AIBEA's Banking News

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NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

Govt committed to shore up ailing PSBs

Eleven state-run banks with deteriorating financial health are under RBI's prompt corrective action framework after failing to meet the parameters set for capital adequacy and non-performing loans

Reserve Bank of India. Banks placed under the PCA framework face restrictions on distributing dividends, remitting profits, branch expansion, higher provisions for bad loans and restrictions on management compensation

May 17 2018 | Remya Nair

live mint

New Delhi: The government is committed to strengthening state-run banks placed under the prompt corrective action (PCA) framework by the Reserve Bank of India (RBI), finance, railway and coal minister Piyush Goyal said on Thursday.

Eleven state-run banks with deteriorating financial health are under RBI's prompt corrective action framework after failing to meet the parameters set for capital adequacy and non-performing loans.

These banks are looking to the government—the majority shareholder—to pump in capital to shore up their books.

"We will ensure that the central government gives every possible support to further strengthen the resolve of these banks to come out of the PCA framework as quickly as possible," Goyal said after a review meeting with the chiefs of these 11 banks.

Banks placed under the PCA framework face restrictions—depending on the degree of deterioration—on distributing dividends, remitting profits, branch expansion, higher provisions for bad loans and restrictions on management compensation. If required, the central bank can also place curbs on lending, like it did recently in the case of Dena Bank and Allahabad Bank.

Besides Dena Bank and Allahabad Bank, the other banks under PCA are Bank of India, Central Bank of India, Corporation Bank, IDBI Bank, UCO Bank, United Bank of India, Indian Overseas Bank, Oriental Bank of Commerce and Bank of Maharashtra.

Goyal said banks would have to show a profit for two years in order to come out of the PCA.

RBI closely monitors these banks' functioning, including advice on the business model, strategy and changes in top management while suggesting plans for non-performing loans.

Goyal said the government is committed to clean up the banking sector, which has been bearing the brunt of rising bad loans and frauds.

"We will ensure very orderly growth of the industry and highest levels of probity and accountability that is expected of public sector banks," he said, adding that the government is committed to ensure that the banking system is back on its feet and sheds the legacy inherited by the government in 2014.

RBI issues final norms on net stable funding ratio

The NSFR limits over reliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items, and promotes funding stability, RBI says

ASF is defined as the portion of capital and liabilities expected to be reliable over a year, the RBI said

May 17 2018 | Alekh Archana

livemint

Mumbai: The Reserve Bank of India (RBI) on Thursday issued final guidelines on so-called net stable funding ratio (NSFR), to ensure banks have sufficient stable sources of funding to finance their activities over the long term.

The concept of NSFR emerged in the aftermath of the global financial crisis, proposed by the Basel Committee on Banking Supervision to make banking sector more resilient. "The NSFR limits over reliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items, and promotes funding stability," the Reserve Bank of India said, adding the ratio is defined as the amount of available stable funding (ASF) in relation to the amount of required stable funding (RSF).

ASF is defined as the portion of capital and liabilities expected to be reliable over a year, the RBI said.

The Reserve Bank of India has mandated an NSFR of at least 100%. But after an RBI assessment, individual banks may have to adopt stricter standards to reflect funding risk and compliance.

The date of NSFR implementation will be communicated later. Banks will have to submit NSFR data for every quarter within 15 days. According to the Reserve Bank of India, these guidelines are based on NSFR rules published by the Basel Committee in October 2014 and take Indian conditions into account.

Apart from NSFR, the Basel Committee also prescribed a liquidity coverage ratio (LCR), to ensure can banks respond promptly to potential liquidity disruptions over the short term. Here, banks must have high quality liquid assets to survive an acute stress scenario lasting for 30 days. In India, LCR would be fully implemented from 1 January, 2019.

Bank of India to get Rs 1,993 cr from Tata Steel-Bhushan Steel deal

PTI | KOLKATA, MAY 19

THE HINDU BusinessLine

The state-owned Bank of India (BoI) would be able to realise around Rs 1,993 crore from the first successful NCLT resolution concerning Tata Steel and Bhushan Steel, an official said.

