AIBEA's Banking News

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NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

Fears over FRDI Bill misplaced, says government

SPECIAL CORRESPONDENT THE HINDU ,

NEW DELHI , JANUARY 02, 2018

‘Bail-in won't be applied to public sector banks, it will be used as a last resort in the case of private entities'

In yet another clarification about the Financial Regulatory and Deposit Insurance (FRDI) Bill, the government has said depositors will be given preferential treatment in the event of liquidation of a bank, and the controversial **bail-in clause will be used only with the prior consent of depositors.**

The clarification also said the **bail-in clause would not be applied to public sector banks,** and it would be a tool of last resort — when a merger or acquisition is not viable — in the case of private sector banks. The government reiterated its implicit guarantee for the solvency of public sector banks.

"The uninsured depositors, that is, beyond Rs. 1 lakh, of a banking company are treated on a par with unsecured creditors under the present law and paid after preferential dues, including government dues, in the event of its liquidation," the Ministry of Finance said in a statement.

"As per the provisions of the FRDI Bill, the claims of uninsured depositors in the case of liquidation of a bank will be higher than those of the unsecured creditors and government dues."

Under current laws, deposits with banks are insured up to Rs. 1 lakh. Under the FRDI law, the Resolution Corporation is empowered to increase this deposit insurance amount.

The FRDI Bill was introduced in Parliament in August 2017 and is under the consideration of a Joint Committee of Parliament.

'One of the tools'

"Bail-in has been proposed as one of the resolution tools in the event a financial firm is sought to be sustained by resolution," the statement said. "Certain misgivings have been expressed in the media, especially social media, regarding the depositor protection in the context of the 'bail-in' provisions of the FRDI Bill. These misgivings are entirely misplaced."

According to the government, there is no risk of public sector banks being required to avail themselves of the bail-in clause because the government **"always stands ready to take care of the capital needs of the public sector banks."**

"**Most certainly, it [bail-in] will not be used in case of a public sector bank** as such a contingency is not likely to arise," it said.

"**The implicit guarantee for solvency of public sector banks remains unaffected** as the government remains committed to adequately capitalise them and improve their financial health."

The government said bail-in is only one of many resolution tools in the FRDI Bill, with others including mergers and acquisition of the ailing financial institution, and is to be used either singly or in combination with other tools.

The statement said the FRDI Bill includes formal safeguards for the use of the bail-in clause and the protection of depositors' interests that current legislations do not. "**Cancellation of the liability of the depositor beyond insured amount will be possible only with the prior consent of the depositor**," it said.

The bail-in instrument, as designed by the Resolution Corporation, will be subject to Government scrutiny and the oversight of Parliament.

"Bail-in power can be used in a judicious and reasonable manner only by the Resolution Corporation and it will have to ensure that all creditors, including uninsured depositors, get at least such value which they would have received in the event of liquidation of a bank," it said.

In other words, under the new law, uninsured depositors will recover at least as much of their deposits as they would have if the bank had been liquidated under current laws.

"In case of injudicious and unreasonable exercise of bail-in power by the Resolution Corporation, for example, where the depositors of a bank get less value than in liquidation, such affected depositors will have the right to get compensation from the Resolution Corporation on an order of the National Company Law Tribunal," the statement said.

No proposal of PSB merger under consideration, says Union minister Shiv Pratap Shukla

By: PTI | New Delhi | January 2, 2018

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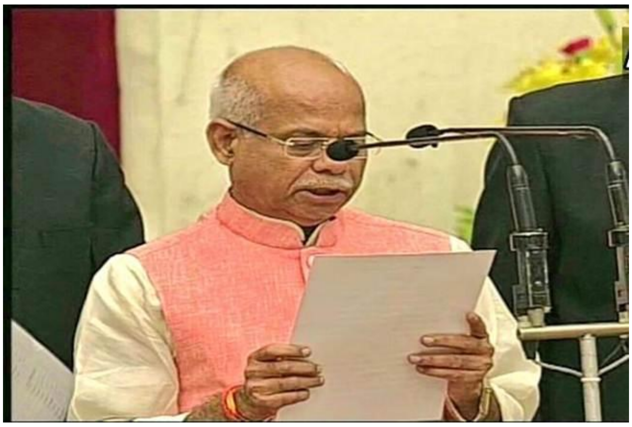

To facilitate consolidation in the public sector banking space, the Cabinet in August gave in-principle approval for PSBs to amalgamate through an Alternative Mechanism (AM).

