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FinMin asks PSBs to work together to hive off consortium loans gone bad

Businessline July 27, 2017 | K Ram Kumar

Says a united front will yield a better price from ARCs than selling loans piecemeal

If public sector banks have collectively given a company a project loan, which then turns sour, they should not break ranks and sell the loan piecemeal to asset reconstruction companies (ARCs), according to the Finance Ministry.

Instead, they should sell the 'consortium loan' lock, stock and barrel to an ARC or a consortium of ARCs.

Strength in numbers

The ministry believes that collectively, public sector banks (PSBs) can realise better pricing on the sale of a project loan given in consortium rather than by doing so singly. A project loan is given by lenders to finance new projects as well as for expansion, diversification and modernisation of existing ones in infrastructure and non-infrastructure sectors.

At a meeting of bankers, ministry mandarins suggested that when it comes to consortium loans that have turned bad, PSB officials, under the aegis of the joint lenders' forum (JLF), should act together to take a call on sale of such loans to ARCs.

Further, even if one bank in a consortium wants to sell its portion of the loan, the JLF needs to be convened.

Why some PSBs go it alone

A senior PSB official observed that there could be a variety of reasons why banks currently don't collectively sell an asset that has been financed in a consortium: for instance, it could be because it impacts each of them in different ways.

"For example, for one bank, a ₹500-crore loan exposure may account for 1 per cent of its loan book, whereas for another bank it could be just 0.001 per cent. So, the former could think of its exposure a little differently in terms of the overall impact and may want to sell its part of the exposure quickly to get cash and securitised receipts," he said.

Another reason why some banks hesitate to sell consortium loans together could be that they may have different security interests. The banker quoted above elaborated: "Their security packages may be different. Somebody may have exclusive security. I can't put that in a pool and get paid on an average basis. I would prefer to sell that bilaterally. So, there could be variety of reasons why banks don't a act together."

Another public sector banker said the ministry's suggestion, if implemented faithfully, could yield better price discovery and higher realisation for consortium loans on the block.

Cabinet clears minimum wage code bill

The proposed legislation is expected to benefit over 4 crore employees across the country.

Moneycontrol.com 26 7 17

The Union Cabinet today approved the new wage code bill which will ensure a minimum wage across all sectors by integrating four labour related laws.

The proposed legislation is expected to benefit over 4 crore employees across the country.

The Labour Code on Wages Bill will consolidate the Minimum Wages Act, 1948; the Payment of Wages Act, 1936; the Payment of Bonus Act, 1965; and the Equal Remuneration Act, 1976, sources said.

The approval for the draft bill was given by the Union Cabinet chaired by Prime Minister Narendra Modi today.

The bill seeks to empower the Centre to set a minimum wage across all sectors in the country and states will have to maintain that.

However, states will be able to provide for higher minimum wage in their jurisdiction than fixed by the central government, sources said.

The bill is likely to be introduced in Parliament during the ongoing monsoon session which will conclude on August 11.

The new minimum wage norms would be applicable for all workers irrespective of their pay. At present, the minimum wages fixed by the Centre and states are applicable to workers getting up to Rs 18,000 pay monthly.

This would ensure a universal minimum wage for all industries and workers, including those getting monthly pay higher than Rs 18,000, according to senior officials.

Earlier in the day, Labour Minister Bandaru Dattatreya in a written reply informed the Rajya Sabha that the Second National Commission on Labour has recommended that the existing labour laws should be broadly grouped into four or five labour codes on a functional basis.

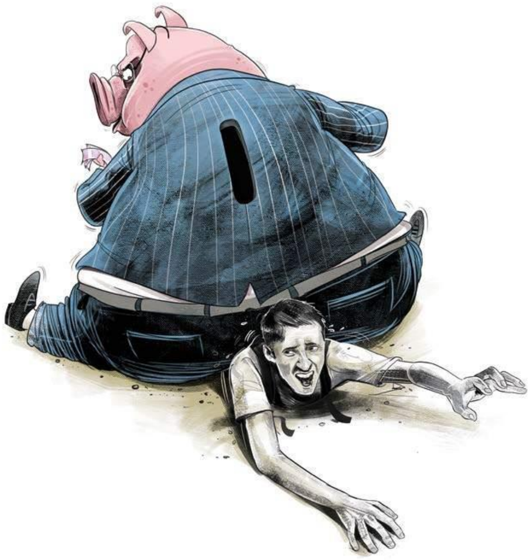
Accordingly, he said the ministry has taken steps for drafting four Labour Codes on -- Wages; Industrial Relations; Social Security & Welfare and Safety and Working Conditions, respectively.

