AIBEA's Banking News

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NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

Huge incentives to staff has led to mis-selling: RBI

By *Sangita Mehta*, ET Bureau| Aug 01, 2017ECON TIMES

MUMBAI: A senior RBI official on Monday blamed huge incentives given by banks to their staff for mis-selling financial products. Deputy governor SS Mundra also urged lenders to work on the portability of accounts.

"Challenging targets set for employees, incentive-linked quotas, lack of training and fast rotation of frontline staff " lead to mis-selling of products, Mundra said at the annual conference of banking ombudsmen, and asked the top management of banks to look into it. In the past, Mundra has warned banks of making "penal provisions more stringent to deal with the problem".

Banks could deploy latest analytical tools to address customer grievances, he said, while pointing out that lack of coordination between back and front offices was affecting measures towards customer protection.

Banking correspondents (BCs) are now equivalent to banking outlets, he said, adding: So banks should "pay close attention to services rendered by BCs, especially in rural and semi-urban areas, and take precautions to curb mis-selling of products and address the problem of illiterate customers getting duped by aggressive marketers of financial products."

Mundra urged the banks to work towards account number portability as the telecom industry has implemented, whereby a custom er can retain his account number even if he switches to another bank. This "will be a far-reaching step towards enhancing competition and improving customer service," he added.

He urged banks to move away from seeking 'negative confirmation' from customers on legal agreements that often have several fine prints. Instead, he said, banks should obtain 'positive confirmations' from customers that they have read and understood the terms and conditions of the product or the service.

BAD LOANS WRITTEN OFF

	2013	2014	2015	2016	2017
Allahabad Bank	1,352	782	2,109	2,126	2,442
Andhra Bank	334	263	1,124	814	1,623
Bank of Baroda	2,356	964	1,563	1,554	4,348
Bank of India	2,415	1,767	866	2,374	7,346
Bank of Maharastra	663	401	264	903	1,374
Canara Bank	1,535	1,591	1,472	3,387	5,545
Central Bank of India	1,061	1,995	1,386	1,334	2,396
Corporation Bank	709	463	779	2,495	3,574
Dena Bank	237	479	515	760	833
IDB Bank Limited	383	1,393	1,609	5,459	2,868
Indian bank	520	628	550	926	437
Indian Overseas Bank	1,642	1,474	2,087	2,067	3,066
Oriental Bk of Commerce	1,416	1,252	925	1,668	2,308
Punjab & Sind Bank	50	204	263	335	491
Punjab National Bank	997	1,947	5,996	6,485	9,205
Syndicate Bank	1,297	1,025	1,055	1,430	1,271
UCO Bank	617	1,423	-	1,573	1,937
Union Bank of India	1,129	913	931	792	1,264
United Bank of India	1,094	481	761	649	714
Vijaya Bank	543	296	791	510	1,068
Nationalised Banks	20,351	19,739	25,046	37,642	54,110
State Bk of Bikaner & Jaipur	463	399	363	643	1,560
State Bank of Hyderabad	343	31	355	1,204	1,430
State Bank of India	5,594	13,177	21,303	15,955	20,339
State Bank of Mysore	275	403	740	588	161
State Bank of Patiala	28	463	755	1,156	3,528
State Bank of Travancore	176	196	456	398	556
SBI Group	6,880	14,670	23,973	19,944	27,574
Public Sector Banks	**27,231**	**34,409**	**49,018**	**57,586**	**81,683**

Source: RBI, March- 2017 (Prov. Data) – REPLY IN PARLIAMENT

TOTAL BAD LOANS WRITTEN OFF IN 5 YEARS : Rs. 2,49,927 CRORES

A Brexit exodus may cost London 40,000 investment banking jobs

Ben Moshinsky | Aug. 1, 2017 BUSINESS INSIDER

LONDON – A banking exodus from London will be costly.

International lenders may need to shift as many as 40,000 investment banking jobs to the European Union to maintain activities on the continent after Brexit, according to financial consultants Oliver Wyman.

Banks may also have to pump as much as $50 billion in extra capital into EU subsidiaries "to support new European entities," analysts at Oliver Wyman said in a report published on Tuesday.

