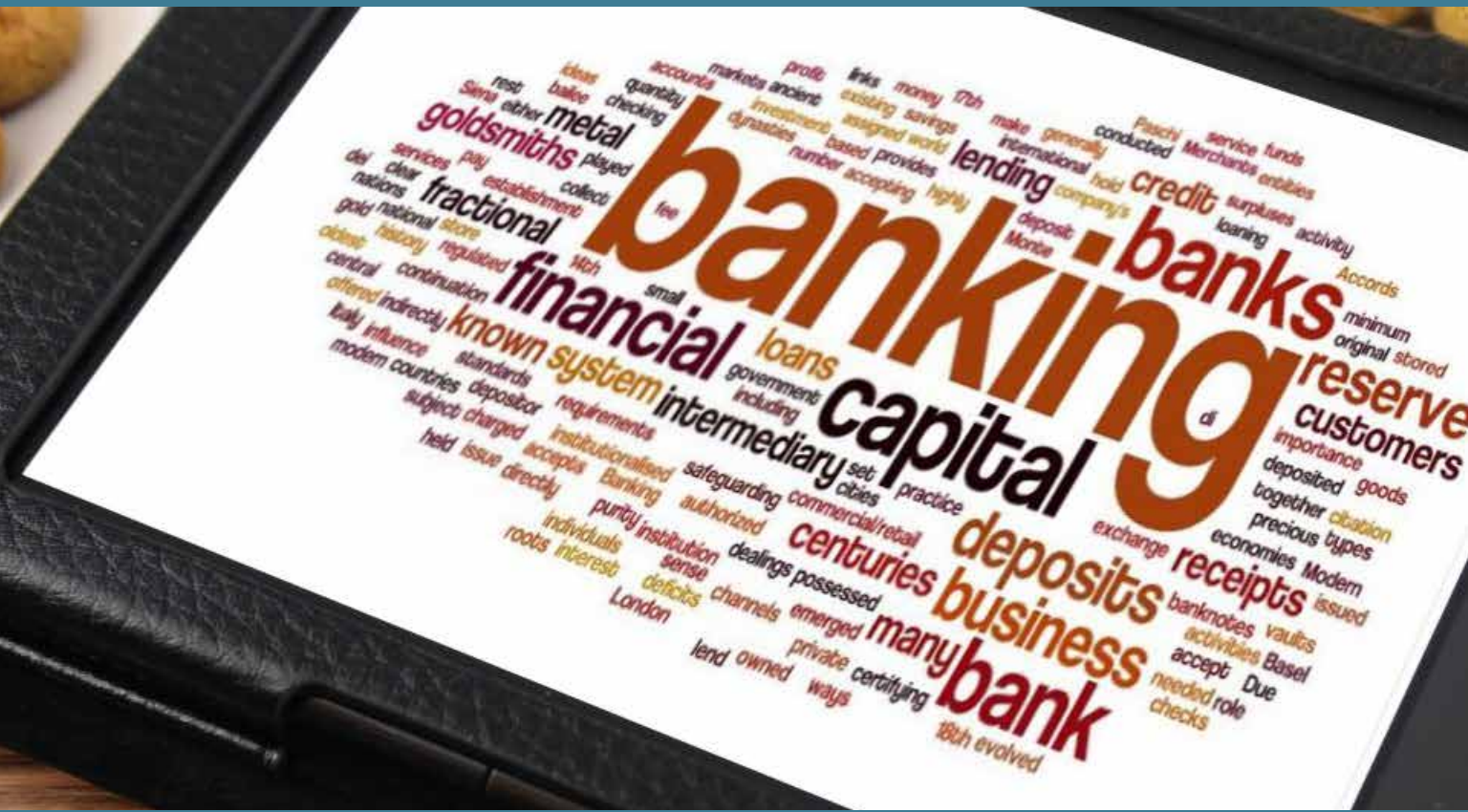




# ASSOCHAM

## Banking e-Bulletin



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The Associated Chambers of Commerce and Industry of India

