AIBEA's Banking News

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NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

Vijay Mallya assets freeze order in UK courts until April 2018

The UK court had upheld the Indian court's injunction last week and given Vijay Mallya's lawyers more time to respond due to the ongoing extradition trial at Westminster Magistrates' Court, which is now expected to conclude on December 20.

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Vijay Mallya (AP Photo/File)

Embattled liquor tycoon Vijay Mallya, who is undergoing an extradition trial in a UK court over Rs 9,000-crore fraud and money laundering charges, will be dealing with a parallel litigation around an estimated USD 1.5 billion worldwide freeze order on his assets well into 2018.

According to court documents submitted at the UK High Court, the claim brought by 13 Indian banks against the 61-year-old businessman will come up for a hearing in April next year. "The First Respondent's (Mallya) application to set aside the Freezing Injunction is to be set down for hearing on the first available date after 11 April 2018 with a time estimate of 2 days," states the court document.

The litigation in the Queen's Bench Division of the commercial court in England's High Court of Justice lists the State Bank of India, Bank of Baroda, Corporation Bank, Federal Bank Ltd, IDBI Bank, Indian Overseas Bank, Jammu & Kashmir Bank, Punjab & Sind Bank, Punjab National Bank, State Bank of Mysore, UCO Bank, United Bank of India and JM Financial Asset Reconstruction Co. Pvt Ltd as the applicants.

Mallya and related concerns – Ladywalk LLP, Rose Capital Ventures Ltd and Orange India Holdings – are listed as respondents. The claim, dated November 23, relates to a judgment of the Debt Recovery Tribunal (DRT) in Karnataka dated January 19 this year, which concluded that Mallya was "liable" to the banks in the sum of INR 62,033,503,879.42 plus interest and as at November 22, that judgment sum is "still unsatisfied as to INR 98,530,512,249.42".

The "freezing order" involves Mallya and related concerns being "restrained until further order, from removing from the jurisdiction any of their assets in the jurisdiction up to a limit of 1,145,000,000 pounds and in any way disposing of, dealing with or diminishing the value of any of their assets whether they are inside or outside the jurisdiction up to the same value".

The UK court had upheld the Indian court's injunction last week and given Mallya's lawyers more time to respond due to the ongoing extradition trial at Westminster Magistrates' Court, which is now expected to conclude on December 20. A ruling in the extradition case is expected a few weeks later, by mid-January.

Meanwhile, Mallya remains on a 650,000-pound bail bond since his arrest on an extradition warrant by Scotland Yard in April this year. Since December 4, he has been in court over five days of hearings to establish if he can be forced to return to India to face charges of fraud and money laundering involving his now-defunct Kingfisher Airlines' default of bank loans worth nearly Rs 9,000-crore.

The Crown Prosecution Service (CPS), representing the Indian government, has claimed that the evidence they have presented confirms "dishonesty" on the part of the businessman, who acquired the loans through misrepresentation and had no intentions of repaying them.

Mallya's defence team has been deposing a series of expert witnesses to try and establish that the default by Kingfisher Airlines was the result of business failure within a wider context of a global financial crisis and that its owner had no "fraudulent" intentions.

The extradition case returns for one of its final hearings tomorrow, when Judge Emma Arbuthnot is set to hear the testimony of prisons expert Dr Alan Mitchell, who is expected to critique Indian jail conditions as a potential "bar to extradition".

The CPS will need to demonstrate a prima facie case to show that the criminal charges against Mallya, for which his extradition is sought, are justified.

The defence, on the other hand, will try and prove that the businessman will not get a fair trial in India because the case against him is "politically motivated".

Of recapitalisation and resolution of NPAs

CHARAN SINGH in BUSINESSLINE 14 12 2017

Pumping in Fresh blood may help

Even as bail-in won't work in the Indian banking system, extra vigilance is called for to track the path of lending decisions

The Reserve Bank of India's governor, Urjit Patel, interacting with the press on December 6, mentioned the Centre's recapitalisation plan. He emphasised that the plan envisaged not only recapitalisation but reforms too; the reforms would be differentiated amongst public sector banks (PSBs).