Oliver Wyman is not alone in predicting a banking exodus. The Centre for London estimated last month that as many as 70,000 roles may be relocated from the City of London post-Brexit, while EY last year predicted 83,000 financial services jobs could be lost. Brussels think tank Bruegel made a more conservative forecast of 30,000 jobs lost.

A hard Brexit, in which there is no transitional deal to maintain the UK's membership of the European Union's single market, will "fragment the European wholesale banking market," Oliver Wyman said. "It will also make it significantly less profitable."

Under EU law at the moment, European banks can operate branches in the UK that do not need to be separately capitalised from the parent company abroad. International banks in the UK can do the same in Europe.

The use of this passport, which allows them access to the single market of 28 nations, is under threat following the Brexit vote in June 2016.

Banks are approaching the point of no return for implementing Brexit contingency plans, according to the report. The lack of certainty over the UK's status when it leaves the EU in March 2019 — and the dwindling chance of a formal trade deal — is forcing their hand.

"So long as the outcomes of the Brexit negotiations remain unpredictable, banks must act as if a hard Brexit is coming. This is driven by natural prudence and also regulators' demands," Oliver Wyman said.

"Over the next six to 12 months, however, actions will be needed that are more costly and harder to reverse – such as injecting new capital into EU entities, moving employees, appointing senior management, and building dealing room infrastructure," the report said.

Investment banks that use London as an EU base have started to unveil plans to move essential staff to Europe. On Monday, Japan's biggest bank, MUFG said it will set up an EU subsidiary.

Brexit will also be costly for European banks seeking to maintain access to UK markets. They will need to inject as much as €40 billion (£35 billion) of capital into their UK operations in order to keep doing business in the country after Brexit, according to a report from Boston Consulting Group last year.

Bank of England staff strike over pay for first time in more than 50 years

1 AUGUST 2017
The Telegraph

The Bank of England's first strike in more than 50 years is underway after the breakdown of talks aimed at resolving a dispute over pay.

Members of the Unite union working in departments including maintenance and security have walked out for three days from today.

Protesters hold up Bank of England Governor Mark Carney masks outside the bank as it staff begins a three day strike over pay, in the City of London. The union, which is protesting at the imposition of a below-inflation pay rise, blames Governor Mark Carney for the failure of last ditch talks held at the conciliation service Acas.

A protest is being held outside the Bank's headquarters in the City of London, with wearing Mark Carney masks, and mounting a picket line. Shadow Chancellor John McDonnell joined the demonstration.

Shadow Chancellor John McDonnell joined the pay protest

Unite is accusing the Bank of imposing a "derisory" below inflation pay increase for the second year running.

Up to a third of staff will get no pay rise this year, according to the union.

Unite official Peter Kavanagh said: "The Governor of the Bank of England must take responsibility for the fact that his dedicated workforce is having to make their concerns heard from a picket line.

"The result of the Bank's failure to negotiate with staff is that the Bank of England now faces its first strike action in over 50 years.

"Unite is calling on the Bank of England to come back to the negotiating table to discuss a fair pay deal for the employees. Unite is prepared to talk and to reach a fair settlement," he continued.

A Bank of England spokesman said it has plans in place to ensure essential business will continue to operate as normal during the walk-out

The Bank also said that Unite balloted around 2pc of its workforce, adding it remained ready to continue talks at any time.

BOE Battles Its Own Wage-Growth Headache as Workers Walk Out

By Hannah George | August 1, 2017

Bloomberg

Employees are protesting outside headquarters for three days
Union says BOE needs to show good will and listen to members

The Bank of England says it's on the lookout for faster wage growth in the U.K. economy, but it doesn't see it in its own building.

From today until Thursday, Unite is staging a strike over "fair pay" and the bank's "unwillingness" to discuss more compensation for members, the U.K.'s biggest trade union said. The BOE has issued a 1 percent pay raise to workers, in line with the government's ceiling on public-sector pay increases but well below the June inflation rate of 2.6 percent.

Workers rallying outside the BOE building in London at 8 a.m. Tuesday morning to protest the offer, included those from security and maintenance -- key departments for the world's second-largest store of gold. Strikers wore masks of Governor Mark Carney and were joined in support by John McDonnell, Shadow Chancellor of the opposition Labour Party.

The fall in the pound since the EU Referendum vote in 2016 has caused inflation to run faster than wage growth, putting pressure on household incomes. Officials have said the pace of pay increases is a key factor in their policy deliberations.

