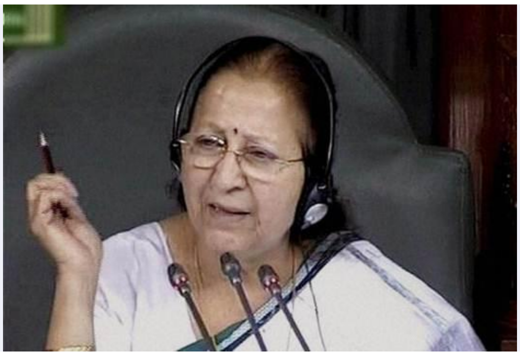
AIBEA's Banking News

17, 18, 19 DECEMBER, 2017

NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

FRDI Bill: Breather for depositors as joint panel gets more time to submit report



Acceding to the Joint Committee's request, the Lok Sabha Speaker, Sumitra Mahajan, has granted extension of time for presentation of the report to the last date of the Budget session.

LS Speaker allows submission of report on the last day of Budget Session

NEW DELHI, DEC 18: BUSINESSLINE

Depositors in banks need not fret about their monies getting used for any 'bail in' exercises any time soon.

This is because the Joint Committee of Parliament looking into the Financial Resolution and Deposit Insurance (FRDI) Bill 2017 has sought extension of the deadline for submission of its report to the last date of the 2018 Budget session.

Acceding to the Joint Committee's request, Lok Sabha Speaker Sumitra Mahajan on Monday granted extension of time for presentation of the report to the last date of the Budget session.

Similarly, the Lok Sabha Speaker also granted extension of time for presentation of the Joint Committee report on the land bill (Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and

Resettlement (amendment) Second Bill 2015) up to the last date of Monsoon Session 2018.

With the FRDI Bill indicating that depositors’ monies could be used for “bail-in” of failing banks, the Bill has created widespread fear, apprehension and panic amongst depositors.

The apprehension is that deposits in banks would not be returned because of the “bail-in” clause in the Bill.

The FRDI Bill was introduced in Parliament on the last day of the previous session. This Bill is now before the Joint Committee of Parliament.

It was widely believed that Centre will, in the ongoing Winter Session, take steps to enact the FRDI Bill, which provides the insolvency framework for financial firms, including banks and insurance entities.

Unions’ caution

It may be recalled that some bank employee unions had cautioned the Centre against proceeding further with the enactment of FRDI Bill.

The government should not go ahead with the FRDI Bill as it is wrongly timed and unwarranted in India, CH Venkatachalam, General Secretary, **AIBEA, had recently told *BusinessLine***.

AIBEA opposes CII's proposal on stake dilution in PSU banks

CH Venkatachalam, AIBEA General Secretary, says that some of the members of CII and other industry bodies are responsible for the bad loans in the banking sector.

Wants industry bodies to compel their members to repay loans

MANGALURU, DEC 19: BUSINESSLINE

The **All India Bank Employees' Association (AIBEA**) has opposed the recommendation of the Confederation of Indian Industry (CII) to the Government to reduce its stake in public sector banks to 33 per cent over the next two-three years.

C.H Venkatachalam, AIBEA General Secretary, who was in Mangaluru on Monday, told BusinessLine that that **some of the members of CII and other industry bodies are responsible for the bad loans** in the banking sector.

Terming this recommendation as preposterous, he said: "**They (private corporates) take loan. They don't repay and make the banks to waive off. Then they are telling the Government to privatise the banks.**"

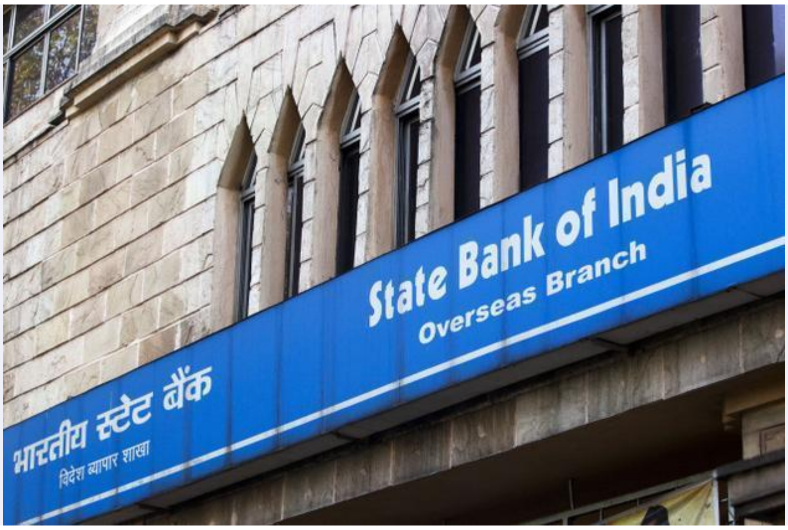
He said that the **industry bodies are recommending to the Government to privatise the banks to the very same private sector whose innovation is responsible for bad loans.** In the country, PSU banks continue to give a bulk of corporate loans to private corporates. These corporates are now blaming the PSBs. "**If pubic sector is not good, why do they come here**," he said.