PSBs that have managed their balance sheet well will have front-loading of recapitalisation bonds. The other banks will receive government support based on their resolve to undertake reforms in a time-bound manner. These reforms will be measured in terms of capacity of banks to become “slim and trim” and follow better focused business strategies, including sale of non-core assets. The Government is also considering governance reforms for all PSBs.

The governor mentioned that this reform package aims to ensure that money is properly utilised to strengthen the balance sheet of PSBs. Accordingly, the Monetary Policy Statement of December 6, mentions that with the recapitalisation plan of PSBs, foreign portfolio inputs into equities resumed sharply in October 2017 after recording outflows in September. Thus, it can be implied that global financial markets carefully watch the domestic markets in India.

ENCOURAGING SIGN

The distinction being made between well-performing and non-performing PSBs is appropriate strategy. There are two related issues. In recent days, the bail-in clause in the Financial Resolution and Deposit Insurance (FRDI) Bill 2017 is also being discussed. Though internationally accepted, mainly in G-20 countries, it may not be appropriate for the banking system in India. In emerging countries, banks play an important role in financial intermediation. In view of under-developed financial markets, banks are the main source of finance for industry and commerce, especially small and medium enterprises. In advanced countries, stock markets and other funds play an important role. To garner resources for lending, deposits are important for banks. A bail-in clause can scare depositors and redirect their savings into gold, land, chit funds and even cash. In the present stage of growth of the financial system in India, the bail-in clause will encourage shadow banks and defeat the purpose of demonetisation where substantial amounts of cash were deposited in the banking system.

The other issue that needs careful consideration is the resolution of NPAs and treatment accorded to entrepreneurs in industry. There could be different reasons for rising NPAs. Consequently the diagnostics have to be carefully analysed on a case-by-case basis. It is necessary to determine whether NPAs are emerging because of malafide intentions or due to general economic slow-down, because the treatment would differ accordingly.

NEED TO BE VIGILANT

The problem of NPAs does not emerge instantly; it generally has a time-line over which the situation deteriorates. As in an ICU where doctors know the health of the patient before the family does, similarly, bankers become aware of NPAs in the industry they have financed. Therefore, it is also the responsibility of the board of directors of banks, to be vigilant while taking lending decisions. Similarly, chartered accountants, auditors and legal experts associated with the industry where NPAs are rising should also be held responsible by investigating agencies.

In the resolution of rising NPAs, the Kingfisher case can be considered a litmus test. Three important implications associated with KC being tried in the UK court need consideration. First, it can encourage the domestic industry to explore possibilities of tax havens mainly for survival during rainy days. Second, and obviously, this will encourage the generation of unaccounted money in the economy. Finally, and most importantly, many related but irrelevant issues regarding the business environment in India would be argued in an international public space such as treatment accorded to economic offenders, slower dispensation of justice, and condition of prisons. These could damage India's reputation as an attractive destination for investments. This could also reverse the ranking in "ease of doing business" which factors in variables like enforcing contracts and resolving insolvency.

In a dynamic, emerging economy like India with a young population seeking employment, banking sector issues arising out of excessive risk-taking can be expected. As in the case of fiscal issues where finance commissions are set up regularly and a permanent fiscal body for setting GST rates has been established, the Government could consider a permanent banking commission to address concerns. Further, as was the practice in the 1990s, there is a need to periodically consider wellrepresented banking committees to provide a strategic road map for reforms.