It will be done by simplifying, amalgamating and rationalising the relevant provisions of the existing central labour laws.

Beware, your ignorance is costing you; banks fleecing customers with transaction charges

By Dia Rekhi |Express News Service |17th July 2017

THE NEW INDIAN EXPRESS



CHENNAI: Ramsharan works as a domestic help in Mumbai. After demonetisation, he was thrilled when he could use an ATM card to withdraw the money his employer had put in his account. However, this excitement was short-lived when he found out that he was being charged Rs 115 for non-maintenance of the minimum balance (Rs 5,000) and an extra sum for SMS charges. He approached his employer, Harsh Roongta, and what followed was the arduous task of opening a Jan Dhan account.

"The fee might come across as insignificant to many but for someone who earns Rs 9,000, that charge was very high," said Roongta, founder and CEO of Apnapaisa.com. "Banks are fleecing customers and this is something that affects everyone so it has to be brought to the fore. There are regulations put out by the RBI but what they have not mentioned are the penal consequences if the bank busts those rights. The problem is that nobody is holding the banks accountable for their blatant misuse of power in changing the contract terms in a high-handed manner."

Shortly after demonetisation in November, banks announced that the number of free withdrawals from banks was being reduced from the earlier eight or ten to three or four, in a bid to dissuade the use of cash. Further, the cess on the transactions that took place after the permissible limit went up. Depositors woes have only gotten worse under the GST regime where financial services have been put under the 18% slab, (earlier 15% service tax).

The banking sector is going through a churn. The issue of Non-Performing Assets (NPAs) hangs like the sword of Damocles sword — one that they are looking to get rid off at any cost — even if it means penalising unsuspecting depositors.

"Banks are service institutions. That seems to have been forgotten," said CH Venkatachalam, General Secretary of the All India Bank Employees Association. "Banks cannot be making money off the very people on whose money they are living. The argument that their revenues are coming down and, hence, they have to charge is a ridiculous one because depositors get an interest of 4% for savings accounts and around 7% for fixed deposits while the banks lend this money at higher rates. So, where is that money going?"

However, customer awareness is extremely low when it comes to such matters. Regardless of their education level, people don't pay too much heed to these issues as these show up as seemingly small charges like Rs 15 or Rs 23 but it all adds up. "I don't generally even glance at the slip that comes out of an ATM machine when I withdraw cash," said A Sneha, a 28-year-old techie. "I am sure I withdraw from ATMs over the permitted free transactions so I am sure I am being charged but I have never really bothered to check how much is being deducted as it seems like a small amount. I haven't questioned why I should be paying that amount at all, but maybe now I will."

Activists feel it is this attitude of not being aware or proactive that banks are using to their advantage. "Bankers are lucky that financial awareness among depositors is low, otherwise people would be out on the streets!" said Sucheta Dalal, senior business journalist and trustee of the Moneylife Foundation, which has launched a petition on Change.org calling for the RBI Governor to stop banks from fleecing depositors. "Banks are fleecing us at every opportunity because they know they have tacit sanction from the government to charge customers and RBI is unwilling to be tough with banks."

BO’s role expanded

Depositors are, however, slowly waking up to the unjustified fees being charged on basic services. It is this widespread discontent that led to the RBI to expand the role of the Banking Ombudsman (BO) from July 1. Under the amended scheme, the BO’s pecuniary jurisdiction has doubled from Rs 10 lakh to Rs 20 lakh. It is also allowed to pay a compensation of up to Rs 1 lakh for harassment, mental anguish, loss of expenses. RBI has also widened the scope of filing an appeal against the BO’s orders. However, as Dalal called it in one of her articles, “this is like applying a band-aid to a huge bleeding wound.”

“The grievance redressal system is pathetic with all regulators,” Dalal said. “This is especially true with digital transactions including NEFT where money disappears if you get a single digit wrong in the bank number. There is absolutely no recourse since the Banking Ombudsmen is most unhelpful. Can the system be this callous with depositors?”

