AIBEA's Banking News

2 MAY 2018

NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

RBI silent on banks' customer-unfriendly practices: Bank union

IANS | Chennai April 30, 2018

Business Standard

The Reserve Bank of India (RBI) as the regulator of the banking sector has not taken the banks to task for their customer-unfriendly practices and remained silent, states a Memorandum signed by **All India Bank Employees' Association** along with NGOs.

"The RBI as the banking regulator has been proactive in improving the customer service rendered by banks. However, the RBI has not taken banks to task on the many customer-unfriendly practices that are increasing with impunity," said the Memorandum addressed to RBI Governor Urjit Patel.

According to the Memorandum, over the years, the RBI has remained silent on several anti-depositor actions of banks.

"The Banking Ombudsman's rulings also tend to side with banks, making no attempt to observe the pattern of complaints which would amply bring out rampant mis-selling of insurance and wealth management products," it said.

The Memorandum also drew Patel's attention to its draft circular on limiting customer liability and shifting the onus of proving customer fault on banks which is yet to be converted into a Master Circular to be followed by the banks.

"We feel that with the increased use of digital payments post the demonetisation drive, it is necessary to have in place a mechanism or system to protect customers from unauthorised banking transactions," the Memorandum said.

It also said effective portability of bank accounts is a good antidote to several restrictive practices followed by the banks, and has been successfully implemented in the telecom sector and helped consumers.

The Memorandum said no practical portability option exists in banking primarily due to standing instructions for both incomes (pensions, annuities, dividends, interest) and expenses (utilities and others) and the difficulties associated with changing those standing instructions.

Portability of loan exists on paper, but has to be made easier and seamless to execute without imposing fiscal and non-fiscal burden on the consumer.

The Memorandum also pointed out the customer agreements drafted by the banks which are not customer-friendly and their interests, frequent increase in bank charges.

"A Master circular/notification by the Reserve Bank giving teeth to the Charter of Customer Rights with clear provisions fixing timelines for redressal and escalation, penalty for negligent service and interest/compensation to customers for losses caused due to mis-selling is urgently needed," the Memorandum noted.

Govt identifies 4 RRBs for IPOs; public issue likely this year

PTI | NEW DELHI, APR 30

BusinessLine

The government has identified four regional rural banks (RRBs) for listing on stock exchanges in line with the Union Budget 2018-19. Guidelines for the listing are almost ready, and entail details like quantum of stake dilution, instrument to be floated and category of possible investors in the public issue, sources said.

They further said the four RRBs are eligible to come out with initial public offerings (IPOs) and they may hit the capital markets this year. It is proposed to allow strong RRBs to raise capital from the market to enable them to increase their credit to the rural economy, Finance Minister Arun Jaitley had said in his Budget speech earlier this year.

In a bid to make RRBs eligible and successfully raise capital from the market, a slew of reforms have been implemented including compliance with corporate governance, technology upgradation and capacity building. There are 56 RRBs in the country with a combined balance sheet size of Rs 4.7 lakh crore. Of these, 50 are in profit, according to financial statements of RRBs for March 2017, released by the National Bank For Agriculture and Rural Development (Nabard).

RRBs operating through about 21,200 branches witnessed a 17 per cent rise in net profit to Rs 2,950 crore in 2016-17. Their loans and advances outstanding under various schemes rose 15 per cent to Rs 3.5 lakh crore as of March 2017. These banks were formed under the RRB Act, 1976 with an objective to provide credit and other facilities to small farmers, agricultural labourers and artisans in rural areas.

The Act was amended in 2015 whereby such banks were permitted to raise capital from sources other than the Centre, states and sponsor banks. Currently, the Centre holds 50 per cent in RRBs, while 35 per cent and 15 per cent are with the concerned sponsor banks and state governments, respectively.

Even after stake dilution, the shareholding of the Centre and the sponsor public sector banks together cannot fall below 51 per cent according to the amended Act. As a result, the ownership and control would remain with the government. In order to improve the financial health of RRBs, the government initiated consolidation of RRBs in a phased manner in 2005. The number of RRBs came down to 133 in 2006 from 196 at the end of March 2005. It further came down to 105 and subsequently to 82 at the end of March 2012 and subsequently to 56.