Don't Believe Rumour, Bank Deposits Safe," Says PM Modi On 'Bail-In' Worries

Opposition parties have alleged that the government could use people's money to save financial institutions that have made bad lending calls. Banks are struggling under a bad-loan burden of around Rs. 10 lakh crore ($150 billion).

| Edited by Anuj Pant | : December 13, 2017 **NDTV**

PM Modi's assurance comes as a huge controversy rages over the "bail-in" provision

NEW DELHI: Prime Minister Narendra Modi has assured people that their bank deposits will be safe and that their interests will not be harmed in any way, amid worries over what is being called a "bail-in" provision in a new proposed banking law. PM Modi described them as rumours and asserted that the proposed Financial Resolution and Deposit Insurance (FRDI) Bill seeks to strengthen the banking system.

"The government is trying to strengthen the banking system by policy initiatives on a daily basis. But social media rumours are being spread about the FRDI Bill, which is completely opposite to the reality. We are trying to protect the depositors interest and the banks as well," PM Modi said in an address at industry body FICCI, a day before key state Gujarat votes in the second and last phase of assembly elections.

The Prime Minister's assurance comes as a huge controversy rages over the "bail-in" provision, under which banks will be allowed to forfeit a major portion of deposits made by account holders in case of a financial crisis.

Opposition parties have alleged that the government could use people's money to save financial institutions that have made bad lending calls. Banks are struggling under a bad-loan burden of around Rs. 10 lakh crore ($150 billion).

PM Modi said his government has inherited a "completely spoilt banking system" from the previous Congress-led UPA government. He said the biggest liability passed on by the previous government was non-performing assets (NPA).

The last government, the PM alleged, forced banks to lend to influential people, which exacerbated the NPA situation. "Commonwealth scam, 2G scam and Coal scam, and the biggest scam - the banking scam - all happened during UPA regime," the Prime Minister said.

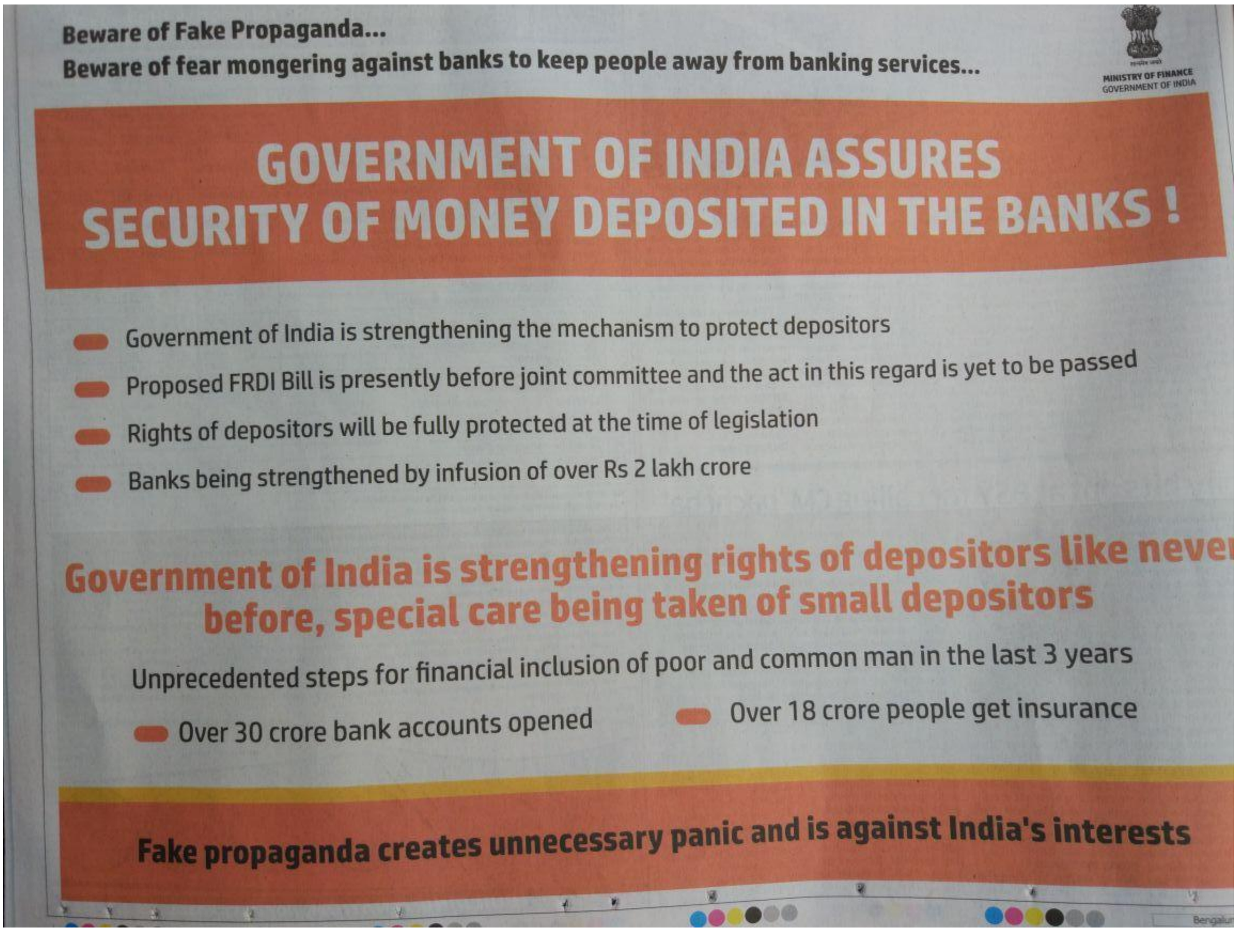
Some financial analysts have suggested that a "bail-in", as against a bailout in which outside money is used to save a financial institution, may eat into funds parked by depositors.