Union minister Shiv Pratap Shukla today said no proposal regarding merger of Public Sector Banks (PSBs) is under consideration of the government.

However, the government has put in place an approval framework for proposals to amalgamate nationalised banks, the Minister of State for Finance said in a written reply to Rajya Sabha.

The Banking Companies (Acquisition and Transfer of Undertakings) Acts of 1970 and 1980 provide that the central government, in consultation with RBI, may make a scheme for amalgamation of any nationalised bank with any other nationalised bank or any other banking institution, he said.

To facilitate consolidation in the public sector banking space, the Cabinet in August gave in-principle approval for PSBs to amalgamate through an Alternative Mechanism (AM).

Subsequently in November, a panel under the chairmanship of Finance Minister Arun Jaitley was set up to examine proposals from banks for in-principle approval to formulate schemes of amalgamation.

A report on the proposals cleared by it will be sent to the Cabinet every three months. Last year, five associates and Bharatiya Mahila Bank merged with State Bank of India (SBI), catapulting the country's largest lender to among the top 50 banks in the world.

With the merger, SBI joined the league of top 50 banks globally in terms of assets. The total customer base of the bank will reach 37 crore with a branch network of around 24,000 and nearly 59,000 ATMs across the country. The merged entity began with deposit base of more than Rs 26 lakh crore and advances level of Rs 18.50 lakh crore.

Bankruptcy code Bill gets Rajya Sabha's green signal

Opposition leaders call for level playing field for Indian investors to bid for stressed assets

NEW DELHI, JANUARY 2: BUSINESSLINE

The Rajya Sabha unanimously passed the Insolvency and Bankruptcy Code (Amendment) Bill on Tuesday that replaces an Ordinance that prevents "unscrupulous persons from misusing or vitiating the provisions of the Insolvency and Bankruptcy Code".

Replying to the two-hour-long debate on the Bill, Finance Minister Arun Jaitley said the recent experience with loans has given a big lesson to the banking system in the country.

"**Did banks think at the time of giving loans without any security like in case of trading companies, how much haircut they would have to take if those companies went to insolvency**?" he asked.

He said insolvency and bankruptcy is an area that the country has only recently entered. "It is a learning experience," he said and added that the Centre has been encountering situations which were not anticipated earlier and assured the Upper House that it would continue to take corrective action.

"You need a strong banking system ...You need banks which are able to lend money to large industries, to infrastructure projects, to small industry, for educational loans... It is all part of the economy that you need a robust banking system," he said and added that as far as asset-owning companies are concerned, fetching the best price is the target and any bid which is not viable can be rejected.

"It is for creditors to decide how much haircuts they want," he said.

Earlier, initiating the debate, former Finance Minister P Chidambaram said there will be consequences for the provisions of "over-exclusion" in the Bill.

He said very few people in India will be eligible to bid in case a stressed asset is put on sale because of the provision.

"It is quite possible that asset-reconstruction companies and alternate investment bodies registered abroad will turn out to be the bidders. Most Indian companies, which go through a resolution process, will pass from the hands of an Indian management to a foreign management," he said.

He said a level-playing field should have been created for an adequate number of Indian companies and investors to bid for these assets rather than excluding them by a very over-inclusive Ordinance which will keep out a large number of potential Indian investors.

CPI leader D Raja said the RBI has asked the banks to be ready for 'deep haircut'.