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# Top Banking News

- **Cheaper Commercial Papers Might Be Hurting Indian Banks' Loan Business:**

Banks are taking it on their chin from many sides the government, the regulator, customers and even from competitors in the market. While many are grumbling that there is no credit demand, banks find the market is slowly slipping from under their hands thanks to them being uncompetitive, which is partly of their own making and partly due to regulatory obstacles. Loan demand has fallen to nearly a six-decade low as private investment has collapsed after the binge that created excess capacity. Banks find their prime corporate clients moving away from the banking system as alternate sources like borrowing from mutual funds have become more beneficial for companies. Banks may be willing to offer competitive rates to lure customers, but they have been placed at a disadvantage in relation to others like mutual funds as the Reserve Bank of India bars banks from lending at rates lower than the Marginal Cost of Lending Rate (MCLR), which is calculated based on the formula provided by the central bank. Though MCLR may have avoided retail borrowers subsidizing rich companies, it has also robbed banks of their marquee clients. A top-rated client won't come to you if it is treated almost at par with others. Banks tend to lose good quality credit to other

debt market instruments if they are not allowed to determine different lending rates based on individual clients with varying creditworthiness. Indian firms have been raising resources directly from the market by issuing Commercial Papers (CPs) bypassing banks where funds are costlier. The total stock of commercial papers, a fixed income instrument with a tenor between 7 days to a year, is at Rs 4.06 Lakhs Cr. as on January 15, 2017, up from Rs 2.6 Lakhs Cr. on March 31, 2016, amounting to a rise of Rs 1.46 Lakhs Cr. so far this fiscal year. This is slightly lower than the overall bank credit growth of Rs 1.54 Lakhs Cr. in the same period. Notably, bank credit also includes retail and loans to agriculture, a borrower segment with no direct access to market. The market has reported gross CP issuances of over Rs 55,000 Cr. a fortnight since the beginning of the current fiscal beginning April 2016.



Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/cheaper-commercial-papers-might-be-hurting-indian-banks-loan-business/articleshow/56901274.cms>

Dated: February 1, 2017

• **IDBI Brass Brushed Aside Junior Execs' Concerns On Kingfisher Airlines Loans:**

IDBI Bank officials internally quarreled over the approach to sanction fresh loans to Kingfisher Airlines as a bunch of executives insisted on collateral before signing off on the dotted line while the top management overruled the juniors and instead went with Kingfisher Airlines brand as a guarantee which did not even have legal backing, the CBI alleges. The CBI charge sheet has alleged that despite junior staff in IDBI Bank seeking shares as collateral for the Rs 750 Cr. loans, the then head of corporate loans BK Batra 'struck off' the portion in the loan proposal document. The junior staff insisted on unencumbered shares as security. The intangible asset was accepted as a security by the accused officers. On the other hand, the efforts made by the lower level of officials for seeking collateral securities through pledge of unencumbered shares of the company was

discarded and the loan was sanctioned without adequate securities. IDBI Bank's senior management decided to go without collateral since Mallya did not want other banks to insist on such a security for loans, CBI says. The investigative agency has arrested nine people in connection with the case, including five former IDBI Bank officials. No legal opinion on the enforceability of the security was done in the bank while accepting the brand value as one of the securities.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/idbi-brass-brushed-aside-junior-execs-concerns-on-kingfisher-airlines-loans/articleshow/56901849.cms>

Dated: February 1, 2017

• **SBI To Hike Stake In Two Credit Card Joint Ventures:**

State Bank of India, is seeking to increase its stake in its two credit-card joint ventures with diversified American conglomerate General Electric, as demonetization increasingly drives consumers to spend online or through cards. The Mumbai-based lender, which is also India's biggest government-owned bank by market capitalization, wants to increase its stake to at least 51% from 40% in the back office and technology arm GE Capital Business Process Management Services and to 74% from 60% in SBI Cards and Payments, which markets and distribute credit cards. The institutional and strategic bidders will now get a minority stake in the company as SBI wants to gain significant control of the business. SBI's move to enhance its stake in the credit-card ventures dovetails into

**What CBI Says**

BK Batra ignored concerns & "struck off" need for unencumbered shares

KFA brand taken as collateral without seeking legal opinion

**MALLYA EMAIL TO RAGHUNATHAN**



“I have told IDBI that we cannot give any shares as they will be part of the consortium and will be entitled for the same securities as the other banks. No exception can be for IDBI as other banks will demand the same.”

U S industrial major General Electric's global strategy to exit financial services, a line of business the Boston-based maker of ultrasound equipment and artificial-lift machinery considers non-core. The company's financial business in India, too, is a candidate for divestment, and the process has been on for the past six months. Barclays is advising State Bank of India on the proposed transaction, while Morgan Stanley is helping GE. In December 2016, global buyout funds Warburg Pincus, and Carlyle and Japan's financial services group Credit Saison had bid for GE's stakes in SBI Cards, valuing it at around \$800 million. Warburg Pincus, and Credit Saison did not reply to mailed questionnaires. SBI and GE spokespersons, too, did not respond to e-mailed queries. Post-demonetization, the online and card spends have gone up and with the government's Digital India push, the SBI is now bullish on the business going forward. According to a study by global consulting firm BCG, digital payments in India is expected to multiply 10 times as Internet banking and cards replace cash in transactions. The situation has changed after the demonetization and the strong push by the government has seen traction in the digital payment sector in India.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/sbi-to-hike-stake-in-two-credit-card-joint-ventures/articleshow/56902007.cms>