An online petition last week appealed against allowing "a government entity to use depositors' money to save a bank on the verge of bankruptcy" and said to Finance Minister Arun Jaitley, "Our hard earned money that we have saved for our children and for our future will be used to bail-in the banks." It got over 40,000 sign-ups in just 24 hours.

Mr Jaitley has already sought to allay concerns multiple times, saying the government will fully protect public deposits in banks and on Tuesday even hinted that the government is open to changes in the proposed bill, currently being reviewed by a parliamentary panel.

The Finance Minister has said that the government's massive Rs. 2.11 lakh crore capital infusion plan for banks will strengthen them and there is no question of any lender failing. If it happened, he promised, the government would step in to "fully protect" the deposits made by customers, he said adding that "the government is very clear about it".

The Bill was first introduced in the Lok Sabha in August this year during the monsoon session and was referred to a joint parliamentary committee.



AIBEA contemplates of strike over FRDI bill if Govt proceeds further: Venkatachalam

Agencies, **Hyderabad December 13, 2017**

Central Chronicle

All India Bank Employees Association (AIBEA) is contemplating to go on a strike if the Union Government proceeds further on the unwarranted

Financial Resolution and Deposit Insurance Bill (FRDI) which was referred to the Joint Parliamentary Committee (JPC).

AIBEA General Secretary CH Venkatachalam said on Tuesday that after the Union Cabinet approved the FRDI bill, it was later introduced in the Parliament on the last day of the last session and now it was referred to the JPC. He said the AIBEA has already appeared before the JPC and urged upon them to reject the Bill.

The Bill has created widespread fear, apprehension and panic amongst the Depositors that the Government is contemplating to liquidate the Banks and the Deposits of the Banks will not be returned because of the Bail-in Clause of the Bill.

The AIBEA General Secretary said in the wake of the financial sector crisis in the US and other countries in 2008, the Governments there had to bail-out many failed Banks with tax-payers money and the Financial Stability Board (FSB) came up in 2009 where the G-20 countries are members.

The FSB had made framework policies and guidelines to deal with banking financial institutions in the eventuality of their failures. India is also a part of G-20 and this FSB, he added.

Based on their guidelines, Mr Venkatachalam said the need arose to make special legislation in India and the issue was first brought to attention by Union Finance Minister Arun Jaitley in his 2016-17 budget speech.