Rather, he said, **CII and other industry bodies should compel their members to repay the bank loans** so the banks can again recycle this money for more loan and development. **Those who fail to repay should be expelled from the membership of these bodies**, Venkatachalam said.

Urging the CII to withdraw the recommendation, he said they should concentrate on helping the banks to recover the bad loans. Stating that **AIBEA is planning to meet the Union Finance Minister** shortly in this regard, he said the association would urge upon the Government to reject this recommendation of CII. AIBEA will also ask the Government to take tough action on the defaulting members of these industry bodies.

AIBEA has reiterated its demand that **willful corporate defaults should be brought under criminal offence** to enable the banks to take criminal action against these corporate defaulters, Venkatachalam said.

Govt must dilute stake in PSU banks to 33% in next 3 years: CII



MUMBAI, DECEMBER 17: BUSINESSLINE

In order to achieve the objectives of recapitalising public sector banks (PSBs) and meeting financing needs of the economy, industry body CII has made a host of recommendations including re-issue of recapitalisation bonds by PSBs to the general public, and government shedding stake in most of these banks to 33 per cent over the next 2-3 years.

Even as it backed the government's proposed move to issue recapitalisation bonds to the tune of Rs. 1.35 lakh crore, CII suggested an alternative whereby public sector banks (PSBs) could re-issue these bonds to the general public.

"These bonds (which will be held by banks) have de-facto sovereign guarantee. This will enable the banks to raise necessary funds (by re-issuing them to the general public)," said the Confederation of Indian Industry (CII).

POTENTIAL BUYERS

Potential buyers of recapitalisation bonds could be pension funds, insurance companies, other institutional investors, both global and domestic, and retail investors.

Injecting capital into PSBs via recapitalisation bonds entails two steps — one where the government issues bonds to banks and mops up resources; and two, the government uses these proceeds to buy shares of banks through rights issue and banks get the necessary capital.

Recapitalisation bonds are part of the government's ☐2.11-lakh crore front-loaded capital injection plan for PSBs to help them clean up bad loans and ensure credit growth.

LOWER GOVT STAKE

PSBs, said CII, should be encouraged to go for public issue and use this capital to write off debt. This will increase their equity capital, it added.

As a quick measure, whatever margin is available to them over 52 per cent may be liquidated in the capital market,suggested the industry body. In this regard, it observed that many PSBs have a much higher government equity holding at over 80 per cent, while only four have brought down the share to 58 per cent as of March 2017.

"Over the next 2-3 years, the government should consider bringing down its stake in most PSBs to 33 per cent. It could retain a larger share in the State Bank of India in order to meet priority needs.

"However, smaller banks that are in poor condition require to be managed with greater efficiency," CII said.

One challenge in offloading shares, the industry body felt, could be the poor return on assets and equity that currently characterize some PSBs.

INFRASTRUCTURE DEBT FUNDS

Given that the infrastructure sector is a major source of bad assets for PSBs, and there is a mismatch between the relatively short-term nature of bank liabilities and the long-term tenure of infrastructure loans, the CII said a viable option for addressing this mismatch is required. Thus, banks may look at re-financing their infrastructure portfolio through Infrastructure Debt Funds (IDFs).

IDFs are investment vehicles where institutional investors such as insurance and pension funds can invest and refinance existing debt of infrastructure companies. Offloading such advances disbursed to successful infrastructure projects could open up space for new credit growth.

CII recommended that securitisation of good/performing loan portfolio and selling the units to investors may enable PSBs to raise funds to capitalise their books.