On Thursday the central bank's Monetary Policy Committee will meet to decide whether to hike interest rates and will also publish updated forecasts. Workers will continue to strike outside the Bank's headquarters as the panel votes.

The irony of a strike over pay taking place on the BOE's doorstep has not been lost on workers. "It is very ironic. This is something that utterly brings out the anger in our members," said Mercedes Sanchez, a Unite regional officer.

"Inflation affects us all, no matter how much you earn. And it's only fair that we have a say on how the money is distributed," she said. "British workers have been struggling for quite a long time."

In a statement, a spokesperson for the bank said it "has plans in place so that all essential business will continue to operate as normal" and that it is willing to continue talks with the striking workers at any time.

China to prosecute former senior banking regulator for graft

REUTERS

BEIJING (Reuters) - China will prosecute a former senior official of its banking regulator for corruption, the ruling Communist Party's anti-graft regulator said on Tuesday, as the country broadens a campaign against wrongdoing in its financial sector.

Yang Jiacai, once assistant chairman of the China Banking Regulatory Commission (CBRC), was formally sacked in June, after having been put under investigation in May.

The investigation by the Central Commission for Discipline Inspection found Yang had abused his position to help others with promotions and help his son's business, besides taking bribes, the commission said in a short statement.

Yang "damaged the political ecology of the financial system and market order and harmed the image of the banking regulator", it added.

His illicit gains will be confiscated and he will be handed over the judicial authorities, it said, meaning that he will be prosecuted.

It was not possible to reach Yang for comment, and not clear if he has been allowed to retain a lawyer.

In a speech this year, China's Premier Li Keqiang warned that authorities would investigate and punish corruption in the financial sector.

In April, China's top insurance regulator was removed from his position for suspected serious disciplinary violations.

Yang, 56, is a native of the central province of Hubei who served for six years at the central bank before moving in 2003 to the banking regulator. Between 2007 and 2012, Yang was its director of bank supervision.

Other senior executives targeted in China's anti-graft crackdown include Wang Yincheng, vice chairman of state-owned People's Insurance Group of China, who was put under investigation for suspected corruption in February.

RBI says it's comfortable with currency in circulation

"We were clearly remonetising and we had to wait and assess when the system is actually reaching a stable level of currency in circulation," RBI deputy governor Viral Acharya said

BY GAYATRI NAYAK, ET BUREAU | AUG 03, 2017

THE ECONOMIC TIMES

MUMBAI: The Reserve Bank of India said it's comfortable with the currency currently in circulation, reaffirming the contention that notes won't get back to pre-demonetisation levels.

"The currency in circulation is showing early signs of normalisation," said deputy governor Viral Acharya at the post-policy media briefing. "There remains however much surplus liquidity in the system that the Reserve Bank has been managing," said Acharya.

Total currency in circulation was Rs 15.41 lakh crore on July 28, according to central bank data, about 86 percent of the amount on November 4 last year. Four days later, the government had announced the decision to pull Rs 500 and Rs 1,000 notes out of circulation to eradicate black money, counterfeits, corruption and terror financing.

"We were clearly remonetising and we had to wait and assess when the system is actually reaching a stable level of currency in circulation," said Acharya.

"In one way, I think something is stable when it bounces around its level and I think it's only recently that this has started happening. Otherwise we have been remonetising at a certain pace and currency in circulation has been going up," said Acharya.

The currency in circulation now is about 9% of gross domestic product, down from more than 12% previously. This typically ranges between 5% and 8% of GDP in developed nations.

Lower currency to GDP ratio ensures that currency notes are used primarily for transactions, since high-value notes tend to be used to pay bribes. It is believed that the lesser the currency in circulation, the lower the chances of corruption.

The pace of remonetisation has been slowing since June. From more than Rs 25,000 crore a week until mid-May, the growth in currency in circulation has dipped to less than Rs 10,000 crore of late. Economists attribute this to the RBI'sfocus on printing lower denomination notes and discontinuing high-value Rs 2,000 notes.

"While the seasonality every year suggests a fall in the pace of weekly CIC (currency in circulation) around July-August, the recent fall could partly be attributed to the supply side constraints given the reduced printing run rate, as RBI has started to print Rs 200 notes and stopped the printing of Rs 2,000 notes," Upasana Bharadwaj and Madhavi Arora of Kotak Economic Research said in a note to clients.