In March 2016, a committee was set up under the chairmanship of Ajay Tyagi, Additional secretary, Department of Economic Affairs, Ministry of Finance, to draft and submit the Bill. The draft of Financial Resolution and Deposit Insurance Bill 2017 was drawn up based on the recommendations of this committee.

After considering the suggestions, the Union Cabinet approved the introduction of FRDI Bill 2017 in Parliament. Mr Venkatachalam said the FRDI Bill provides for setting up a new authority Financial Resolution Corporation (FRC) which will deal with liquidation and resolution of Banks Insurance and other financial institutions.

He said the FRC will supersede the powers of RBI and other agencies dealing with the problem at present. Deposit Insurance Corporation (DIC) guarantees Deposits up to Rs 1 lakh per customer. This will be closed down and the FRC will decide the amount now, he said.

The top Union leader said today 2125 commercial banks and co-operative banks were covered under DIC covering total deposits of Rs 103 lakh crore. Of this, under the present scheme with the ceiling of Rs 1 lakh per customer, only Rs 30 lakh crore are covered under insurance.

Balance deposits are not covered even today, he said, adding that there is a need to cover the entire Deposits of the Banks so that in a country like India, common people feel assured of their hard-earned savings and there is no threat to their deposits.

Mr Venkatachalam said, instead, FRDI Bill is talking of removing even the existing ceiling of Rs. 1 lakh. The Government should clarify on this to the people, he demanded. In addition, the FRC has power to liquidate any Bank. The FRC can permit to use the Depositors' money to bail-in a Bank.

This provision is creating doubt and panic in the minds of every one. Mr Venkatachalam reminded that in India, between 1913 to 1960, nearly 1600 private Banks failed, and closed down.

Depositors lost all their money kept in the banks. Hence AIBEA took up the issue in Parliament and an amendment was made to Banking Regulations Act in 1960 by which any Bank failing will be put on moratorium and merged with another Bank.

That is why since then, in the last more than 55 years, though many private banks faced liquidation, all these Banks were merged with another Bank and no Bank has been liquidated since then. No depositor has lost his/her money, he clarified.

He said it is regrettable that at a time when the common people already worried about their money in the Banks due the huge bad loans and consequent write off, loss of revenue, losses being incurred by banks, etc., instead of assuring the people about the safety of their money kept in the Banks, the Government has chosen to bring this FRDI Bill which deals with possible liquidation of Banks.

Instead of taking stringent measures to recover the huge bad loans from the big corporate companies and other major defaulters and strengthening the Banks, he alleged that the Government is bringing this

FRDI Bill to oblige the IMF and succumbing to the pressures of the Financial Stability Board.

This Act is required for those countries where the Banks are in private hands and where the regulations on Banks on liberalized. Hence question of liquidation of our Banks does not arise at all and hence there in no need or scope of Bail-in. Hence the entire FRDI Bill is misplaced in Indian context and wrongly timed.

For India, FRDI Act is unwarranted. **''The Government should reconsider and defer the whole Bill and assure the people that their money in Banks is totally safe and guaranteed by the Government''.**

They must take tough measures to recover the bad loans and make our banks more viable and vibrant, he added. Mr Venkatachalam said people should stop from panic and fear and fight against the wrong policy of the Government to weaken the Banks.

AIBEA THIS DAY – 14 DECEMBER	
1948	Com. H L Parwana leads second strike for wage revision in Bharat Bank Ltd., Delhi.
1960	National Industrial Tribunal on Bonus Award Published.
2006	All India Badge wearing solidarity with national Convention of Workers Demands
2006	All India General Strike - AIBEA & AIBOA participate

Central Office: PRABHAT NIVAS
Singapore Plaza, 164, Linghi Chetty Street, Chennai-600001
Phone: 2535 1522 Fax: 2535 8853, 4500 2191
e mail ~ chv.aibea@gmail.com
Web: www.aibea.in