Dated: February 1, 2017

- **Banks Can Encash Sr Issued By ARC And Raise Capital:** Banks will get an option to exit the unsold portion of the bad loans

that are held as security receipts (SR) on their books. This follows an announcement by Finance Minister in the Union Budget, that allows listing of SR at the stock exchanges. When banks sell bad loans to asset reconstruction companies (ARC), a part of the loan is sold for cash and for remaining part of bad loans, the ARCs issue SR which are similar to bonds which would be redeemed over five to seven years. Thus in a way, the bad loans sold to ARCs continue to be in the books of banks in form on investments. As of now, banks received 15% of loan sold in cash and balance as SRs. This will create secondary market for bad loans as it will enable banks to exit. Those who have appetite for distress assets can buy these SRs. As of now, there are close to Rs 65000 Cr. outstanding SRs issued by ARCs. ARCs redeem the SR only after the recover money from the dude loans that are acquired from banks. As of now trading of SR is permitted only among qualified institutional investors or QIP but they were not listed.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/budget-2017-banks-can-encash-sr-issued-by-arc-and-raise-capital/articleshow/56917761.cms>

Dated: February 1, 2017

- **Rs 10k Allocation For Psu Banks, PSBs May Have To Tap Equities Market Or Sell Non Core Assets:** Government owned banks will have to tap the equities market and quickly sell non-core assets since the union budget have allocated just about Rs 10,000 Cr. capital for banks what are struggling with huge pile up of bad loans. As per the finance

minister in Union Budget for 2017-18, allocated is as per the original plan under Indradhanush that envisaged allocation Rs 10,000 Cr. in 2017-18. In August 2015, As per government Rs 70,000 Cr. will be allocated as capital to PSU banks in phases till 2018-19. In July 2016, government had allocated Rs 22915 Cr. capital to state run banks with State Bank of India receiving Rs 7675 Cr. followed by Indian Overseas Bank at Rs 3101 Cr. and Punjab National Bank received Rs 2816 Cr. As per the report released by Moody's Investors Service, government will have to infuse Rs 1.2 Lakhss Cr. into PSU banks by 2020 to enable banks to lend and overcome losses suffered due to higher provisions for bad loans. In view of their results for the fiscal year ended March 2016, Moody's analysis suggests capital requirements of about Rs 1.2 Lakhss Cr. for its 11 rated public sector banks, far higher than the remaining Rs 45000 Cr. included in the government's budget for capital distribution to the banks until 2020. The PSU banks cumulatively suffered losses of Rs 18,000 Cr. in the last fiscal mainly on account of higher provisioning for bad loans which has touched 11.4% of total loans. Banks will have to tap the equities market in order to raise capital to meet their capital adequacy ratio- the minimum capital that banks are mandated to have as a cushion against losses that they may suffer if a borrower defaults. According to banking analysts since shares of most bank are trading below book value it will constrains their ability to raise capital from the capital market.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/budget-2017-rs-10k-allocation-for-psu-banks-psbs-may-have-to-tap-equities-market-or-sell-non-core-assets/articleshow/56910125.cms>

Dated: February 1, 2017

- **No Big Capital Infusion For PSU Banks:** Finance Minister has offered Rs 10,000 Cr. capital infusion in public sector banks under the Indradhanush, an old scheme. Saddled with non-performing assets, 13 public sector banks got a much-needed shot in the arm when the government injected more than Rs 22,000 Cr. for their recapitalization under the Indradhanush scheme launched in 2015 which will make annual capital infusions of Rs 70,000 Cr. over four years. SBI got the maximum allocation of Rs 7,575 Cr., followed by Indian Overseas Bank at Rs 3,101 Cr. Punjab National Bank got Rs 2,816 Cr. A further infusion in Budget would have boosted the government's shareholdings in these banks and help them compete with their private rivals. Banking sector has been reeling under pressure from a decade of low credit off take and rising non-performing assets. Cash crunch after demonetization hit the banking activity badly.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/budget-2017-no-big-capital-infusion-for-psu-banks/articleshow/56909238.cms>

