AIBEA's Banking News

3, 4 OCTOBER, 2017

NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

Vijay Mallya arrested & granted bail in money laundering case filed by ED

He was granted bail by the London Court after providing security and bail bond

Moneycontrol News

Former liquor baron Vijay Mallya was today arrested in London in a case filed by Enforcement Directorate (ED) for alleged money laundering charges. He was granted bail by the London Court after providing security and bail bond.

Earlier today News18 reported that the Enforcement Directorate had filed a fresh affidavit in London Court saying that Mallya has diverted loan money to tax havens.

The agency has submitted fresh evidence in the IDBI Bank loan case, after the CBI and ED found out that **Mallya had diverted a major chunk of Rs 6,027 crore loan, taken from a consortium of 17 banks led by State Bank of India**, to several countries including the US, UK, France and Ireland.

A formal extradition request has been made by the Indian government to the United Kingdom under the Extradition Treaty between India and the UK through a note verbale on February 8. Mallya has been wanted by various investigative agencies for loan default and other financial irregularities.

Mallya fled to Britain in March last year, after defaulting on loan payments to state-owned banks and allegedly misusing the funds by rerouting them to tax havens. He had repeatedly refused to appear before courts and investigators in India.

London Police had arrested Mallya in April of this year but was granted bail on the same day.

The final hearing in Mallya's extradition case is scheduled for two weeks, starting December 4.

Following Aircel deal collapse, banks may have to take sizeable haircut on R-Com debt

Failure of Reliance Communications' deal with Aircel may have larger repercussions. CNBC-TV18 learns from sources that the tower sale to Brookfield has also hit a roadblock.

Failure of Reliance Communications' deal with Aircel may have larger repercussions. CNBC-TV18 learns from sources that the tower sale to Brookfield has also hit a roadblock.

Indian banks may have to take a haircut of Rs 6,000 crore on Reliance Communications' debt, reports CNBC-TV18. Foreign lenders too may have to take a Rs 6,000 crore haircut. Sources said banks may have to take over 26 percent of the company's debt as equity, which at the current price, would account for about Rs 1,200 crore of debt.

Banks will have to get involved for the strategic debt restructuring (SDR) to continue after the deal with Aircel collapsed. If the SDR does not continue, banks would have to recognise R-Com debt as non-performing assets (NPA) this year itself which they are keen to avoid.

A telecom tower deal may exhaust Rs 5,000 crore of RComm's debt. Sale of the mobility business could take away Rs 8,500 crore, while development of Dhirubhai Ambani Knowledge City (DAKC) land via a special purpose vehicle (SPV) can assume Rs 4,000 crore of debt. Its remaining businesses - date centre and undersea cable – is expected to assume Rs 10,000 crore.

Paytm Payments Bank posts Rs. 30.7 cr loss during Aug'16-March 2017

PRIYANKA PANI MUMBAI OCT 4: BUSINESSLINE

Paytm Payments Bank, a newly formed payment bank, has posted losses worth Rs.30.7 crore between August 2016 and March 31, 2017, as per its filings with the Registrar of Companies. Vijay Shekhar Sharma, its founder, owns 51 per cent stake and the rest is held by Sharma's company One97 Communincation, in which Japanese Internet giant SoftBank and China's Alibaba are majority shareholders

Business Line assessed the documents on business research platform Tofler. The bank's revenues were pegged at Rs. 2.5 crore, as per the filings.

Paytm Payments Bank, a spun off entity of mobile wallet and ecommerce platform Paytm, launched its operations in May this year after getting a final RBI approval early this year.

As per RBI guidelines, payment banks can only take deposits and can't lend directly but through third party NBFCs. This makes the banks difficult to earn profits.

IndiaPost, Fino Payment Bank, Airtel are the other three banks of the 11 entities, which got licence, to have launched operations.

Recently, Ashok Pal Singh, CEO of India Post Payment Banks, told Business Line that the banks would take atleast about 4-5 years to post profits

Weaker PSBs could skip interest payment on additional Tier-I bonds: ICRA

'Six public sector banks short of regulatory common equity tier-I requirement for FY18'

MUMBAI, OCTOBER 3: BUSINESSLINE

Amid intermittent breaches of regulatory capital ratios by some public sector banks, last minute capital support and changes in regulations, credit rating agency ICRA has cautioned investors to be prudent to factor in the distinct possibility of a coupon skip on Additional Tier-I (AT-I) bonds.

The agency said the first quarter results indicate that six public sector banks (PSBs) are short of the regulatory CET (common equity tier-I) requirements for FY18. In addition, five more banks are short of regulatory Tier-I requirement for FY18.

