AIBEA's Banking News

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NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

Congratulations P.V. Sindhu on your wonderful achievement – We are proud of you - AIBEA

AIBEA greets P V Sindhu on her winning World Badminton Championship-2019, the first Indian to achieve this. May she bring more laurels to India.

RBI To Transfer Rs. 1.76 Lakh Crore To Government

The Reserve Bank follows a July-June financial year and the dividend is usually distributed in August after annual accounts are finalised.

Abhishek Jejani August 26, 2019

NDTV PROFIT

The Reserve Bank of India (RBI) on Monday said that its central board has accepted the recommendations of Bimal Jalan Committee and approved surplus transfer to the government. The RBI will transfer a sum of Rs. 1,76,051 crore to the government which comprises a surplus of Rs. 1,23,414 crore for 2018-19.

"The Central Board of the Reserve Bank of India (RBI) today decided to transfer a sum of Rs.1,76,051 crore to the Government of India (Government) comprising of Rs. 1,23,414 crore of surplus for the year 2018-19 and Rs. 52,637 crore of excess provisions identified as per the revised Economic Capital Framework (ECF) adopted at the meeting of the Central Board today," the RBI said in a statement.

The Bimal Jalan Committee was constituted to suggest appropriate reserves that RBI should maintain and dividends it should pay to the government. The Jalan Committee had submitted its report to the RBI Governor on Friday.

The Reserve Bank follows a July-June financial year and the dividend is usually distributed in August after annual accounts are finalised.

Do not strangle the voice of workers and employees through dilution of labour laws.

Conference of Meghalaya Bank Employees Association (MBEA) Concludes

August 25, 2019 CORRESPONDENT, SHILLONG:

The Sentinel
of this land, for its people

The Meghalaya Bank Employees Association (MBEA) on Saturday said that there is a systematic agenda to strangle the voice of workers and employees through dilution of labour laws, introduction of wage bill that ultimately provides free hand to employers to subvert the minimum wages criteria and also disown the right-hours work per day.

"This despite tall claims of resounding economy, job market is shrinking and the country is passing through a phase of highest level of unemployment in the last five decades," JL Das chairman of the reception committee said during the 10th conference of the MBEA.

CH Venkatachalam, general secretary of the **All India Bank Employees Association (AIBEA)** who also spoke on the occasion said that the present Central Government has its own agenda on banking.

"Yesterday, the Finance Minister was talking about the revival of the economy and most of the measures she was talking about has to do with banking," Venkatachalam said.

It may be mentioned that a some of the measures to be undertaken by the Centre to revive the economy is to release Rs 70,000 crore upfront for PSU bank recapitalization and banks to pass on interest rate cuts; move to external benchmarking of rates to repo rate.

The AIBEA chairman said that in 1969 when banks were nationalized there were 8,000 bank branches in the country and presently there are about one lakh bank branches with over 13 lakh employees.

"Such vast has been the expansion but how have we benefitted," the AIBEA general secretary said.

Venkatachalam also said that the AIBEA should fight against privatisation of banks.

"We should fight against privatization of banks. What will happen to small States like Meghalaya if banks are privatized," he asked.

Meanwhile, Osmand EJ Nongbri, Managing Director, Meghalaya Co-Operative Apex Bank said that people working in the banking sector should adapt to changes.

Stating the baking has upgraded itself through IT revolution, Nongbri said, "It is a challenge before us and we have to make ourselves relevant by updating ourselves."

Why banks are turning conservative when investing in commercial papers, MFs

K Ram Kumar Mumbai | August 26, 2019 BUSINESSLINE

G-Sec investments, however, edge up Y-o-Y till June 21

Banks have become selective with investments in commercial papers issued by India Inc. They have also curtailed investments in mutual funds following defaults on debt by IL&FS, DHFL, and Cox & Kings.

This is underscored by the fact that banks' investment in commercial papers (CPs) contracted 24 per cent year-on-year (y-o-y) at Rs 97,240 crore as on June 21, 2019, against Rs 1,27,420 crore as on June 22, 2018.