"According to common people, 'deep haircut' means write-off huge loans of big corporate companies. That is what the people understand. **You write-off big loans of big corporate companies. How long this appeasement to corporate houses can go on in this country?** Every government talks big, big things. But, finally, are you in a position to take tough action against these corporate companies which are wilful defaulters?" he asked.

Bank staff camp outside homes of loan defaulters

Bank officers outside the house of Akali leader Rajinder Kaur in Barnala on Tuesday.

Parvesh Sharma Tribune News Service Barnala, January 2

The Tribune
VOICE OF THE PEOPLE

Braving the cold, officers of State Cooperative Agricultural Development Bank Ltd, Barnala, today staged dharnas in front of the houses of "willful and influential" defaulters for the recovery of their loan amount.

They first had breakfast in front of the door of former state director of their bank Pardeep Singh and then had lunch while sitting at the main gate of state core committee member of the Istri Akali Dal Rajinder Kaur, also known as Hind Motor Wale.

Bank officers accused Kaur of misbehaving with them while the latter's family denied all allegations.

Pardeep Singh had taken a loan of Rs 38 lakh five years ago. Embarrassed, Pardeep Singh, failing to convince officers to lift the dharna, handed over two cheques for Rs 5 lakh and Rs 10 lakh.

The bank officers were led by Regional Officer (RO) Rajnish Bansal from the Patiala division office, while other members included Assistant General Manager, Barnala, Manohar Lal, Managers Mukesh Kumar and Kulbir Singh and other clerical employees of bank branches from Barnala and Tapa. They sat on dharna in front of Kaur's residence on the Handiaya road around 10 am and lifted their protest after five hours.

"Bibi Rajinder Kaur took 12 loans of Rs 91 lakh in the past three years from us for various purposes, but has not returned a single penny so far. Today she misbehaved with us when we sat on dharna," said RO Bansal.

Patiala, Sangrur, Barnala, Ludhiana, Fatehgarh Sahib, Ropar and Mohali districts come under Patiala division.

"We did not misbehave with anyone .We told the bank staff that we do not have cash. They can take our property if they want their amount immediately," said Charnjit Singh Khattra, Kaur's husband.

Bank workers union to demonstrate over provident funds

JANUARY 2ND, 2018 ANDRIA KADES **CYPRUS**

CyprusMail Online

The Global Choice for our Island's News, Views and Information

Bank employees want their provident funds fully reinstated

Bank employees' union Etyk will hold a demonstration on February 1, because the government has failed to keep its promises, it announced on Tuesday.

Etyk said it would hold an extraordinary session on January 31 to discuss "ongoing developments with particular focus on the well-known problem of provident funds," which were affected by the deposit seizure during the 2013 haircut "and the government's pledge to restore it."

Etyk said the presidential elections were important and everyone should exercise the "holy right to vote" based on candidates' actions as opposed to words.

In 2013, the government made €300m available to compensate members of funds for deposits lost in the bail-in and in July 2017 made another €168m available to increase the recoupment to 75 per cent of losses per member or up to €100,000.

Last month, the Cabinet decided to allocate an additional €20m by relaxing the criteria for provident fund members who have meanwhile left Bank of Cyprus. The lender offered to compensate its workers for their losses in exchange for an agreement on a new remuneration system.

Financial tech push: Big four banks to cut 20,000 jobs, experts predict

ANZ was one of the first banks to admit there will be fewer branches in the future and has cut the number of full-time employees by 5256 or 10 per cent over the last two years. **Bloomberg**

by James Frost , FINANCIAL REVIEW, **AUSTRALIA**

The big four banks are set to accelerate plans to thin the ranks of full-time employees by 20,000 in 2018 and beyond as earnings growth slows and costs become harder to control.

Experts say ANZ, Commonwealth Bank, NAB and Westpac will need to get serious on headcount in the year ahead after reducing the number of full-time employees by just 2498 or 1.5 per cent in 2017.

NAB generated headlines at its full-year results on September 2 when it announced the bank would look to shed 4000 jobs over three years, or 12 per cent of its work force.