Insolvency Board to pull up firms acting as resolution professionals to banks

BY DHEERAJ TIWARI & SACHIN DAVE, ET BUREAU | AUG 02, 2017

THE ECONOMIC TIMES

NEW DELHI | MUMBAI: The Insolvency and Bankruptcy Board of India (IBBI) is looking into a complaint that some professional service firms were acting as insolvency resolution professionals (IRPs) to help banks manage and restructure insolvent companies.

Under law, professional entities can't enrol themselves as an insolvency professional or become a member of another agency registered with the IBBI to do the job. According to an official aware of the matter, an independent IRP had written to the board accusing some firms of breaking this rule.

The complainant alleged that invoices were raised by these firms and not the insolvency professionals, who in most cases were employees of the firms, the official said.

There are about 800 individuals who are registered as IRPs. While professional service firms are barred from becoming an IRP, their executives can do so in their individual capacity. Most banks stay away from appointing people with no firm to back them as IRPs.

"The letter also states that there could be conflict of interest as some of the firms may have worked with these companies (in the past)," the official added. IBBI chairman MS Sahoo said the law is clear that only an individual can be the insolvency professional.

"There is a provision in the law on the issue of conflict of interest as well. If somebody is violating the law and if it is brought to our notice, we will take action," said Sahoo, refusing to divulge further details.

People from EY, PwC, Deloitte, KPMG, Grant Thornton (GT), BDO and Alvarez & Marsal (A&M) are appointed or are in the process of being appointed in 12 insolvency cases currently under process. ET reached out to all the seven firms and some of the senior partners heading the turnaround practice.

EY, PwC, GT and A&M did not respond to ET's queries until press time Wednesday. A senior executive at Deloitte India said in several situations the firm had walked away from work where its internal risk advisory teams pointed out the possibility of conflict of interest.

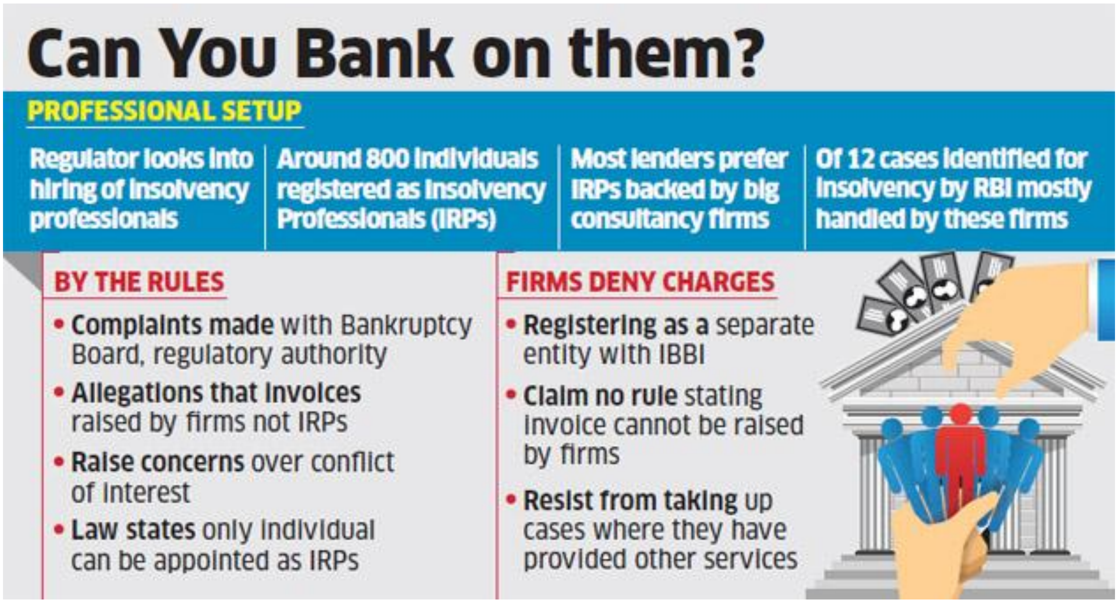
"We take the conflict of interest situations very seriously and we adhere to the rules completely," he added. A senior executive at BDO India said in its case, invoices were raised by individual IPs and not the firm. "Going ahead we have registered a separate entity with IBBI and only this entity will raise the invoices from the banks," this executive said.