Further, as per Reserve Bank of India data, banks' investment in instruments (units) issued by mutual funds declined 22 per cent y-o-y at Rs 55,630 crore as on June 21, 2019, against Rs 71,540 crore as on June 22, 2018.

RK Gurumurthy, Head-Treasury, Lakshmi Vilas Bank, said: "As part of liquidity management, we invest short-term excess liquidity in money market instruments such as CPs of top-rated issuers. After the September 2018 NBFC debacle, where defaults by IL&FS and DHFL led to sharp rating downgrades and liquidity crisis, we are extremely cautious and selective in our investment decisions.

"Investment policies have undergone significant changes and the bank invests selectively in top-rated companies and instruments."

This, however, has a flip side: The coupon/yield of highly-rated companies for shorter maturities is well below 7 per cent, while the cost of funds, adjusted for reserve and capital costs, may still be too prohibitive to invest in these CPs.

"Therefore, we are less inclined to invest in such money market instruments, and this could well be the case across the system. Credit risk is an additional deterrent," explained Gurumurthy.

CPs are unsecured money market instruments issued by corporates and financial institutions in the form of promissory notes. They are usually issued with fixed maturities from one day to 270 days for financing accounts receivables, inventories, and meeting short-term liabilities.

Safe haven G-Secs

Even as their investments in CPs and financial instruments issued by mutual funds dwindled, banks' investments in Central government securities (G-Secs), including Treasury Bills, and State government securities, edged up to stand at Rs 34,66,650 crore as on June 21, 2019, against Rs 33,96,560 crore as on June 22, 2018.

G-Secs are tradable instruments issued by the Central or State Governments, acknowledging their debt obligation. Such securities are short-term (Treasury bills with original maturities of less than one year) or long-term (government bonds or dated securities with original maturity of one year or more).

Credit quality

Gurumurthy observed that in view of the deteriorating credit quality, the difference (in yields) between top-rated companies and others is so wide that banks cannot afford to invest in the former, and yet expect to make a profitable spread.

Hence, he emphasised: "We are rather comfortable in staying invested in risk-free gilt-edged securities. To the extent ALM (asset liability management) gaps allow, investment in Treasury bills is even better as there is no mark-to-market risk."

Wary of MFs

Market players say banks' investment philosophy in mutual funds has undergone a change. Newer valuation guidelines and crisis-of-credit-confidence has been a key factor for staying away from these investments for sometime now.

According to Gurumurthy, return of capital rather return on capital is the guiding mantra for banks now.

With some NBFCs facing liquidity issues due to the ripple effect of debt defaults by the IL&FS Group, which predominantly funded infrastructure projects, they have turned conservative in lending. In fact, NBFCs have been selling pools of assets to banks to generate liquidity so that they can originate new business.

So, pool purchase of assets is also one of the reasons why banks' non-food credit increased 12 per cent y-o-y to Rs 94,77,500 crore as on June 21, 2019, against Rs 84,53,140 crore as on June 22, 2018.

ED raids Deccan Chronicle Holding Ltd in over Rs.1,000-cr bank fraud

New Delhi on August 24, 2019 BUSINESSLINE

Enforcement Directorate (ED) on Friday raided residences and offices of promoters of media company Deccan Chronicle Holding Private Ltd, T Venkatram Reddy and T Vinayakravi Reddy, to gather evidence of possible money laundering, in case of a bank fraud which runs over Rs 1000 crore.

The total outstanding amount due to all the banks put together is now pegged at more than Rs 8,000 crore. The searches in Hyderabad and New Delhi were conducted under Prevention of Money Laundering Act (PMLA) 2002 on Friday, an ED press statement stated.

"The search resulted in the seizure of incriminating documents relating to immovable properties and digital evidences, two luxury cars and demonetized currency to the extent of five lakh rupees. The digital evidence is being analyzed further to trace the diversion of loan funds," the statement further said.

The total bank fraud which was chargesheeted by Central Bureau of Investigation (CBI), which led to ED action includes Rs 357.77 crore of Canara Bank, Rs 225.77 crore of Andhra Bank, Rs 72.61 crore of Indian Overseas Bank, Rs 72.03 crore of Central Bank of India, Rs 116.35 crore of Corporation Bank and Rs 317.4 crore of IDBI Bank totalling to Rs 1161.93 Crore.