A 12 per cent reduction in staff across the 159,028 employed across the big four is just under 20,000. CLSA analyst Brian Johnson said it was unlikely that NAB would be the last bank to take a scalpel to staff numbers.

"We think the rest will follow," Mr Johnson said. "The only lever left is costs. We are in a low-growth world and the banks have given staff above-inflation pay rises of 3 per cent across the board."

ANZ has also cut staff numbers significantly as it refined its super regional strategy and withdrew from Asia. The bank has cut the number of full-time employees by 5256 or 10 per cent over the last two years. Some believe this is just the start of a longer-term staff reduction.

ANZ was one of the first banks to admit there will be fewer branches in the future. It was an early adopter of the Agile management technique with its work cycle "sprints" and "scrum" strategy meetings. The bank says the system of working means it will need fewer employees.

"It seems pretty clear that ANZ are taking out a raft of middle management," Mr Johnson said.

Banks left exposed

More work may need to be done to manage costs at Commonwealth Bank and Westpac. With their big mortgage books both are exposed to slowing credit growth and margin compression as customers switch to principal and interest loans.

The number of full-time staff at Westpac fell by 484 or 1 per cent to 35,096 in 2017. The bank employed 35,055 full-time staff in 2010 but it is widely acknowledged to have made great strides in reducing headcount over the last three and five years.

Commonwealth Bank on the other hand added 100 staff in 2017, taking headcount to 51,800. The bank employed 45,000 people in 2010. The bank cut 150 positions from a Brisbane loan processing centre last year. The sale of asset manager Colonial First State Global Asset

Management and troubled life insurer CommInsure will relieve some pressure.

Analysts remain concerned that record low bad and doubtful debts will in the future return to average levels while the banks argue they have better risk management systems that are helping to issue less risky loans. Many are concerned that asset sales and other measures for reducing costs will create a significant headwind for EPS growth.

The solution is automation with digitised functions producing new opportunities for savings and headcount reduction. But the banks also need to invest in the right capabilities which can mean paying up for staff in highly competitive job market.

KPMG's head of banking Ian Pollari said there was a degree of inevitability about the job losses as more processes became automated. Hiring more tech professionals however comes with its own unique set of problems.

"The challenge for the banks is they are not alone in their pursuit for these highly sought-after skill-sets and capabilities, often competing with international technology companies for these types of professionals. As a result, it will naturally put upward pressure on wage costs."

Ambitious tech targets

NAB's program involves shedding 6000 roles while adding 2000 technology jobs. It also set itself the ambitious target of hiring 600 specialists in software engineering, data, architecture and security before Christmas. NAB said the bank was paying globally competitive rates to secure the best talent.

Operating expenses rose at three of the big four banks in FY17 with ANZ the only bank to reduce costs on the back of a one-off software capitalisation charge of $556 million and restructuring expenses of $216 million in 2016.

Macquarie analyst Victor German said he expected banks to do more on the job front in 2017 but was confident of seeing more progress as the year unfolded.

"The fact they are not rushing is arguably not a bad thing," Mr German said. "We think they are taking the right approach by carefully understanding where inefficiencies are how they can improve processes and reduce expenses."

Mr German has warned banks from waiting too late, however, noting that natural attrition would not be able to do the heavy lifting for much longer. Banks typically expect that around 10 per cent of bank staff leave of their own accord each year.

"We think natural attrition levels are more likely to decline than accelerate," Mr German said.

"It's not that difficult to take out costs, but to do so in a sustainable way by redesigning inefficient processes is far more difficult and actually more valuable in creating longer-term value."

"The question is, of course, would we look at what banks have achieved in three years' time and realise that they have invested well and are better companies or if they wasted time and money."

AIBEA THIS DAY – 3 JANUARY	
1983	**4th Bipartite Charter of demands submitted.**
1986	**Convention of Private Sector Bank Unions at Ernakulam.**
2008	**UFBU Calls for Strike action against Bank Mergers, Outsourcing & Privatisation.**

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