"There's no case against the firm and we have no further comments," said KPMG. According to a partner with one of the big four firms heading the turnaround practice, no rule is being broken.

"We have deputed a full-time partner who will now help a company turnaround. There is no rule which says invoice cannot be raised by the firm," the partner said, adding: "Full disclosure was made to the lenders that help from my firm would be sought for operational and financial turnaround." Another senior executive, however, agreed that there could be a conflict of interest for a few firms.

"If any firm has in the past ever taken a single penny as fee from the same company that it is now trying turn around, there is conflict of interest," he said.

Another partner heading the turnaround practice said, "You have to understand that the size of some of the firms is so huge that it's possible that some work somewhere may have been done. The important question is, whether banks know about this."



RBI moves to ensure banks pass on rate cuts, quickly

BY JOEL REBELLO, ET BUREAU | AUG 03, 2017

THE ECONOMIC TIMES

Borrowers could expect interest rates to drop further after the central bank on Wednesday cut its benchmark repo rate to the lowest since November 2010. More importantly, the regulator expressed unhappiness over the transmission of previous reductions in the current cycle of rate-easing, signaling that high-street banks should bring down the cost of funds for consumers.

The Reserve Bank of India (RBI) said that monetary transmission in the new lending rate regime has been unsatisfactory. Banks moved to a new marginal cost of funds based lending rate (MCLR) regime since April 2016 mainly because the old base rate system was not as closely linked to deposit rates.

However, on Wednesday RBI said that the new system also needs a relook to improve policy transmis sion. It has constituted an internal group to study MCLR to improve monetary policy transmission, the central bank said in a statement after the third bi-monthly monetary policy review. "Overall rates will come down.We will examine both the savings rate and the lending rate... This will give a boost to consumption," said MD of Bank of India D Mohapatra.

The RBI has reduced its benchmark repo rate by a total of 200 basis points, or 2 percentage points, from its recent peak of 8% in January 2014 as inflation eased. However, lending rate cuts by banks have not kept pace with the decline in policy rates.

"The experience with the MCLR system introduced in April 2016 for improving the monetary transmission has not been entirely satisfactory, even though it has been an advance over the base rate system," RBI said. The study group will also explore linking the bank lending rates directly to market deter mined benchmarks and will submit its report by September 24, RBI said.The central bank did not elaborate on what exactly is the problem with the current MCLR regime.

Some bankers, however, are unsure of what exactly the Reserve Bank of India wants. "Maybe, it is time RBI should tell us what rate we should lend at," said a private sector banker. "Under the new MCLR regime, large borrowers were in a position to dictate rates and in what tenure they want to borrow.It's now up to them to find a better system," he said.

"The MCLR was just settling down. I am not sure what is the need for this study or what is the exact reason for this," said a public sector banker.

Banks now publish an MCLR for different tenures overnight, onemonth, three-months, and up to three years.

These rates have replaced the single base rate regime. Although a majority of loans have moved to MCLR, some loans are still linked to the base rate. RBI said that bank base rates will also be scrutinised because these have moved more slowly than MCLR.

"While the extent of change in Base Rate may not necessarily mirror the revision in MCLR, the rigidity of Base Rate is a matter of concern for an efficient transmission of monetary policy to the real economy. Given a large part of the floating rate loan portfolio of banks is still anchored on the Base Rate, the RBI will be exploring various options in the near future to make the Base Rate more responsive to changes in the cost of funds of banks," RBI said.

AIBEA THIS DAY – 2 AUGUST	
1952	**J Venkataraman, former General Secretary, Canara Bank Employees Union (date of birth)**
1973	**AIBEA Central Committee Meets at Madras.**
1997	**Bank Unions Joint Committee formed against Privatisation.**

AIBEA THIS DAY – 3 AUGUST	
1956	**B S Rambabu, Joint Secretary, AIBEA (date of birth)**
1959	**All India Demands Day for Wage Revision.**
1970	**General Council of AIBEA meets at Hyderabad**
1987	**National campaign Committee observes Dharna on shifting the DA base from 1960 to 1982**

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