Banks may offload more bad loans in bid to meet RBI norms

Under the latest RBI rules, within 180 days of a borrower defaulting on a loan, banks must implement a resolution plan for the same

Apr 29 2018 live mint

Mumbai: Banks are likely to sell a greater amount of bad loans to asset reconstruction companies this year as they struggle to meet tough central bank norms on loan defaults amid the slow pace of bankruptcy resolution.

Under the latest Reserve Bank of India (RBI) rules, within 180 days of a borrower defaulting on a loan, banks must implement a resolution plan for the same. Otherwise, the account must be referred for insolvency proceedings. Cases in bankruptcy courts must be resolved in a maximum of 270 days or the asset goes into liquidation.

Whenever a bad loan account is referred to bankruptcy proceedings, banks must set aside a provisioning of 50% of the loan amount. To avoid this, lenders are keeping a close watch on such accounts, according to four bankers.

According to Siby Antony, managing director & chief executive officer of Edelweiss ARC Ltd, lenders will prefer to sell the loans to ARCs as chances of liquidation are more.

Bankers said even after admission, the prospects of recovery are either uncertain or time-consuming.

In case the asset under Insolvency and Bankruptcy Code (IBC) proceedings is not resolved within 270 days of admission, it will have to be liquidated.

"The current rate of admission at National Company Law Tribunal (NCLT) is slow given the rising number of cases. This will lower chances of recovery because of the eroding enterprise value of the asset. In case of liquidation, the recovery is expected to be very low. In many cases, we don't see implementing resolution plan with 180 days," said a senior banker at a large state-owned bank.

Currently, the 12 large accounts referred for insolvency proceedings following an RBI directive in June 2017, are nearing the 270-day deadline. So far, resolution plans have been approved for only one out of the 12 accounts, where banks have claimed dues of over Rs3 trillion. Additionally, insolvency petitions are filed against most of the 29 accounts identified by RBI in its second such direction.

According to bankers, progress in the second list of accounts has been slow.

Indian banks are sitting on stressed assets of over Rs10 trillion, of which gross bad loans account for Rs8.82 trillion.

ARCs claim banks will now insist on full cash deals as they have to maintain higher provisioning if the investment in security receipts (SRs), created against the sale of stressed assets, exceed 90% of total sale value. This threshold was 50% in the previous fiscal, according to the RBI's rules.

"Banks are now insisting that ARCs offer full cash for bad loans as they have to keep higher provisioning against investments in SRs beyond 90%. For ARCs which are strapped for equity, full cash deals will be the new normal this year," said Eshwar Karra, managing director and chief executive officer, Phoenix ARC.

'RBI fiat on loan revamp for 1-day payment delay right'

K.T. Jagannathan | Sanjay Vijayakumar CHENNAI, APRIL 29, 2018

THE HINDU

The culture of saying 'okay' for 10-day delay needs to change, says R. Seshasayee, chairman, IndusInd Bank

The Reserve Bank of India's (RBI) circular directing banks to start restructuring loans even if there was a day's delay in repayment has received the backing of R. Seshasayee, chairman, IndusInd Bank.

"I fully endorse the need for the circular," said Mr. Seshasayee while delivering a speech here on 'Toning up the banking system' organised by the The Triplicane Cultural Academy and The Kasturi Srinivasan Library.

"The culture of saying 'okay' for 10 days delay needs to change," he said.

He particularly emphasised on the need for "valuing your own signature."

There has been criticism about the circular issued on February 12, with some banks stating that it was too stringent and impractical. Recently, RBI Deputy Governor N.S. Vishwanathan had strongly defended the circular.

He said even among well-run corporates, there was a tendency to delay payments and rush things only during the last quarter and last week of financial year ending March 31. "It is like spending 25 days of your 30-day study holidays watching cricket and then preparing for exams in the last five days. There needs be a strong cultural change and people need to change to the habit of paying one day in advance," he said.

He said that tackling the problem of non-performing assets (NPAs) was the key. "NPA[s] is at 10-11% of the total banking assets with public sector accounting for a higher share. We have the fifth largest percentage of NPAs in the world."

NPA resolution

However, he noted, the first step in resolving the NPA problem is to detect and acknowledge the problem. "There, I think, we have come to global standards. Between what was done in 2016 and 2018 February, there is no shying away from accepting that you got a problem. Nothing more needs to be done on that front." Mr. Seshasayee said the second aspect in NPA resolution was treating the sickness.

"With [the] emergence of the Insolvency and Bankruptcy Code, India is on par with global standards in this aspect."

One of the missing pieces in the exercise was the ability to manage a bad asset and extract the best value from it, he said.

