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NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

Bank unions to go ahead with strike on August 22

STAFF REPORTER CHENNAI,AUGUST 19, 2017 THE HINDU

'No assurance from government on charter of demands'

Bank unions would go ahead with their all India strike on August 22 as talks with the Central government have failed. The United Forum of Bank Unions (UFBU) had given the call for the strike on August 22 pressing for various demands including not to privatise public sector banks and merge some of them.

"In response to the strike notice, the Indian Banks' Association (IBA) called the UFBU for discussions on August 16 to explore the possibility of averting the strike. During the meeting, the IBA could not commit to resolve any of the demands; it just stated that all these are policy issues of the government but appealed to the unions to withdraw the strike," UFBU said in a statement. A.K. Nayak, Chief Labour Commissioner of Ministry of Labour Ministry, Government of India, too had a meeting with both the IBA and the UFBU.

During this meeting, UFBU representatives urged the IBA and the Centre to make assurance not to pursue the reform policies and resolve the demands amicably. Since no such assurance was given, the UFBU said it has decided to go ahead with the strike call.

Accordingly, as announced, nearly 10 lakh employees and officers of various banks all over the country would observe the strike, the UFBU said in the statement. "The strike is likely to affect banking services but we regret that the Centre and the IBA were not eager to resolve the issues; this has forced the unions to go ahead with the strike," it added.

NPA resolution not to liquidate companies, but to help save them: Jaitley

PTI/BUSINESSLINE MUMBAI, AUG 19:

Assuring balance-sheet stressed firms that the key objective of NPA resolution is not liquidation of their businesses but to save them, Finance Minister Arun Jaitley today said, the new insolvency law has significantly reversed the defaulting debtor-creditor relationship.

"**The ultimate objective really is not liquidation of assets**, (but) to save these businesses, get either the existing promoters with or without new partners or new entrepreneurs to come in and make sure that these valuable assets are preserved," Jaitley said.

He was addressing an insolvency summit organised by industry lobby Confederation of Indian Industry (CII) here.

Explaining the rationale for the new insolvency and bankruptcy code (IBC), he said, this was necessitated by the failure of debt recovery tribunals to effectively perform their duty after the initial success.

When enacted, the Sarfaesi (Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest) Act had succeeded in bringing down NPAs drastically in the initial two-three years, Jaitley said.

But then the debt recovery tribunals began to be less effective as envisaged, the minister noted, which led to the new law.

But the new regime under the IBC has significantly reversed the defaulter-debtor relationship, he noted, adding, “We lived in a system for many years which protected debtors and allowed assets to rust away.”

“The old regime by which the creditor would get tired chasing the debtor and end up recovering nothing, is now over. If a debtor has to survive, he will have to service his debt, or he will have to make way for somebody else. I think this is the only correct way by which businesses would now be done and this message has to go out loud and clear,” Jaitley said.

Calling for speedy and time-bound resolution of the bad loans issue, which has become a major regulatory overhang, the FM expressed the hope that the mandated timelines will be adhered to so that implementation is effective.

Gross NPAs have crossed 9.6 per cent as of March 2017, while the stressed loans ratio is over 12 per cent.

Following this, the RBI named 12 of the largest defaulters in June, which together owe more than Rs. 2.5 trillion to the banks.

Almost all of them are under the NCLT (National Company Law Tribunal) now, and may face liquidation if the promoters fail to come up with a sustainable resolution and capital infusion.

These 12 companies are from the list of 500 largest defaulters that the RBI has drawn up.

PSBs need to take haircuts on stressed assets: RBI Governor

OUR BUREAU MUMBAI, AUG 19: BUSINESSLINE

Expressing concern at the persistently high gross non-performing asset (GNPA) ratios in the banking system in the past few years, Reserve Bank of India Governor Urjit Patel on Saturday said public sector banks (PSBs) will need to take haircuts on current exposures under any resolution plan agreed within or outside the Insolvency and Bankruptcy Code (IBC).

Given that higher provision on account of stressed assets as well as other factors will affect the capital position of several (public sector) banks, Patel said this would necessitate higher recapitalisation of these banks. The government and RBI are in dialogue to prepare a package of measures to enable the banks to shore up requisite capital in a time-bound manner.

"The GNPA ratio of the banking system at 9.6 per cent and stressed advances ratio at 12 per cent as of March-end 2017 on the back of persistently high ratios in the past few years is indeed a matter of concern. 86.5 per cent of the GNPAs are accounted for by large borrowers, who have taken loans of Rs. 5 crore and above," said the Governor at a conclave on IBC organised by the Confederation of Indian Industry.

Patel observed that the regulatory challenge will be the economic challenge in dealing with the issue that is accentuated when seen against the capital position of some of the banks, particularly in the public sector. Swift, time-bound resolution or liquidation of stressed assets will be critical for repairing the bank balance sheets and for efficient reallocation of capital.

The sense of urgency imbued in the measures to address stressed assets is reflective of a strong intent to not allow things to drag any further, the Governor said, adding that the recent measures address two key lacunae in the earlier framework -- one, the absence of a hard-coded time-bound period for resolution and two, the agency and co-ordination failures at banks and JLF in pushing through viable restructuring plans.

He underscored that the IBC, in essence, provides for a single window, time-bound process for resolution of an asset with an explicit emphasis on promotion of enterpreneurship, maximisation of value of assets, and balancing the interests of all stakeholders.

Patel elaborated that for a creditor, an asset, in most cases, is more valuable when it is a going concern and generates adequate cash flow as compared to an asset under liquidation. The IBC puts a time limit of 180 days, extendable by a further 90 days, within which creditors have to agree to a resolution plan failing which the adjudicating authority under the law will pass a liquidation order on the insolvent company.