Conciliation talks on IDBI Bank wage revision tomorrow

AJ VINAYAK MANGALURU,

DECEMBER 18: **BUSINESSLINE**

Following the nationwide strike call given by the All India Bank Employees' Association (AIBEA) and the All India Bank Officers' Association (AIBOA) on December 27 seeking wage revision in IDBI Bank, the **Chief Labour Commissioner has called for a conciliation meeting with the unions on December 20.**

C.H Venkatachalam, **AIBEA** General Secretary, told BusinessLine that the wage revision for employees and officers of IDBI Bank is due since the last five years. He said AIBEA and AIBOA had called for a strike on December 27 demanding wage revision in IDBI Bank. Wage revision, he said, was over in all public sector banks, regional rural banks, Reserve Bank of India, Life Insurance Corporation, and General Insurance Corporation.

There has been no wage revision for five years and now, he said, the management is telling that the bank's non-performing assets (NPAs) are huge. "It is not our problem. **We can become considerate in demanding. But you cannot deny wage revision**," he said.

Now the Chief Labour Commissioner of the Labour Ministry has called for conciliation talks on December 20. The unions will be participating in the meeting and exploring the possibility of an amicable settlement, he said.

"**If IDBI Bank management can come forward for a reasonable and amicable settlement, AIBEA is willing to work (for it). If they are adamant, the strike will take place as scheduled,**" he said.

Bankers want notional profit from debt waiver to be exempted from MAT

Say this will encourage new promoters and investors to acquire ownership of stressed entities

K RAM KUMAR, MUMBAI, DECEMBER 18: BUSINESSLINE

To incentivise participation of 'new promoters/investors' in the resolution of stressed companies under the Insolvency and Bankruptcy Code, banks are seeking suitable amendments to the Income Tax Act, whereby, when a portion of such companies' debt is waived off, the resulting notional profit arising from recognition of notional income is exempt from minimum alternate tax.

Bankers' say waiver of a portion of a stressed company's loan under a resolution plan will be treated as taxable receipt by the revenue authorities and this could deter new promoters/investors from acquiring/taking over ownership of such entities.

The objective of minimum alternate tax (MAT), according to the IT Department, is to bring into the tax net "zero tax companies" which, in spite of having earned substantial book profits and having paid handsome dividends, do not pay any tax due to various tax concessions and incentives provided under the IT law.

IT AMENDMENT NEEDED

According to S Ravi, practising chartered accountant, "when a company is being taken over by a new promoter/investor, there could be ambiguity and litigation regarding taxation in case of sacrifice of interest and principal. It is thus imperative to have suitable amendments in the Income Tax Act (to assuage the concerns of the new promoter/ investor)."

In case of amalgamation, Ravi underscored that tax exemptions are clearly defined. So, this can also be done in the case of National Company Law Tribunal (NCLT), which is the Adjudicating Authority under the Insolvency and Bankruptcy Code (IBC) cases where new promoters/ investors step in.

Referring to recent deliberations on resolution of stressed assets under IBC, a senior official of a public sector bank said banks want suitable amendments to the IT Act so that new promoters/ investors are not hassled with the tax liability of the investee company.

"When somebody else takes over an asset, it is like an amalgamation. So, when a new corporate entity takes control, there will be a number of grey areas. This needs to be resolved.

"So, the (MAT) exemption, if it comes, will encourage the fresh promoter or investor to come in (to replace the existing promoter)," explained Ravi, who is also on the board of IDBI Bank.

Since June 2017, banks, at the behest of the Reserve Bank of India, have initiated asset-resolution proceedings in the case of 40 large corporates with total debt aggregating almost Rs 4.5 lakh crore.

AIBEA THIS DAY – 17 DECEMBER	
1968	**Reception to delegates from National Union of Civil & Municipal Employees Union – German Democratic Republic at Delhi.**
1988	**AIBEA Central Committee meets at Nagpur.**

AIBEA THIS DAY – 18 DECEMBER	
1973	**Asian Trade Union Seminar meets at Delhi sponsored by AIBEA. Shri K V Raghunatha Reddy, Labour Minister inaugurates. Shri K R Ganesh, Minister of State for Revenue, Shri Raj Bahaddur, Minister for Communications and others participate.**

AIBEA THIS DAY – 19 DECEMBER	
1979	**Solidarity Strike in all Banks in Kerala in support of Federal Bank struggle. In Federal Bank 8 days' wage cut for one day imposed. 120 staff Trainees terminated etc.,**
1995	**Indefinite Strike Call given by AIBEA on relativity issues of 6th Bipartite Settlement (Strike deferred).Govt. appoints fact Finding Committee.**