"If the AT-I bonds are not allowed to absorb losses, it would be prudent to not accord Tier-I status to them…Past may not be a fair predictor of the future, in this instance," Karthik Srinivasan, Group Head, Financial Sector Ratings, said.

In the backdrop of relaxation in regulatory framework and lowering of risk associated with AT-I instruments and the inability of many PSBs to raise core equity given their low equity valuation multiples, AT-I issuances surged over the past two years.

According to ICRA, Indian banks have till date raised ☐84,100 crore (including a $300 million offshore issuance by State Bank of India), supported largely by the higher coupon offered on the instruments, which triggered investor appetite in the declining interest rate regime. PSBs accounted for over 70 per cent of the amount raised. The mobilisation of AT-I capital also allowed banks to defer equity-raising plans.

Wider base

The AT-I investor base has widened over the past two years, to include high net worth individuals and corporate treasuries in addition to traditional institutional investors like mutual funds, banks, pension funds, traders and players in high-yield assets.

"The capital infusion by the government into a PSB in August 2017 reiterates the government's intent to ensure that PSBs do not default on the debt instruments. At the same time, the capital infusion also indicates limited likelihood of further relaxations or regulatory forbearance for AT-I bonds going forward," ICRA said in a statement. Assuming that the regulator does not dilute the loss-absorbing capacity of these instruments any further, at the current juncture, the rating agency believes that the government needs to shore up the capitalisation levels of PSBs during the next two years.

Otherwise, the PSBs will have to shrink their balance sheets to reduce their risk-weighted assets and cede market share to private banks.

Further, in the case of weaker PSBs that have fully eroded or are close to fully eroding their reserves (which could be used to service the AT-I coupon in a year of loss), the management would need to focus on divesting the non-core assets as even capital infusion will not be able to avert a default on the AT-I bonds.

PSBs that are significantly lower placed on distributable reserves include Indian Overseas Bank, IDBI Bank, UCO Bank, Bank of Maharashtra, Dena Bank, United Bank of India, Bank of India and Syndicate Bank. Distributable reserves are created through appropriation of net profits, including statutory reserves, and excluding share premium, revaluation reserve, foreign currency translation reserve, investment reserve and reserves created on amalgamation. The accumulated losses and deferred revenue expenditure, if any, shall be netted off to arrive at the distributable reserves.

"However, ICRA notes that the AT-I regulations are still open to interpretations and notwithstanding the past relaxations, the coupon servicing by weaker PSBs continues to be characterised by high risk.

"Also, the inclusion in AT-I bonds in the overall capital of a bank creates an illusion of comfortable capitalisation, which is misleading if these instruments are being bailed out," said Srinivasan.

Bank union to seek all Saturdays off, crèches at branch for working women

By Sangita Mehta, ET Bureau | Oct 02, 2017

Nearly eight lakh bank employees and officers wrangling over their next wage hike with bank management are set to resist the banks' move to wrest independence to decide the managerial staff emoluments based on performance, said two people familiar with the matter.

The management lobby, Indian Banks' Association (IBA) and unions are set to meet on Tuesday amidst the worst environment for banks in years. Every five years PSU bank management negotiates wage hike with employees union and officer association.

This time, IBA has suggested two changes- each banks would decide wages of those above scale III and wages of officers from scale I to scale

III will be divided into fixed and variable component. The variable component will be linked to performance.

"We are going to oppose these two suggestions," said general secretary of **All India Bank Employees Association (AIBEA)**, C H Venkatachalam.

Senior bank officials say with bank mergers plan gathering momentum, the trade unions are determined to keep their hold over wage negotiations as yielding even an inch by giving each bank the power to decide on pay hikes would weaken their movement, which has so far been successful in getting their wish irrespective of performance.

Also this would be the first time, the unions are set to demand that banks agree to set up crèches near the branches or near residential complex to ensure that participation of women increase in the industry where they constitute just 20% of the total workforce.

"We have seen that 50% of the incremental recruits are women but the total women workforce is just 20%. This means that a number of women maybe dropping out be take care of their children," said Ventatachalam.

AIBEA THIS DAY – 3 OCTOBER	
1957	Solidarity Strike in Sympathy with Compensatory Allowance demand struggle by Calcutta Bankmen at Ahmadabad.

AIBEA THIS DAY – 4 OCTOBER	
1957	Many Banks in Bombay closed – Solidarity strike – Compensatory Allowance struggle at Calcutta.
1975	Emergency Durbar – Income-tax authorities' raid residence of Com. Prabhatkar – eventually cases dropped.
2002	Strike in Dena Bank against vindictive transfers, compassionate appointments etc.

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