In that aspect, China had done well in bringing down the NPAs from 30% to single digit, mainly because of the management bandwidth to extract value from a bad asset, he pointed out.

Privatisation of PSBs

Mr. Seshasayee noted that there had been growing consensus on the privatisation of public sector banks in the current context. "One of the issues has been the current ownership structure [government-owned] limits their ability to take risks and hiring management-level talent. In the current set up, there is no reward for risk-taking and you are punished if your decision goes wrong."

Nevertheless, he felt the balance sheets of public sector banks should be cleaned up and they should be prepared for competition before being privatised. "This is what former U.K. Prime Minister Margaret Thatcher did before going in for privatisation of public sector units," he said.

Mr. Seshasayee said it was not correct to entirely blame the regulator for NPAs and bank frauds. "Not all NPAs happen due to frauds. Some are due to genuine entrepreneurship failures and aspects which are not under control like environmental issues and problems related to land acquisition. However, the banks' ability to assess risk needs to be strengthened."

He also urged called for the RBI to push banks towards adopting technologies such as like blockchain and artificial intelligence which may cut reduce the the chances of frauds and also help in better risk assessment. to mitigate the risk of frauds.

Another aspect that the RBI needed to ensure was to put in place the instruments which strengthened the governance in banks, Mr. Seshasayee added.

‘Growth in farm loans dips sharply in FY18’

Special Correspodent
APRIL 27, 2018
THE HINDU

Agri credit rises slower at 3.8%: RBI

Growth in bank loans to the farm sector declined significantly in the financial year 2017-18 while overall non-food credit growth remained unchanged, from the previous fiscal, latest data from the Reserve Bank of India (RBI) showed.

Credit to agriculture and allied activities rose 3.8% for the year ended March 2018 as compared with a 12.4% in the previous year. The farm sector is in distress in several parts of the country with many State governments announcing loan waivers to farmers in the last few years. Retail credit such as home and auto loans grew 17.8% for the year to March 2018 compared with a 16.4% rise. Overall non-food credit growth of commercial banks in 2017-18 remained at 8.4% as in the previous year.

Further, the data shows, credit to industry increased by 0.7% during the period as compared with a contraction of 1.9% in March 2017.

“Credit to major sub-sectors such as textiles, vehicles, vehicle parts and transport equipment, engineering, food processing, etc. accelerated. While loan to infrastructure, metal, cement etc. has declined.

Credit to the services sector increased by 13.8% in March 2018, as compared with an increase of 16.9% in March 2017.

RBI relaxes external commercial borrowing norms

SPECIAL CORRESPONDENT MUMBAI, APRIL 28, 2018

THE HINDU

It will allow Indian companies to access cheaper funds from overseas markets.

The Reserve Bank of India (RBI) has further liberalised the norms for external commercial borrowing (ECB) that will allow Indian companies to access cheaper funds from overseas markets.

According to the new norms, the central bank has stipulated an uniform all in cost ceiling of 450 bps over the benchmark rate, which is most cases is the 6 month London Interbank Offered Rate (LIBOR). The benchmark rate for rupee denominated bonds will the prevailing yield of government bonds of corresponding maturity.

"It has been decided to increase the ECB Liability to Equity Ratio for ECB raised from direct foreign equity holder under the automatic route to 7:1. This ratio will not be applicable if total of all ECBs raised by an entity is up to $ 5 million or equivalent," the RBI said

'Refer frauds promptly, insist on bank's acknowledgement'

OUR BUREAU THIRUVANANTHAPURAM, APRIL 26

THE HINDU BusinessLine

Bank customers should report complaints of unauthorised/fraudulent transactions in their accounts as immediately as possible and take an acknowledgement from the bank to the effect.

This has become all the more relevant in the context of recent additions to the banking codes by the Banking Codes and Standards Board of India, said Anand Aras, Chief Executive Officer.

Codes revised

He said this while addressing a customer awareness meet held here on Thursday, in association with TransUnion CIBIL, with a view to reaching out to them on banking codes and customer rights.

Some codes have been revised recently with effect from January. New codes on digital and internet banking, as well as limited liability of the customer in respect of unauthorised transactions, have been added.

Facilities for senior citizens, too, have been revisited. “Our purpose has been to focus on customer rights that the codes seek to protect,” said Aras.

He dwelt at length on the recent RBI guidelines on limiting customer’s liability in unauthorised and fraudulent transactions. “The decision of limiting customer liability favours banking customers,” he said.