Dated: February 1, 2017

- **Banks Show Healthy Rise In Deposit Growth But Stagnated Credit Growth:** Demonetization has helped to boost deposit growth even at a time when banks have reduced the interest rates on term deposits. Deposits rose 13.9% or Rs 12.7

Lakhsss Cr. to Rs 105 Lakhsss Cr. against a 10% rise reported last year, according data released by the Reserve Bank of India. This growth was spurred by conversion of cash and currency into deposits as the government banned 500 and 1000 currency notes. People were forced to deposit their old high value currency notes with banks over the months of November and December of last year and at the same time the central bank was releasing cash at a slow pace. While deposits grew, credit growth has not shown any pick up as it has remained muted at around 5% with the total outstanding bank credit standing at Rs 74 Lakhsss Cr. As a result banks were forced to park surplus funds in government bonds which helped lower yields which in turn has helped government raise cheaper funds. The surplus liquidity in the banking system, created by demonetization, will lower borrowing costs and increase the access to credit. This will boost economic activity, with multiplier effects. The pace of deposit growth can slow down in the coming months with more and more new currency coming back into the system. Currency in circulation rose for the third straight week to Rs 10.2 Lakhsss Cr. as of January 27.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/banks-show-healthy-rise-in-deposit-growth-but-stagnated-credit-growth/articleshow/56956575.cms>

Dated: February 3, 2017

- **Merger Of Weak PSU Banks Can Be A Possibility:** Merger of weak public sector banks cannot be ruled out in a run up to

meet Basel III norms. Bajaj pointed out that Rs 10,000 Cr. each for FY2017-18 and FY2018-19 for recapitalization of banks is not adequate given the stress in the banking system due to core sectors like steel, power, infrastructure and coal. According to estimates, banking sector needs Rs 1.3 Lakhsss Cr. to Rs 1.5 Lakhsss Cr. to meet the Basel III norms. Moreover, government was setting goals to get capital for recapitalization and some banks may not be able to meet the criteria. UBI is one of the banks which have failed in meeting the goals and likely to lose out some capital. Many banks which may not be able to raise capital in equity, QIP will be an option but would depend on market conditions. However, a positive relaxation by RBI on AT 1 bonds interest payment norms will give some leeway for banks to raise tier I capital.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/merger-of-weak-psu-banks-can-be-a-possibility-ubi-ceo/articleshow/56957272.cms>

Dated: February 3, 2017

- **PSBs Gross NPA Hits 9.83% In FY16; Rises To 11.82% By September 2016:** Bad loans of public sector banks stood as high as 9.83 % of gross advances in previous fiscal, while that of private sector banks were restricted to 2.70 %. For fiscal 2015-16, public sector banks had gross advances of Rs 51,04,915 Cr., of which Rs 5,02,068 Cr. (9.83 %) was categorized as Gross Non-Performing Assets (GNPA), Minister of State for Finance informed the Lok Sabha in a written reply. Gross NPAs of private sector banks were Rs 48,380 Cr., meaning just 2.70 % of

gross advances of Rs 17,91,681 Cr. during the fiscal 2015-16. Till September in the current fiscal, public-owned banks' gross NPAs rose further to Rs 5,89,502 Cr., with a ratio of 11.82 %. The gross NPAs, when combined with restructured advances, rose further to 15.88 % as on September 30, 2016. Government has taken sector-specific measures infrastructure, power, road, textile, steel where incidence of NPA is high. The Insolvency and Bankruptcy Code (IBC) has been enacted and Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act (SARFAESI) and The Recovery of Debts due to Banks and Financial Institutions (RDDBFI) Act have been amended to improve resolution/recovery of bank loans. At the end of March 2016, PSBs, write offs were to the tune of Rs 59,547 Cr. For the current fiscal, the write offs stood at Rs 25,825 Cr. till September-end 2016.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/psbs-gross-npa-hits-9-83-in-fy16-rises-to-11-82-by-september-2016/articleshow/56955144.cms>

Dated: February 3, 2017

- **HDFC Bank Increases Cash Transaction Fees On Savings A/Cs:** In a bid to discourage cash transactions, HDFC Bank has decided to steeply increase the fees for savings account holders on a slew of activities involving cash. The move assumes significance as the government post demonetization has been encouraging people to shift to a cash-less or less-cash regime and use digital mode for transactions. HDFC Bank has decided to steeply raise the charges

