselves) and just before the asset became junk they would sell it to an ARC and tell us to recover whatever is possible, much like a scrap dealer.

We wanted to be different and from the beginning we said we wanted to be revival-focussed. We would not go for asset stripping and selling. The first three assets we bought out paying full cash and turned them around, and all three are working well today. That was the proof of concept for our ARC.

Then we raised three funds. Fund-raising domestically was difficult. The first fund was ₹90 crore and second, ₹250 crore. The third was an offshore fund of \$77 million — all these happened in 2010-12. We've exited the ₹90-crore fund and given an IRR (internal rate of return) of 20-25 per cent and now the profit is getting distributed.

Our assets under management now are at ₹27,000 crore. We are today 50 per cent of the ARC market. If you really look at this, the average consideration that I paid is 50 per cent. The quantum of NPAs (non-performing assets) we purchased is ₹58,000 crore and the cash invested by us (₹2,500 crore) has gone to the banks. This year, the government has recapitalised banks to the extent of ₹25,000 crore. Another 10 per cent on that we gave to the banks.

How has the regulation governing ARCs changed over time?

In 2013, Raghuram Rajan took charge of RBI and in his first statement he said there was infrastructure — ARC and DRT (debt recovery tribunal) systems — available to banks to manage NPAs, but banks weren't using them. Rajan asked them to use the infrastructure already available to them.

He asked banks to sell the NPAs to ARCs. But importantly, he said they should sell fresh NPAs, so there is life left in them and ARCs can try to revive them. That's when banks started selling in the 5:95 structure. (ARCs buy bad loans from banks and to hold these assets, they set up a trust, which issues security receipts (SRs). Before August 2014, 95 per cent of the receipts were issued to the banks while the ARCs were required to invest and hold a minimum of 5 per cent of the receipts).

All major banks started selling and we had built a good team for cash deals and we started acquiring assets. And Edelweiss believed this should be a core business. By August 2014, rules changed. Rajan said banks were using the 5:95 tool for book management and that assets should be sold at the right price. That's how the 15:85 structure came in, and he said ARCs should have more skin in the game. (In the new structure, the ARCs' contribution was raised from 5 per cent of the SRs to 15 per cent.)

We felt this (change in rules) was an opportunity and by that time we had developed good relationship with banks. At 5:95, banks dictated the price of the asset and we had to buy them. They weren't willing to take a haircut. The new 15:85 is a better structure.

What are the metrics you look to identify a bad loan that can be revived?

We look at the industry and the company's own potential within it. Bharat Shipyard is one of the largest assets we have — we can revive and hand it over to a strong company later on for a good valuation. We want to keep it running for now. Ultimately, I'm a custodian of banks' funds. I need to recover the maximum I can and give it back to the banks. I have that fiduciary responsibility.

With Bharti, I have got 30 per cent of the total dues, of the principal I have purchased. So, I can give banks a good profit. The principal outstanding was ₹8,500 crore. They sold it to me at 30 per cent. They took that haircut.

Banks are now selling single assets because in the 15:85 structure, no ARC will buy assets in a basket. The 5:95 structure was basically a management fee-driven business and banks wanted to manage the books. Now with 15:85, you have to know your resolution strategy because my share capital is Rs 100 crore and I have to give 15 per cent from that. That is an investment. Five per cent was an agency business but now I have moved to being a capital provider to the bank.

Internationally, developed countries have no structure like this. If an asset has gone bad, banks sell it out in the market at 25 cents to the dollar. At that, you can buy an asset. Here banks don't want to do that because banks want to share the upside if there's any. That's why the SR structure has come in.

Is SR a better structure then?

The security receipt structure is good for banks. That's why foreign funds have been slow in coming into India. They don't want the SR structure, they want to buy the assets outright. If KKR wants to buy an asset, they would love to buy it outright because the return can be much higher that way. Nobody wants to be in this management fee and upside-sharing business.

What is sponsor Edelweiss' commitment to you?

I have a commitment from Edelweiss that they will invest Rs 1,000 crore per annum. That means we can buy assets of about Rs 7,000 crore a year. Last year, we put in Rs 1,200 crore and the quantum of assets I acquired through

2015-16 was around Rs 8,000 crore. This year it will be the same, if not more.

Union anger as Bank of Ireland closes eight branches

Belfast Telegraph

PUBLISHED 20/07/2016

The Bank of Ireland is closing eight Northern Ireland offices due to 'insufficient business'

The Bank of Ireland is closing eight branches in Northern Ireland.

Branches in Castlereagh, Draperstown, Antrim, Belleek, Castlederg, Newtownards, Maghera and in Donegall Square South behind Belfast City Hall are to shut on a phased basis starting in the autumn.

The bank said the 54 staff who work in the impacted branches will be able to "transfer, redeploy or relocate to other roles" or apply for voluntary redundancy.

Explaining the restructuring decision, the bank said the volume of business passing through the eight branches was insufficient to sustain in the long term.

It added that the decision reflected the "evolving banking needs" of a growing number of customers who preferred digital banking.

Sean Sheehan, of Bank of Ireland UK, said: "The decision to close branches is not taken lightly, and we understand that it will be disappointing for those customers who use them.

"A key priority will be to ensure customers understand the alternative arrangements available, and to maintain continuity of customer service."

Mr Sheehan added: "We are responding to the continuing shift in customer behaviour towards increased use of digital and online channels, and the changes announced today will put us in the best position to continue to support our customers' changing needs and grow our business in the future."

The bank will continue to operate 28 branches in Northern Ireland.

The Belfast City Hall branch premises will become the bank's first Enterprise Lounge in Northern Ireland, offering entrepreneurs and business start-ups free facilities and services.

The bank said it would write to individual customers affected at least 60 days before their branch closes.

Wednesday's announcement does not impact the bank's branch network in the Republic of Ireland.

The Financial Services Union (FSU) criticised the decision.

FSU general secretary Larry Broderick said: "Given that Bank of Ireland is expected to announce significant profits at the end of the month, this announcement is a kick in the teeth for both customers and staff in Northern Ireland who supported the Bank during the financial crisis.

"At a time when the union is discussing with the bank the impact of existing workloads on both staff and customers, this announcement is a retrograde step which is more focussed on cost cutting and enhancing profits rather than customers and staff."

The FSU said it would commence negotiations with the bank on Thursday.

Mr Broderick said: "The FSU will be challenging the bank's plans and, although the bank has confirmed that all redundancies will be voluntary, the union calls on politicians to support its campaign to challenge this decision in the interest of all stakeholders and the wider Northern Ireland economy."

AIBEA This day – 23rd JULY :

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|------|---|
| 1946 | 13 Days strike on wage demand starts In Bank of India, Bombay |
| 1971 | Residual Issues of 3 rd Bipartite settled. |
| 1988 | Com. Tushar Chakraborti, Former General Secretary, BPBEA Passes away. |



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