ED had already attached 19 immovable and movable assets worth Rs 263 crore in 2017.

ED probe further revealed: "There are allegations that the accused individuals and others defrauded the banks by availing loans by projecting a false rosy financial picture and fabricated advertising revenues and then subsequently diverted the funds from the stated business purposes for their personal enrichment and also fraudulently invested in other concerns like Odyssey India Limited, Deccan Chargers Sporting Ventures Limited, an IPL Team which was suspended for match fixing, Flyington Freighters Ltd which was used to divert □227.85 crore to purchase 12 cargo planes from Airbus SAS France and Sieger Solutions Limited causing massive losses and subsequent non-performing assets to banks.”

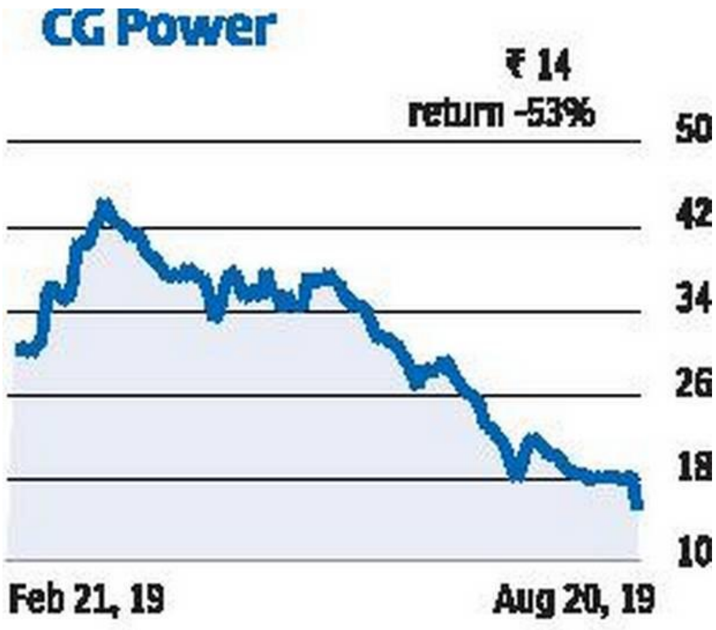
CG Power reports massive fraud

Mumbai | August 20, BUSINESSLINE

Firm says liabilities understated by thousands of crores; stock tanks 20%; YES Bank, too, singed

A financial fraud worth thousands of crores has been detected at the Gautam Thapar-promoted CG Power and Industrial Solutions.

The company on Tuesday informed stock exchanges that an investigation by an independent law firm had found that some employees had carried out unauthorised transactions, which led to a potential understatement of not only the liabilities of CG Power but even advances to related and unrelated parties of the company and the group.



CG Power shares crashed 20 per cent on Tuesday. Following this, the share price of banks and asset management companies with holdings in the company also crashed.

Public shareholders of CG Power are now stuck as they may not be able to exit the stock.

The CG Power promoters have pledged 100 per cent of their holding in the company. YES Bank fell 7.1 per cent as it holds a nearly 13 per cent stake in the company, acquired through the revocation of a pledge.

Other large shareholders include HDFC MF with 9.18 per cent, Aditya Birla MF: 8.94 per cent; Franklin Templeton: 3.1 per cent; LIC: 2.25 per cent; Reliance Capital: 2.03 per cent and IDFC Sterling Fund with 1.53 per cent.

Unauthorised transactions

"The total liabilities of the company and the Group may have been potentially understated by approximately Rs1,053.54 crore and Rs 1,608.17 crore, respectively, as on March 31, 2018; and by Rs 601.83 crore and Rs 401.83 crore, respectively, as on 1 April 1, 2017," the company said in the statement to exchanges.

CG Power further disclosed that the advances to related and unrelated parties have been potentially understated by Rs 1,990.36 crore and Rs 2,806.63 crore, respectively, as on March 31, 2018; and by Rs 1,479.34 crore and Rs 1,331.47 crore, respectively, as on April 1, 2017.