The amount would not include hair-cuts, BoI managing director and chief executive officer D Mohapatra said.

The realisation of the amount would lead to NPA reduction and increase profitability of the bank, he said.

"The first successful NCLT resolution involving Tata Steel and Bhushan Steel will help in realise Rs 1,993 crore. If there are haircuts, the amount will be written back from provisioning," Mohapatra told at news conference here today.

In the first list of 12 accounts sent to NCLT for resolution under Insolvency and Bankruptcy Code (IBC), BoI's exposure was Rs 8,300 crore. In the second list of 27 accounts, the exposure was Rs 3,000 crore, he said.

"Once all the resolutions are successfully completed who is expected in FY 2019, the bank will see a rise in profitability", he added.

Under the Standby Letter of Credit (SLOC) scheme, the bank was able to recover Rs 9,000 crore and some Rs 500 crore remains, he said.

Mohapatra said that Punjab National Bank (PNB) had returned Rs 2,500 crore to BoI which it had honoured in the Nirav Modi scam.

The bank was also in the process of rationalising the number of ATMs based on cost-benefit analysis, he said.

Retail, agri and MSME advances constituted more than 50 per cent of the total lending of the bank, Mohapatra said.

Monetary policy committee to meet for three days from June 4

PTI | MUMBAI, MAY 17

The Reserve Bank of India has advanced the Monetary Policy Committee (MPC) meeting by a day to June 4 and also increased the duration to three days due to "certain administrative exigencies".

It is for the first time that the MPC will meet for three days instead of the usual two. The six-member MPC, headed by the RBI Governor, sets the benchmark interest rate.

On March 21, the central bank had announced the schedule of the bi-monthly MPC meetings for the entire fiscal year 2018-19.

"Owing to certain administrative exigencies, the Second Bi-monthly Monetary Policy meeting for 2018-19 will now be held on June 4-6, 2018 instead of on June 5-6," the RBI said in a statement.

It further said there was no change in the dates of all other MPC meetings for the year 2018-19. The first bi-monthly monetary policy meeting of the fiscal was held on April 4-5 and the panel had decided to maintain status-quo on the interest rate citing inflationary concerns.

MPC was set up by amending the Reserve Bank of India Act, 1934, through the Finance Act 2016. The first meeting of MPC was held in October 2016. Prior to setting up of MPC, the RBI Governor used to decide the interest rate.

Centre promises help to 11 PSBs under PCA net

Finance Minister Piyush Goyal meets bank chiefs

OUR BUREAU
NEW DELHI, MAY 17

Finance Minister Piyush Goyal on Thursday expressed confidence that the 11 public sector banks (PSBs) currently under the RBI's Prompt Corrective Action (PCA) framework will be able to overcome their "legacy issues" quickly.

"The Centre will, over the next few days, ensure that every possible support is given to strengthen the resolve of these banks to come out of the PCA framework as quickly as possible," Goyal told reporters after a meeting with the heads of the 11 PSBs.

These banks will be able to continue to serve the common man through more "aggressive" banking, maintaining the highest standards of ethics and integrity, he added.

The 11 PSBs that are under the RBI's PCA framework are IDBI Bank, UCO Bank, Bank of India, Central Bank of India, Indian Overseas Bank, Dena Bank, Oriental Bank of Commerce, Bank of Maharashtra, United Bank of India, Corporation Bank and Allahabad Bank.

PCA is a process or mechanism to ensure that banks do not go bust. Under this framework, the RBI has put in place some trigger points to assess, monitor, control and take corrective actions on banks that are deemed to be weak and troubled.

It was first introduced after the global economy incurred huge losses due to the failure of financial institutions in the 1980s and 90s.

Key parameters

According to the latest framework, banks placed under PCA watch are assessed on three parameters: capital ratios, asset quality and profitability. Indicators to be tracked for these three parameters are capital to risk weighted assets ratio (or common equity tier I ratio), net non-performing assets ratio and return on assets.