on certain transactions, capping cash component in others and also introducing charges on certain transactions from March 1. The city-headquartered bank has capped the third-party transactions at Rs 25,000 a day, reduced the number of free cash transactions at branches to four from five earlier and also raised the fee for non-free transactions by a steep 50 % to Rs 150. Earlier, it used to allow Rs 50,000 cash transactions, both withdrawals and deposits per day. The bank has also capped the free cash transactions at home branches, including deposits and withdrawals at branches at Rs 2 Lakhss, above which customers will have to pay a minimum of Rs 150 or Rs 5 per thousand. For non-home branches, the free transactions are only Rs 25,000 after which fees set in at the same level. It can be noted that a slower-than-expected fee income growth was one of the reasons which led the bank report its slowest quarterly profit growth in the past 18 years in the just concluded December quarter, when its bottom line growth slipped to 15 %, as a slew of charges were discontinued during the note ban. The review has been done to discourage usage of cash and push digital transactions, which have grown at a higher pace. The official claimed that the hiked charges are at par with the industry trend. Its larger peer ICICI Bank's website shows a minimum charge of Rs 150 for more than four cash transactions (deposits and withdrawals) at home branches for savings accounts, similar to what HDFC Bank is proposing.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/hdfc-bank-increases-cash-transaction-fees-on-savings-a/cs/articleshow/56959589.cms>

Dated: February 3, 2017

- **156 Public Sector Bank Officials Suspended For Note Ban Irregularities:** As many as 156 senior officials of various state-owned banks were suspended and 41 transferred after they were found involved in irregularities related to demonetization. Certain bank officials have been found involved in irregularities relating to demonetization. On the basis of prima facie involvement in the irregularities, Public Sector Banks (PSBs) have so far reported to have placed 156 officials under suspension and to have transferred 41 officials. Banks also reported having filed 26 cases with police and the Central Bureau of Investigation (CBI) wherever criminal cases were involved. In respect of private banks, The Reserve Bank of India (RBI) has informed that 11 employees have been placed under suspension where bank employees have been found involved in 'irregular exchange of transaction of Specified Bank Note (SBN) during the phase of demonetization. The RBI has further informed that banks have initiated internal investigation and complaints have been filed with police/ CBI. The central bank had advised banks to take action to prevent/detect/contain malpractices or wrongdoing by staff. In the circular, banks were also advised to strengthen the internal/concurrent audit process including random visits/scrutinize so as to detect and avoid any malpractice in the exchange/deposit of specified bank notes in branches.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/156-public-sector-bank-officials-suspended-for-note-ban-irregularities/articleshow/56967520.cms>

Dated: February 04, 2017

- **PNB To Help India Post Payments Bank Set Up Pilot Branches:** Public sector Punjab National Bank (PNB) will help India Post Payments Bank (IPPB) set up pilot branches. India Post Payments Bank and PNB have signed a Memorandum Of Understanding (MoU) to achieve strategic depth in Financial Inclusion (FI). Under the partnership, PNB would help IPPB set up its pilot branches. Both of them would forge the relationship to the advantage of the unbanked population as well as for a sound business proposition. IPPB will offer an interest rate of 4.50% on deposits up to Rs. 25,000, 5% on deposits of Rs. 25,000-50,000 and 5.5% on Rs. 50,000-1,00,000.

Source: <http://www.livemint.com/Industry/l6ZZfNnpCkxqz5BaNxRMvK/PNB-to-help-India-Post-Payments-Bank-set-up-pilot-branches.html>

Dated: February 04, 2017

- **New AT1 Rules Double PSB's Debt Servicing Ability To Rs. 2.3 Trillion:** The new guidelines issued by the Reserve Bank relaxing Additional Tier 1 (AT1) bonds issued under Basel III will bolster ability of banks, especially the weak public sector ones, whose funds will double to Rs 2.34 trillion, thus helping avoid bond defaults. For the weaker public sector banks the risk of their not being able to service the coupon on AT1 bonds has significantly abated with this measure. This will ensure that state-run banks will have as much as Rs 2.34 trillion at their disposal now



as against Rs 1.24 trillion earlier. As per global rating agency Fitch, this will also help them raise domestic capital but does not fully eliminate the default chances for the weakest banks. The RBI decision avoids potential damage to sentiment in domestic AT1 market, which will have made it even harder for banks to raise the large amount of new capital that they require over the next two years. RBI amended the regulations governing AT-1 bonds under the Basel-III framework, wherein it allowed lenders to pay coupons from profits and reserves. The practice of dipping into statutory reserves for distributions is unusual but not full unheard of as Italy and Portugal allow this for some payments. Earlier, banks could serve AT1 coupons only from either their profits or from revenue reserves only. The new RBI move comes amidst a massive rise in bad loans, which touched over 15.80% of the total system as of September 2016 and the government's inability to infuse more capital into them. The Budget 2018 has allocated a paltry Rs 10,000 Cr. capital infusion against an actual demand that is multiple times. By March 2019, the banks over Rs 2.5 trillion in fresh capital to meet the stringent Basel III capital norms. To date, public sector banks have issued around Rs 39,000 Cr. of AT1 bonds of which Rs 21,500 Cr. were issued this fiscal year itself. As per Fitch, the move highlights the impact of persistent losses and weak internal capital generation by banks, which has left some lenders lacking distributable reserves and at risk of skipping default. "Banks will require around USD 90 billion