CG Power Managing Director KN Neelkant was away from day-to-day management during the investigation and Chief Financial Officer VR Venkatesh, who had resigned on March 8, was asked to continue till the year ended March 31, 2019.

Legal and shareholder advisors told BusinessLine that even the company's independent directors should be in the dock for failing to raise the alarm on questionable deals for years. "Independent directors should be asked why they failed in raising concerns when all these questionable deals were going on. After all, they have a role to play on the board ... but nobody seems to hold them responsible. It has been seen in the IL&FS fiasco, too," said JN Gupta, former SEBI Executive Director and founder of shareholder advisory SES.

Loans without authorisation

The investigations also found that certain assets of the company were purportedly provided as collateral without due authority; and the company was made a co-borrower and/or guarantor for enabling ostensibly unrelated third parties to obtain loans without due authorisation. "The moneys so obtained were immediately and without due authorisation routed out of the company, either by itself or from its subsidiaries or ostensibly unrelated parties to certain related parties," CG Power disclosed.

"These transactions appear to have been carried out by various means, including inappropriate netting off, using ostensibly unrelated third parties, routing transactions through subsidiaries, promoter affiliate companies and other connected parties. These may have potentially resulted in misstatement of past financial statements," CG Power said. The board has ordered a forensic investigation in the entire matter.

Pranab Mukherjee expresses concern over state of economy

KOLKATA, AUGUST 26, 2019

In the last couple of years, the frequency and scale of frauds revealed to stakeholders and the public at large have been astonishing, says former President Pranab Mukherjee. File | Photo Credit: PTI

Frequency, scale of frauds in last two years astonishing, says ex-President

Former President Pranab Mukherjee has expressed concern over certain negative trends in the economy. In a subtle critique, the seasoned politician said the economy had not learnt the lesson from the past scandals and frauds. In a direct reference to the irregularities at the Punjab National Bank (PNB) over Nirav Modi's massive fraud and serious regulatory issues at the Infrastructure Leasing & Financial Services (IL&FS), he pointed out at the gaping "systemic" loopholes.

"In the last couple of years, the frequency and scale of frauds revealed to stakeholders and the public at large have been astonishing. Many would have thought that post-Satyam scandal lessons were learnt and proper governance practices put in place. However, with irregularities at Punjab National Bank (PNB), Infrastructure Leasing & Financial Services (IL&FS), amongst others, coming to the fore, the burning questions about loopholes in the system, accountability, risk management, etc., are again up for debate in the corporate world," he said.

Mr. Mukherjee was speaking at the annual lecture of the Association of Corporate Advisers and Executives (ACAE) here on Saturday. He said if the activities of the fraudsters were not put under check, economic development would be stalled "as no meaningful economic development will take place in an environment where misappropriation and embezzlement is all we hear in the news on a daily basis".

The promise of $5-trillion economy by the current regime depended entirely on external factors like the value of the currency and the real growth and econometric jugglery, the former President said. The indirect reference to the economic growth figures that the government had sought to prop up was clear.

"Chartered accountants are trained to be at the front seat in the fight against fraud in our time. This however will not be an easy task as the mix of accounting, law and IT skills are required for accountants to be well positioned to effectively fight fraud," he said.

The new insolvency and bankruptcy laws had the government place a huge faith on accounting and legal professionals. "They can play pivotal role in reshaping the economy. By resolving insolvencies, a better business doing environment can be created. The NPA management will be easier and in turn money lending market in the country will be improved."

Mr. Mukherjee said the economy continued to slow down since 2010. "The growth rate has now sunk from 9.3% in the first quarter of 2010 to 5.8% in the last quarter of 2018-19. The annual GDP is at a 5-year low. "Real" or inflation-adjusted GDP grew 6.8% in 2018-19, lower than the previous year's 7.2%. Slowdown signs have been visible since last year, with the GDP growing 6.6% in October-December 2018."

He added that people were buying fewer cars and domestic sales, production and export of automobiles reflected this deceleration.

FM's stimulus too little, too late; devalue rupee to 80: Shankar Sharma

THE ECONOMIC TIMES

26TH AUGSUT 2019

Market veteran Shankar Sharma believes there is a need to devalue the rupee sharply to the 80 level to the dollar to bring back inflation into the system.

