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PSB mergers should be between equals: SBI Chief Arundhati Bhattacharya

BY SANGITA MEHTA & SALONI SHUKLA, ET BUREAU |

MUMBAI: State Bank of India chairman Arundhati Bhattacharya said the merger of public sector banks should be between equals and added that things will start getting better on asset quality by the second half of the year. In an exclusive interview to ET, Bhattacharya said union of state-run banks is feasible but the lenders should be given time to ensure the mergers work.

There can't be a one-size-fits-all approach, and the temptation to merge the weaker ones with the stronger ones should be resisted as it leads to the stronger one losing strength, she said.

"It (merger of banks) is feasible. It has been done in other countries. But you will have to give them time to do it and be able to show a turnaround. You cannot expect it to happen tomorrow and (hope that) day after things will be fine.

It won't work like that. They will need 3-4 quarters to put it all together and come out on top," Bhattacharya said.

The clamour to merge 21 PSU banks is getting louder with the government nearly shutting the capital tap. While investors are likely to provide capital to strong ones like SBI, which raised Rs 15,000 crore in a share sale, many others are likely to be shut out from the market. Some will have to be merged so that the capital requirement comes down and resources are better utilized.

"The smaller SOE (state-owned banks) are short of capital and it will be a struggle for them to raise funds unlike the larger banks, which may be able to access equity markets," said Sumeet Kariwala, analyst at Morgan Stanley.

"Hence, the government may look at merging smaller, weaker banks with larger and relatively stronger lenders."

Bhattacharya, however, said that may not be the right thing to do. The chief of SBI, which recently completed the merger of six banks with itself, said there should be a merger of equals so that synergies can be derived.

"It should be strong to strong and weak to weak, because if you do a strong and weak it doesn't really make much sense since it unnecessarily pulls down the strong bank also to some extent," she said. "And, of course, they need to look at other synergies… there might be synergies of systems, synergies of reach, synergies of different portfolios of business, synergies of cultural fit.

So it cannot be one size fits all." Banks' journey to becoming stronger entities may be full of surprises and painful events, but that is inevitable in the process of growing up, she said. "The alternatives are very few, so to that extent this seems to be the best way out," said Bhattacharya.

"And, probably, this will be painful. But a maturing process and growth is always painful. You ask any teenager they will tell you, and it's just like that for the country. We need to grow, we need to evolve."

BBB recommends 15 names for Executive Directors appointment in PSU banks

The BBB recommendations of 15 names for executive directors post in PSU banks would be sent to the Department of Financial Services to get Appointments Committee of Cabinet clearance

PTI /LIVEMINT/

The interview for appointment to the post of executive directors was held on 30 June.

New Delhi: Banks Board Bureau (BBB) has recommended to the government names of 15 general managers of various public sector banks for appointment as executive directors.

Officials said the recommendations were made by BBB chairman Vinod Rai and other members of the bureau. The list would be sent to the Department of Financial Services to get Appointments Committee of Cabinet (ACC) clearance, officials said. The ACC is headed by Prime Minister Narendra Modi.

The interview for appointment to the post of EDs was held on 30 June. Besides former CAG Rai as chairman, the other members of BBB include Anil Khandelwal, former chairman and managing director of Bank of Baroda; H.N. Sinor, former joint managing director of ICICI Bank; and Roopa Kudva, managing director of Omidyar Network India Advisors. RBI deputy governor, financial services secretary and department of public enterprises secretary, are ex-officio members.

Recently, the government expanded the BBB by inducting two more members with the objective of strengthening the panel responsible for selection of MDs and directors of public sector banks and financial institutions. Former Allahabad Bank chairperson and managing director Shubhalaxmi Panse and private equity player Pradip Shah have been inducted into the board as independent members.

The BBB, set up in April 2016, was originally tasked to recommend names for chiefs of public sector banks and financial institutions and help state-owned lenders in developing strategies and capital-raising plans. The Bureau was authorised to suggest to banks on developing a robust leadership succession plan through appropriate HR processes, including performance management systems.

BBB's 1ST LIST AND 2ND LIST OF E.D.s

1ST List published on 1st June contained error (?) .

So on 3rd July, 2nd list of release by BBB

Banks Board Bureau recommends 15 candidates for the post of Executive Directors in Public Sector Banks

The Chairman and members of the Banks Board Bureau has recommended to the Government of India following 15 General Managers for being appointed as Executive Directors in Public Sector Banks (The names of the selected officers appear in alphabetical order of their surnames).

1	Shri Balakrishna Alse S
2	Shri H Bhaskar
3	Shri Chaitanya Gayatri Chinthapalli
4	Shri Govind N Dongre
5	Shri Kul Bhushan Jain
6	Shri Rajesh Jindal
7	Shri Krishnan S
8	Shri Atul Kumar
9	Shri Birupaksha Mishra
10	Shri Debashish Mukherjee
11	Shri Lingam Venkata Prabhakar
12	Shri Murali Ramaswami
13	Shri Matam Venkata Rao
14	Shri Ajay Kumar Srivastava
15	Dr Rajesh Kumar Yaduvanshi

These recommendations are based on interactions held by the Banks Board Bureau with eligible candidates from PSBs towards appointment against vacancies in PSBs for the period 2017-18.