They would not be held liable for any unauthorised transaction if a complaint is made within three days. “So, it is advisable for everyone to report the complaint immediately to the bank and take an acknowledgement,” he added.

Other new sections added in the codes include key commitments aligned with the charter of customer rights and various do’s and don’ts in online banking to make the customer’s experience pleasant. Among others who addressed the audience included HN Iyer, Banking Ombudsman, RBI, and Asha Jain, Manager, CIBIL.

The topics of discussion varied from banks’ adherence to the codes, enhancing banking experience, and highlights of the Banking Ombudsman Scheme to grievance redressal and credit scoring mechanism.

Ombudsman Iyer spoke about the highlights of the Revised Ombudsman Scheme, and also the grievance redressal mechanism where he cited some important cases as decided by the Banking Ombudsman’s Office.

Asha Jain made a presentation on the recording of customer credit history by credit information companies, the importance of CIBIL scores and improving on them, and settlement of outstanding issues, if any, with banks.

Alok Industries employees' trust wants banks to reconsider resolution plan

NCLT Ahmedabad Bench will hear both liquidation and trust's petitions on May 2

RAJESH KURUP | MUMBAI, APRIL 29

THE HINDU BusinessLine

An employees' trust of debt-ridden Alok Industries has dashed off letters to the chairmen of nearly 10 banks asking them to reconsider their decision to reject a resolution plan submitted by a consortium led by Reliance Industries.

The trust is of the opinion that the resolution plan will ensure the livelihood of about 18,000 employees, while the lenders will receive "much more" from the process.

Nearly 30 per cent of the total lenders had rejected the resolution plan submitted by a consortium led by Reliance Industries Ltd (RIL). Subsequently, the Resolution Professional (RP) has referred the company for liquidation. The trust had earlier moved an interlocutory petition against the liquidation.

"On behalf of all employees, we would be extremely grateful if your bank could kindly provide its approval of the resolution plan in writing to the RP to enable him to process the matter further with NCLT," the letter, dated April 27, written by the Alok Employees Benefit and Welfare Trust said.

"This would ensure that the livelihood of thousands of families is protected and also the lenders receive the settlement amount in excess of liquidation value upfront…," the letter, a copy of which was reviewed by ***BusinessLine***, added. The National Company Law Tribunal's (NCLT) Ahmedabad Bench will hear both the liquidation and trust's petitions on Wednesday (May 2).

The letter was addressed to chairmen of Central Bank of India, Dena Bank, IDBI Bank and United Bank of India, among others. When contacted, a trust official confirmed the development, but declined to divulge further details.

Silvassa-based textile manufacturer Alok Industries was among the 12 first large non-performing assets identified by the Reserve Bank of India for resolution under the Insolvency and Bankruptcy Code (IBC) in June 2017.

"….we understand that the resolution plan offered to the lenders a cash settlement of Rs.5,050 crore, which is well above the liquidation value of Rs.4,200 crore. This payment was to be made upfront and be available for the lenders for immediate deployment in further lending," it said.

The letter states that Alok currently employs 18,000 personnel (which at the peak was 30,000), generates revenue of Rs.35,000 crore and supports 3,500 vendors.

"Therefore, if Alok is forced into liquidation, it will have a cascading effect…," the letter said, adding that more than 70 per cent of the lenders, including lead bank SBI, which has the largest exposure, have concluded that resolution is a preferred outcome over liquidation.

Earlier, on April 15, RIL said its resolution plan for Alok – jointly with JM Financial Asset Reconstruction Company – was rejected by the Committee of Creditors.

AIBEA THIS DAY MAY 2	
1955	Bank Award commission starts.
1968	Peoples petition (7.5 lakh signatures) against 36 AD presented to the Speaker of Lok Sabha.
1977	1000 Primary Land Development Bank Employees observe hunger strike on wage demand in Karnataka.
1989	Com. G Ramachandran Pillai, President, AKBEF passes away.
2003	Com. Tarakeshwar Chakraborti, General Secretary, AIBEA passes away.

ALL INDIA BANK EMPLOYEES' ASSOCIATION

Central Office: PRABHAT NIVAS

Singapore Plaza, 164, Linghi Chetty Street, Chennai-600001

Phone: 2535 1522 Fax: 2535 8853, 4500 2191

e mail ~ chv.aibea@gmail.com

Web: www.aibea.in