In an interaction with ETNOW, he said a devalued currency would bring back pricing power and support earnings recovery. The rupee on Monday slipped as much as 58 paise to 72.25 against the US dollar and hit its lowest level in 2019 so far

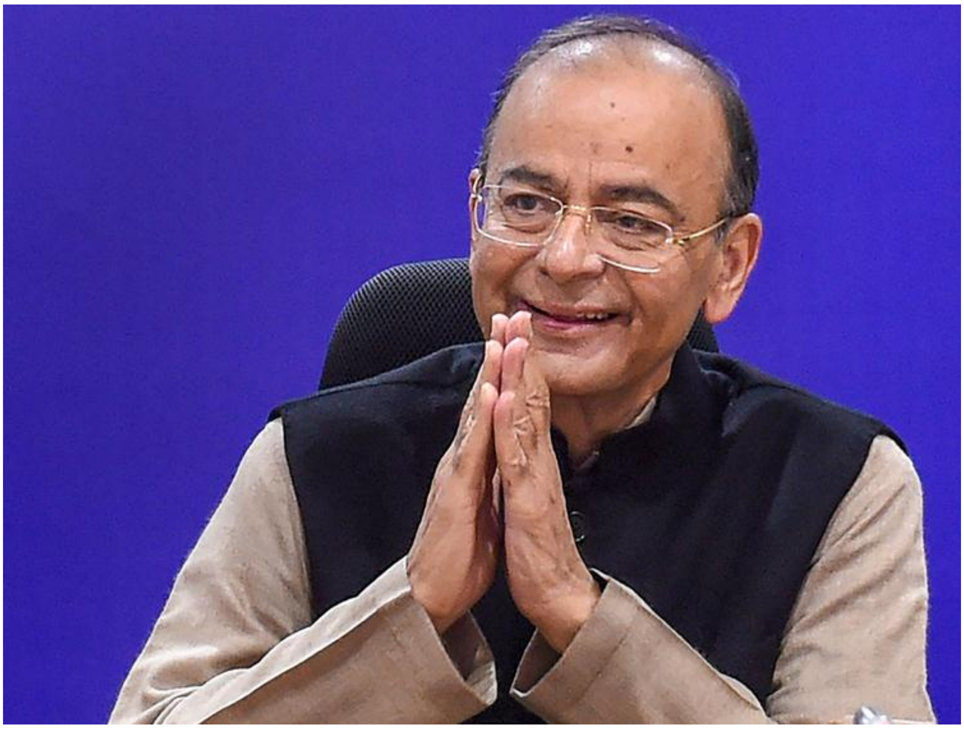
Reacting to the economic booster package unveiled by Finance Minister Nirmala Sitharaman on Friday, which included rollback of enhanced super-rich tax on foreign and domestic equity investors, exemption of startups from 'angel tax', a package to address distress in the auto sector and upfront infusion of Rs 70,000 crore to public sector banks, the benchmark Sensex traded over 500 points higher at 37,217 in afternoon trade, while Nifty gained 130 points at 10,959.

Sharma said that stock market's recovery in response to the FM's measures would be short-lived. "The market forced the government to deal with the slowdown. India has performed in a very disturbing fashion this time around," he said. He said the measures announced by the Finance Minister will not aid economic recovery in the long haul. Sharma said largecap IT firms and insurance companies look like safe pockets. Elsewhere, he is finding it difficult to find value in the battered midcaps and smallcaps. He said he would buy only if a bounce sustains at least 2-3 months. "Market fundamentals do not suggest FII flows will return soon. Corporate India is reluctant to borrow and I do think lending will come back into the system quickly," he said.

Commenting on outflows of foreign portfolio investment, Sharma said overseas investors pulled out money due to economic distress, not because of the surcharge, which government had announced in the Union Budget 2019 on July 5. The FM rolled back the same on Friday.

FPIs have pulled out a net amount of over Rs 24,000 from domestic equities during July and August till date. The market maven said the government should have announced the rollback immediately after the Budget.

We deeply condole the death of Shri Arun Jaitley, former FM – AIBEA.



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