The Government of India will make the final decision on appointments.

Banks Board Bureau

July 04, 2017

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Following its convention, the Bureau had first placed its recommendations on its website on June 30, 2017 (the same day of concluding the interactions). But it was immediately withdrawn as an error was detected. The Bureau sincerely regrets the error. The above recommendations have been made to the government after rectification of the error.

The Government of India will make the final decision on appointments.

WN/3/2017-18

Officers' body opposes central bank CFO plan

Manojit Saha MUMBAI,JULY 04, 2017 THE HINDU

RBI is allowing the Government to the

Says post is neither a statutory nor legal requirement

The Reserve Bank of India's (RBI) decision to appoint a chief financial officer (CFO) is facing stiff opposition as its officers' association has questioned the move on the grounds that such a requirement is neither a statutory nor a legal mandate.

In May, the Reserve Bank of India invited applications for the post of CFO with the rank of an executive director from outside the organisation. The RBI had said the CFO would be responsible for accurate and timely presentation and reporting of financial information of the central bank, and establishing accounting policies and procedures and ensuring compliance with regulations.

In a letter to Governor Urjit Patel, Reserve Bank of India Officers' Association said the move to induct a CFO came as an "unpleasant shock" as they were not clear about the intended purpose for the move.

'Not clear'

"The rationale behind recruiting a CFO in the rank of an ED is not at all clear. RBI has been set up through an act of the Parliament and there is no statutory requirement of having a CFO," according to the letter, a copy of which was reviewed by ***The Hindu.***

"Further, we are not governed by the companies act and therefore, there is no legal requirement of having a CFO."

The officers' association argued that since no accounting standards strictly applied to a central bank, it was not clear why the central bank should have a CFO.

By having a CFO, RBI is gradually opening doors for the Government to have a say in its internal matters since, "from control perspective, if anyone has a right to appoint an independent CFO in RBI, it is the Government of India," according to the letter.

This is not the first time that the central bank's move to have an outsider is facing resistance. Mr. Patel's predecessor, Raghuram Rajan's proposal to induct a chief operating officer with the rank of a deputy governor, also faced opposition and the plan was finally shelved.

The officers' body has also questioned the need to induct the CFO from outside as there is enough staff within the organisation with the required skill set. "We strongly feel that the skill sets required for a CFO are adequately available in the bank (e.g. there are several chartered accountants in the bank) in its existing experienced senior level staff," the letter said, adding that recent experiments on lateral hires have not met the objectives of the central bank.

On-off recruitment

The officers have also reminded the governor that three years ago when they were opposing lateral recruitment of an officer in the 'F' grade in one of the research departments of the bank, the then governor assured the United Forum of Reserve Bank Officers and Employees that the recruitment was one-off.

"Today, our association and the members feel betrayed as the commitment has not been honoured," according to the letter.

Requesting the proposal to induct the CFO to be kept in abeyance, the officers' association sought a meeting with Mr. Patel to discuss the issue. An e-mail sent to the RBI spokesperson went unanswered.

Bank of England strike threat signals failures in plan to dent union power

July 5, 2017 Author Gregor Gall

Professor of Industrial Relations, University of Bradford

The Bank of England isn't known as a hotbed of worker activism, but it might be about to offer the firmest proof yet that the UK government's efforts to dent union power have gone awry. The Trade Union Act

2016 was supposed to reduce strike action still further from current historic lows. Instead, it looks as if the length of individual strikes will increase, creating more days "lost" per strike.

At the Bank of England, Unite union members in the maintenance and security departments are to go on strike for four days at the end of July to try to end the continued imposition of below-inflation pay rises. The union has told the bank's governor, Mark Carney, that he can "no longer turn a blind eye to what is happening on his own patch" and is calling on the bank to agree to talks on a pay deal which might avert the first walkout in more than 50 years.

Under the Trade Union Act, unions now have to pass two new thresholds to gain a lawful mandate for strike action. In addition to getting a simple majority of those voting for action, the turnout has to be at least 50%. In a number of sectors deemed "essential", such as transport and education, all those voting for action must also represent 40% of all those entitled to vote. In other words, non-voters are counted as "no" votes.

The changes have delivered a couple of significant defeats for the unions so far – for UNISON local government workers in Scotland and RMT members on the London Underground. And it's not yet clear whether more or less ballots for action are now being organised. We won't know that until the figures for 2016 are published by the government next summer.

Fight or flight

But what is clear so far is that among the ballots that have resulted in mandates for action, the predominant strategy of one-day strikes, (or a series of one-day strikes) is coming to an end.

The strike at the Bank of England is only the most recent case to gain prominence. At British Airways, fellow members of the Unite union have just begun a 16-day strike while other Unite members at Manchester housing repair company, Mears, have announced they will strike for four weeks from Saturday July 8.