So, the threat of liquidation, which could potentially result in larger losses for creditors as a whole, should be sufficient incentive for them to ensure efficient coordination during the insolvency resolution period so as to quickly arrive at a decision, said Patel.

For the promoter, the Governor felt that the biggest cost of being pushed under IBC is the possibility of losing the firm to potential bidders. This should incentivise the firms to avoid defaults and overborrow in the first place. This will improve, ex-ante, the credit culture in the country.

He emphasised that weak credit discipline in banks, right from the appraisal to sanction stage, is one of the main non-systematic factors in the build-up of stressed assets.

The success and credibility of all the asset resolution efforts would be critically contingent on the strength of public sector bank balance sheets to absorb the costs (haircuts).

"It is clear that PSBs will need to take haircuts on current exposures under any resolution plan agreed within or outside the IBC. Higher provision on this count as well as other factors will affect the capital position of several banks. This would necessitate a higher recapitalisation of these banks," said Patel.

To shore up banks' capital measures would include a combination of capital raising from the market, dilution of government holding, additional capital infusion by government, mergers based on strategic fit and sale of non-core assets.

RBI, govt working on recapitalising PSU banks, including merger plans: Urjit Patel

The aggregate losses of state-owned banks in April to June quarter stood at Rs 277 crore

Beena Parmar, Moneycontrol News - Aug 19, 2017

The Reserve Bank of India and the Central government are working on a recapitalisation plan for the capital-starved public sector banks (PSBs), said RBI Governor Urjit Patel.

Speaking at a National Conference on Insolvency and Bankruptcy, Patel said, "The government and the Reserve Bank are in dialogue to prepare a packet of measure to enable the PSBs to shore-up the requisite capital in a time bound manner. **The measures could include the combination of capital raising from the market, dilution of government holding, additional capital infusion by the government, merger based on strategic decision and sale of non-core assets."**

Grappling with resolution of nearly Rs 9 lakh crore worth of bad loans with 12 large accounts referred to the National Company Law Tribunal (NCLT) under the Insolvency and Bankruptcy Code (IBC), banks will have to make higher provisioning on this count as well as other factors which will affect the capital position of several banks.

"The success and credibility of all the resolution efforts would be critically contingent on the strength of public sector banks balance sheets to absorb the costs. It is clear that PSBs will need to take haircuts on current exposures under any resolution plan agreed within or outside the IBC," Patel said.

This would necessitate a higher recapitalisation of these banks.

The aggregate losses of state-owned banks in April to June quarter stood at Rs 277 crore.

As per the government's Indradhanush plan for the recapitalisation of banks, the government intends to infuse Rs 10,000 crore into state-owned banks in FY18 and FY19.

Patel also said that the 12 accounts referred by the RBI for insolvency are in-line with the objective of recovering maximum economic value and that the threat of liquidation should provide enough incentive to bankers and promoters to speed up the resolution.

Finance Minister Arun Jaitley, at the same conference said that while previous laws were only partly effective in resolving the problems of insolvency and bankruptcy in the corporate world, one would have to wait to judge the effectiveness of the current mechanism to deal with the issue.

MS Sahoo, chairman of the Insolvency and Bankruptcy Board of India said that 250 insolvency transactions have been admitted across NCLTs. He said 11 of the 12 accounts referred by banks at the direction of the RBI have also been admitted.

Commenting on the divergence in the assessment of bad loans between banks and the RBI, Patel said this was a serious issue.

In April, RBI asked banks to divulge these divergences in their annual reports. Following the directive, a number of private banks, including Yes Bank, Axis Bank and ICICI Bank, reported large divergences.

BAD LOANS WRITTEN OFF

BY SBI GROUP IN LAST 5 YEARS: Rs. 93,041 CR

Rs. In crores

	SBI	TOTAL SBI GROUP
2013	5,594	6,880
2014	13,177	14,670
2015	21,303	23,973
2016	15,955	19,944
2017	20,339	27,574
TOTAL IN 5 YEARS	76,368	93,041

SBI collects R. 235 crore in minimum balance fine in 1st quarter

SBI has realised Rs235.06 crore as penalty from 388.74 lakh accounts for not maintaining monthly average balance in the 1st quarter of the current fiscal, an RTI query has revealed

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The RTI activist said the bank has not revealed the categories of accounts on which the fine has been levied for non-compliance with its minimum balance requirements.

Indore: State Bank of India (SBI) has realised Rs235.06 crore as penalty from 388.74 lakh accounts for not maintaining monthly average balance in the first quarter of the current fiscal, an RTI query has revealed.

"An amount of Rs235.06 crore has been realised from our 388.74 lakh accounts which did not maintain monthly average balance in the first quarter ended 30 June," SBI said in its reply to an application filed by Neemuch-based RTI activist Chandrashekhar Gaud.

This information was furnished by a Mumbai-based deputy general manager rank officer of the bank's operations department, he said.

However, the country's top bank has not revealed the categories of accounts on which the fine has been levied for non-compliance with its minimum balance requirements, the activist said.

Gaud appealed to the state-run lender to review its policy of levying penalty for non-compliance with its minimum balance requirements in the interest of the poor account holders.

AIBEA THIS DAY – 20 AUGUST	
1922	Com. Natwar Lal Shah, former Vice President of AIBEA (date of birth)
1962	Desai Award on Bonus published.
1968	Nationwide Strike on our demand for deletion of 36 AD and 54 AA Social Control Bill.
2001	Anti-scam day observed by UFBU
2002	Week-long Campaign on health of Banking industry lunched
2003	Strike in Bank of Maharashtra Capital Dilutions
2007	Com. V S Ekambaram former General Secretary SBI Staff Union(AIBEA) veteran leader passes away
2008	All India Strike Against, Merger, Privatization & unrestricted FDI in Banks

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