If a bank breaches any of the risk thresholds, it results in invocation of the PCA.

The central bank had tightened its PCA framework in April 2017 to turn around lenders with weak operational and financial metrics.

Depending on the risk thresholds set in the PCA rules, banks placed under it are restricted from expanding the number of branches, recruiting staff and increasing the size of their loan books.

Other restrictions include higher provisions for bad loans and disbursal only to those companies whose borrowing is rated above investment grade.

Central Bank Q4 loss widens to ₹2,113 cr on higher provisioning

OUR BUREAU
MUMBAI, MAY 17
THE HINDU BusinessLine

Due to huge loan-loss provisioning, Central Bank of India's net loss widened to ₹2,113 crore in the fourth quarter ended March 31, 2018, against ₹592 crore in the year-ago quarter.

For the financial year ended March 31, 2018, the public sector bank's net loss widened to ₹5,105 crore, against ₹2,439 crore in the previous financial year.

Loan-loss provisions during the reporting quarter amounted to ₹4,832 crore. This includes ₹725 crore in additional provisions made in respect of non-performing assets covered under the Insolvency and Bankruptcy Code.

As of March-end 2018, deposits were almost flat at ₹2,94,839 crore. Advances were up 12 per cent year-on-year at ₹1,56,542 crore.

India drags U.S. to WTO

PTI
NEW DELHI, MAY 19, 2018

Import duties on aluminium, steel will hit their exports, says Centre

India has dragged the U.S. to the World Trade Organisation's (WTO) dispute settlement mechanism over the imposition of import duties on steel and aluminium, an official said.

India has stated that the decision will impact exports of these products to the U.S. and it is not in compliance with global trade norms.

"India has filed a dispute under the aegis of the WTO on the issue of imposing import duties by the U.S. on certain steel and aluminium products," the official said.

The country has sought consultations with the U.S. under the WTO's dispute settlement mechanism.

Seeking consultation is the first step of dispute settlement process. If the two nations are not able to reach a mutually-agreed solution through consultation, India may request for a WTO dispute settlement panel to review the matter.

On March 9, U.S. President Donald Trump imposed heavy tariffs on imported steel and aluminium items, a move that has sparked fears of a global trade war.

Mr. Trump signed two proclamations that levied a 25% tariff on steel and a 10% tariff on aluminium imported from all countries except Canada and Mexico.

India too has sought exemptions from the hefty tariffs.

Biswajit Dhar, the professor of economics at Jawaharlal Nehru University, said the U.S. decision would not only impact India's export of these goods but would also affect global trade.

India's exports of steel and aluminium products to America stood at about $1.5 billion every year.

Some experts, however, opined that dragging the U.S. in the dispute over the issue is not in favour of India as New Delhi has a trade surplus with America. India's exports to the U.S. in 2016-17 stood at $42.21 billion, while imports were $22.3 billion.

Several disputes

Both the countries are already involved in disputes at the global trade body. The disputes are in the areas of poultry, solar and steel.

The U.S. recently filed a dispute against India on export incentives alleging these support measures harm its workers by creating an uneven playing field.

AIBEA THIS DAY MAY 20	
1964	All India Badge wearing and demonstration on wage revision after expiry of Desai Award.
1988	Calcutta High Court vacates stay on several injunction orders (on 5th Bipartite) sought by some minority unions demanding arbitration.
2007	Tsunami Welfare Projects donated by AIBEA comrades. Dedicated at Cuddalure, Tamilnadu
2010	AIBEA Central Committee Meeting at Chennai - 9th Bipartite Settlement endorsed.

AIBEA THIS DAY MAY 20	
1956	Formation of All India Central Bank of India Employees' Federation at Madras. Com. G Srinivasan elected as Secretary.
2003	AIBEA Office Bearers meeting at Calcutta.
2004	General Strike by Central Trade Unions; against Anti people, anti labour policies

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