While bankers concede that the issues being raised by activists and customers alike are valid, they attribute the imposition of charges to the pressure they face to perform.

“The charges being imposed on customers is absolutely unfair,” said R Sekaran, General Secretary of the All India Indian Bank Officers Association (AIIBOA).

“But one has to understand that banks are under immense pressure now to earn on their own or perish. The mandate from the government is clear and in this environment, these charges are one way for them to get their books in order. The days of banks looking at socio-economic development and financial inclusion as a primary motive are gone. Today, profit is the driving force.”

This argument, however, isn’t bought by everyone. “Banks can’t whine about being under pressure and pick our pockets,” Dalal said. “Private banks are profitable because they, like nationalised banks, are able to charge customers for all services that were previously free. The government too is silent because the burden of recapitalisation will fall on their shoulders if nationalised banks declare bigger losses. This money too goes out of our pockets through the exchequer.”

Yet, the official bodies deny that any wrongdoing is occurring. “There is no fleecing of customers happening,” said Anand Aras, CEO of the Banking Codes and Standards Board of India. “The RBI has provided all banks with the right to charge a fee for their services and as long as these charges are reasonable it is acceptable. Besides, no bank will hike up the prices by too much as there is a lot of competition in the market and people will just switch to another."

Implementation of Charter

Activists believe the best way to counter issues of rising bank charges, rampant misselling of financial products and cyber fraud is for the implementation of the Charter of Consumer Rights that the RBI issued in December 2014. The Charter speaks of the right to fair treatment; right to transparency, fair and honest dealing; right to suitability; right to privacy; and the right to grievance redress and compensation. However, this they believe can only take place if the RBI gives it teeth by fixing costs and penalties for breaching these five basic consumer rights.

"The RBI is nothing more than a rubber stamp," said the Joint Manager of a bank in Coonoor. "The charges are indeed unfair but one cannot blame the banks entirely. We aren't autonomous institutions, we come under the ambit of the Ministry of Finance. I don't believe in having these kinds of radical changes being implemented simply because we are not ready for them. Our infrastructure is not adequate."

This is a view that resonates with a number of bankers who said they are not equipped to deal with the slew of changes that have been taking place post demonetisation. "We are struggling to keep up," said another banker in the city on condition of anonymity. "Our software systems are not equipped to deal with this surge in digital payments and our clients too aren't all tech-savvy which means the chances of errors is higher."

NITI Aayog CEO Amitabh Kant isn't of this opinion though. In January 2017 he said ATMs and PoS machines would become redundant by 2020. "My view is that in the next two-and-a-half years, India will make all its debit cards, credit cards, all ATM machines, all POS machines totally irrelevant. India will make this jump because every Indian will be doing his transaction just by using his thumb in thirty seconds."

Quelling cyber attacks

The Cyber Crime Cell in Chennai alone receives close to 25 complaints in a day that broadly involve phishing calls. Experts said it would not to be wrong to peg the number of complaints in the entire State at around 400-500 in a day. They said this is a gross underestimation as many people do not approach the police to file a complaint. With the government's increased digital push and lives being led more in the virtual world than in the real world, all of us are at risk. "Everyone is at risk," said A Loganathan, an officer with the Cyber Crime department in Chennai.

"Phishing calls are the most common offence. And we have had cases where even bank employees who caution other people have fallen prey to fraudsters."

Cyber attacks now occur across devices which are connected to the Internet and are no longer restricted only to traditional PCs. "The most recent wave of attacks has been on mobile devices," said Atul Gupta, Partner, IT Advisory and Cyber Security Lead, KPMG in India. "This is because there has been a significant increase in digital payments using mobile devices and tablets. With the increased adoption of technologies across devices (called connected devices), there is heightened risk across these devices being under cyber attack."

One million bank employees and officers to go on strike on 22nd August, 2017

Demanding

Do not pass on the burden of corporate loan default on the shoulders of common banking public by increasing various charges and imposing penalties. Do not hike service charges in the name of GST,

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AIBEA THIS DAY – 28 JULY	
1957	All India one Day Strike by PNB Employees Federation on Bonus and unfair labour practices by Management.
1973	Solidarity Strike for Two hours in support of prolonged agitation by employees in South Indian Bank.
2006	All India Strike against outsourcing and Government's retrograde policy.