in new total capital by fiscal 2019 to meet Basel III standards, with around 30 % of this needing to be met through AT1 bonds. Skipped coupon payments would have made issuance even harder, even for the healthier banks. In that respect, the RBI decision is an exercise in damage control. As per Fitch, the move is good for AT1 investors, it should be seen as negative for senior creditors who should be protected by AT1 investors taking losses. The decision also weakens market discipline that AT1 bonds should help create--the risk of missing payments should be an incentive for banks to recapitalize by raising equity. For state banks, allowing coupon payments from statutory reserves helps push out the need for government to inject more capital.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/new-at1-rules-double-psbsdebt-servicing-ability-to-rs-2-3-trillion/articleshow/56980829.cms>

Dated: February 05, 2017

- **Capital Infusion In PSU Banks After Q3 Numbers:** Government will finalize the second and final tranche of capital infusion for Public Sector Banks (PSBs) for 2016-17 once all of them have declared results for the third quarter of the current financial year. As of now, only five of the 26 listed state-owned banks have declared their results for the October-December quarter of the current fiscal. The government has already announced fund infusion of Rs 22,915 Cr., out of the Rs 25,000 Cr. earmarked for 13 PSBs for the current fiscal. Of this, 75 % has already been released to them. The first tranche was

announced in July with the objective of enhancing their lending operations and enabling them to raise more money from the market. The capital infusion exercise for the current fiscal is based on an assessment of the Compounded Annual Growth Rate (CAGR) of credit expansion for the last five years, banks' own projections of that and an objective assessment of the potential for growth of each PSB. Under Indradhanush roadmap announced last year, the government will infuse Rs 70,000 Cr. in state banks over four years while they will have to raise further Rs 1.10 Lakhss Cr. from the markets to meet their capital requirement in line with global risk norms Basel-III. In line with the blueprint, PSBs are to get Rs 25,000 Cr. in each fiscal, 2015-16 and 2016-17. Besides, Rs 10,000 Cr. each would be infused in 2017-18 and 2018-19.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/capital-infusion-in-psu-banks-after-q3-numbers/articleshow/56981577.cms>

Dated: February 04, 2017

- **With A Meager Rs 10k Cr. Allocation, PSU Banks Are In For A Tough Time:** If at all there was a blunt message for anyone in the Union Budget, it was for state-run banks no more doles. After setting financial parameters to achieve with his Indradhanush in August 2015 on infusion of fresh capital, finance minister has sanctioned just Rs 10,000 Cr. for banks shows his resolve to see results from banks before opening his purse strings. For a segment that needs at least Rs 75,000 Cr. in the next two years as estimated by ratings company India Ratings, the sanctioned

amount is just a drop in the ocean which may not be sufficient to fund the economic growth aspirations. And it is not going to be easy for these banks to raise funds from the market unlike their private peers. The government should have focused much more on additional recapitalization of state-owned banks, which is crucial for the growth of economy and infrastructure sector. Recapitalization is equally important at this juncture. Despite liberal restructuring plans from the RBI, banks were not able to lift many companies out of debt trap as projects have become unviable and the debto-equity structures are so bad that they just cannot be redeemed. Banks have to take harsh steps. They could do this only if the judiciary is willing. Consider this: While banks had referred 46,54,753 cases involving Rs 2,21,474 Cr. to Lok Adalats, debt recovery tribunals and through SARFAESI (The Securitization And Reconstruction of Financial Assets and Enforcement of Security Interest Act) channels in 2015-16, they could recover only Rs 22,768 Cr., or just about 10% of the total. Non-performing assets ratio in banks almost doubled to 8.4% on March 31, 2016 from 4.8% a year back. Considering asset quality and consequent profitability pressures on PSU banks, it was expected that the government would step up quantum of recapitalization, but it was maintained at Rs 10,000 Cr. Exploring avenues like securitization for capital enhancement is another step for banks in boosting capital. Despite the market being in vogue for over a decade, banks have not