Workers at both British Airways and Mears have already taken considerable strike action. There are dozens of other examples of action taken by Unite, backed by strike pay from the union's own £35m fund. There is also mounting evidence elsewhere – from the education unions (EIS, NUT, UCU) to the PCS civil servants' union that this clear pattern is emerging.

The three cited Unite examples of strike all have quite different causes: pay at the Bank of England, victimisation at British Airways and new contracts at Mears. But the new law is making them act in a very similar fashion. This is because of two other important parts of the Trade Union Act. First, unions are required to give 14 days' notice of action to employers – up from seven. And the length of a lawful mandate is capped at six months, which can be increased to nine but only with the agreement of the employer. Previously, there was no cap on the length of the mandate.

So, in order for action to be effective, it has to be more hard-hitting because employers have longer to prepare for it. This means unions are front-loading their action into longer and more concentrated actions in smaller time frames. They are also doing this because they know they have to get their skates on. Unions cannot afford to have their mandates eroded by employers that play for time by stringing out negotiations. The clock is always ticking in their heads towards the six-month expiry date.

Ballot boxing

There is also evidence that some workers have decided to increasingly ignore the new law by taking unofficial, unballoted action. Wildcat action has been seen at the Royal Mail and among hospital workers in London. This has the element of surprise and the nature of the action is not limited by the balloting restrictions. Of course, it is unlawful, but so far no one has been sacked for organising such action – as they can be under the Employment Act 1990.

Even if the Trade Union Act does lead to fewer strike ballots, fewer votes for strikes and fewer strikes themselves, it has already not only lengthened the duration of those strikes that do occur but it has also made them more difficult to resolve because it has forced union members to act in a more assertive and aggressive manner.

All this was entirely predictable. During public consultation on the new Act in 2015, human resources professional body, the Chartered Institute of Professional Development (CIPD), warned the new provisions were always likely to "harden attitudes". In truth, this is exactly what happens when a government introduces an act to solve a problem that does not actually exist, and for which there is no public demand.

Italy to nationalize bank, shed $32.5B in bad loans

By COLLEEN BARRY, MILAN — Jul 5, 2017,

In a bid to end years of struggles, the Italian government is taking control of bank Monte dei Paschi under a relaunch plan agreed by European officials that includes the disposal of a massive 28.6 billion euros ($32.5 billion) in bad loans.

In detailing the plan Wednesday, CEO Marco Morelli said that ridding the bank of the load of soured loans was "the most relevant issue" in the European Commission's approval this week of the rescue plan.

The Italian government will inject 5.4 billion euros into the bank, giving it a 70-percent stake, as part of a total boost of 8.1 billion euros. Under the deal, the government must exit within five years.

The Monte dei Paschi rescue comes just a week after the government announced plans to save two small Veneto banks where thousands of savers have lost billions of euros.

Italian Finance Minister Pier Carlo Padoan said Wednesday that the moves had "removed impediments to growth. We are putting the worst behind us."

It is the third capital injection in recent years for Siena-based Monte dei Paschi, Italy's third-largest by assets, as it struggles to recover from poor management and a heap of bad loans that compounded during Italy's long economic crisis.

Under the bad loan disposal plan, 26.1 billion euros will be bundled and sold at 21 percent of gross book value, the vast majority to the government-organized Atlante II fund, while the bank retains 5 percent.

That compares with a price equal to 33 percent of value under a previous relaunch plan announced last fall but which had to be revised after the bank failed to come up with an investor to inject 5 billion euros.

The loss on the disposal will be booked by the bank in the first half of this year, while the transaction is expected to be completed by next June.

The remaining 2.5 billion euros in bad loans will be disposed in a separate procedure.

The five-year plan calls for a net income above 1.2 billion euros by 2021, compared with a 2016 loss of 2.3 billion euros, as the bank refocuses on retail and small business customers. During the period, the bank will be under strict cost controls, capping top executive pay, reducing employees by a net 5,500 and shutting branches as it moves toward digitalization.

The bank could resume trading on the stock exchange by late September, Morelli said.

Morelli says he agreed to a steep 70 percent pay cut, with no bonuses for the period the bank is under state aid, under a formula negotiated in Brussels. He is one of six managers taking cuts.

He said the clear rules on capital structure and liquidity will help the bank recover consumer confidence and business it has lost during its protracted crisis.

"I think now Monte dei Paschi is back in place," said Morelli, who took over nine months ago. "What the top management experienced in the last nine months is pretty much unheard of. ... I think the experience is one of an emergency room hospital department. We did have an emergency every five minutes."

The European Commission's approval had been a key sticking point in the rescue of the bank, as EU rules now try to avoid using taxpayer money to save banks. But the Commission cleared the government capital injection after it was agreed that the bank's shareholders and junior creditors would take losses first, for an estimated 4.3 billion euros, to minimize the bill for the government.

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