reaped the benefit of securitization to the fullest. Unlike in the US, where 50% of the home loan market is securitized, just about 5-6% of the Rs 5 Lakh Cr. of India's housing finance loans are securitized. It is important that banks keep their costs under control, widen their customer base and increase revenue per customer. Banks need to change their role to an intermediary to their customers. Bankers are spooked by the recent arrests of IDBI Bank executives in connection with the Kingfisher Airlines loan. They may be going into a shell due to insufficient backing from the government for their official actions and investigation agencies with not much exposure to financial decision making going on offensive against the officials. The activation of the Insolvency and Bankruptcy Code is just a hope and it may be a while before it becomes the choice of bankers like the bankruptcy courts in the US and the famous Chapter 11 filings. The asset quality challenges are not going to end in the next few quarters. While the annual review by RBI went a long way in identifying bad assets in the bank's books, there are still many stressed assets in the corporate and MSME books of PSBs that could put further pressure on asset quality. But the flip side of it may be that the government is reconciled to providing more capital to banks as it has done in the past when it had given more than budgeted funds, but bringing it into the Budget document might have led to higher fiscal deficit numbers. The Budget has provided Rs 10,000 Cr. for recapitalization of banks

in 2017-18, but what is reassuring is the FM's statement that more will be given if required.



Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/budget-2017-with-a-meagre-10k-Cr.-allocation-psu-banks-are-in-for-a-tough-time/articleshow/57027736.cms>

Dated: February 08, 2017

- NPA Norms To Keep Exerting Pressure On Banks' Profit:** As per RBI Deputy Governor Shri S.S. Mundra, Reserve Bank guidelines on providing adequate provisioning to cover bad loans would continue to put pressure on banks' profitability for some time, even though some banks are witnessing reduction in proportion of NPAs. Overall, the (banking) system has shown an improvement in operating profit. As per Shri Mundra on asset quality in banking system, RBI are yet to receive the results from all the banks for the third quarter while there is some elevation in gross NPA ratio in the banking system across category, whether it is public sector banks or private sector banks, but for the first time in few quarter, this time it is seen that in few banks the ratio has come down vis-a-vis the preceding quarter. In consistent with gross NPAs, there would be an elevation, but in a large number of banks, the ratio has come down. It is clearly showing that the level of provisioning is quite adequate also, there has been

conversion of restructured assets falling into NPA category and as a result, across the industry there is a reduction in the %age of restructured assets. During April-September period of the current fiscal, public sector banks' gross NPAs have hit Rs 5,89,502 Cr. about 11.82% of the gross advances they furnished, according to a recent government data. In previous fiscal, public sector banks had gross advances of Rs 51,04,915 Cr., of which Rs 5,02,068 Cr. (9.83%) was categorized as gross non-performing assets (GNPA). On the other hand, gross NPAs of private sector banks were Rs 48,380 Cr., meaning just 2.70 % of gross advances of Rs 17,91,681 Cr. during the fiscal 2015-16. Most of the banks were well placed to meet the regulatory norms they were required to have at the current point of time. But going forward, quite a few numbers of banks would be required to raise the additional capital.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/npa-norms-to-keep-exerting-pressure-on-banks-profit-rbi-deputy-governor-s-s-mundra/articleshow/57042083.cms>

Dated: February 08, 2017

- **Punjab National Bank Plans To Sell Non-Core Assets To Shore Up Capital:** State-run Punjab National Bank may look at selling stake in PNB Housing Finance and PNB Gilts in the next financial year, to shore up its capital base. The bank may not sell stake in its life insurance arm PNB MetLife at this point. Last October, the bank had listed PNB Housing Finance. In the quarter ended December, the bank posted a four-fold jump in net profit at Rs 207 Cr. on

account of increase in treasury income and decline in cost of deposits. Its asset quality, however, deteriorated further as gross non-performing assets hit 13.70% of the gross advances during third quarter of current fiscal as against 8.47% a year ago. Likewise, net NPAs rose to 9.09% of net advances as of December quarter from 5.86 % in the year-ago period. With subdued demand, she expects credit growth to be at 6-7 % in the financial year 2016-17.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/punjab-national-bank-plans-to-sell-non-core-assets-to-shore-up-capital/articleshow/57046512.cms>

Dated: February 08, 2017

- **Kotak Mahindra, Axis Bank Deny Merger Rumors:** Kotak Mahindra and Axis Bank have strongly denied rumors that the biggest consolidation in banking space is in the works. For the past few weeks, the stock market has been abuzz with prospects of a merger between the two private banks. There are strong reasons for such a merger, which could be worth around Rs 2.5 Lakhss Cr. (\$37 billion) making it the second most valuable Indian bank after HDFC Bank. Kotak Bank has a very strong corporate banking franchise, while Axis is strong on the retail front. The government, with Rs 72,500-Cr. divestment target for next year, will look to offload part of its stake in blue chips it holds in SUUTI (Specified Undertaking of the Unit Trust of India). Under RBI directive, Kotak Bank's promoters need to pare their stake in the bank to 15% by 2020 from 33.6%. A merger of the two could serve

both these purposes. Another private bank may be interested in picking up the government's stake in Axis Bank. Both the banks, however, denied any talks of merger. Currently, the government holds 12% in Axis Bank through SUUTI, which is worth about Rs 14,000 Cr. It holds an additional 18% stake in the bank through LIC and other state-owned insurance companies. A M&A is the most logical way for Kotak Bank's promoters to bring down their stake. Currently, Kotak Bank has a market capitalization of Rs 1.4 Lakhs Cr. and Axis Bank is worth Rs 1.16 Lakhs Cr. If the two are merged at current valuations, the holding of the Kotak family in the merged entity will come down to about 17.5%.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/kotak-mahindra-axis-bank-deny-merger-rumours/articleshow/57054226.cms>

Dated: February 09, 2017

- **Insolvency Resolution Begins For Seven Indian Companies:** While Innoventive Industries moved the Bombay High Court against the bankruptcy law, the Insolvency & Bankruptcy Board of India has registered six other cases including one involving Shri Vijay Mallya's UB Engineering to begin insolvency resolution process against these companies, ushering in a new era in India's dealing with sick businesses. ICICI Bank's application for insolvency resolution against Innoventive was the first to be registered by the Board. Among other registered cases are SREI Equipment Finance's application against Sree Metaliks, insolvency filing by Nicco Corporation

and Bhupen Electronics Ltd. The National Corporate Law Tribunal asked the lenders to submit proof of their claims against these sick units and defaulters to the interim insolvency resolution professionals. The law allows banks to liquidate assets of a company whose debts are not recast within 180 days once the insolvency resolution process begins. This effectively puts the company on a ventilator with a defined quantity of oxygen. Within 180 days, either the creditors resolve to put company back into life, or the company is sent to the death bed. The process of insolvency resolution has also begun against Synergies-Dooray Automotive Ltd, which used to supply automobile components to Ford, and Rave Scans Pvt Ltd. More banks are expected to file such cases as they are saddled with nearly Rs 7 Lakhss Cr. of non-performing assets and will be looking to recover dues by way of NPA resolution. Reserve Bank of India listed NPA resolution as one of the major goalposts for banks going forward. Resolution of NPAs will help banks start lending to the same sector again. The Bankruptcy Code is one of the biggest economic reform in recent years. This will change the way business is done in India. The Code is however not a recovery device. For lenders, the Code will come when all recovery efforts fail. The Code is a collective remedy– all creditors will have to join in action.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/new-era-insolvency-resolution-begins-for-seven-indian-companies/articleshow/57060925.cms>

Dated: February 09, 2017

- **Banking And Securities Firms' IT Spends To Increase 9.7% In 2017:** As per Global analyst firm Gartner, IT spends by domestic banks and securities firms will grow nearly 10 % to USD 8.9 billion in 2017. "IT spending by banking and securities firms in India will reach USD 8.9 billion in 2017, an increase of 9.7 % from 2016. This includes total enterprise IT spending for internal spending and spending data on data center systems, devices, software, IT services and telecom services. The spends on IT services will grow at a faster clip of 13.8 %, as the companies invest more in business processes, with a specific focus on business process outsourcing. The focus is on outsourcing will be driven aimed at achieving operational efficiency and reduce costs. The "sudden" demonetisation announcement on November 8 last year saw "sea of change" in the banking and securities industry. "Banks are increasingly working to enhance their customer facing platforms and investing in payment tools. It can be noted that a slew of newer entrants which will driven primarily by technology like the Payments Banks and Small Finance Banks are expected to enter the market in 2017. Additionally, the RBI has also put licenses for universal banks on tap, who would also be doing major investments in technology.
- **Mobile Payments To Overtake Physical Card Spends In 2017:** Mobile and digital payments will overtake physical card payments as the predominant non-cash payment mode in India in 2017, driven by demonetization. The possibility has been expressed by Deloitte India in its report titled 'Technology, Media and Telecommunications (TMT) Predictions 2017'. Demonetization has forced a behavioral change in the Indian consumer. While FinTechs used the 'carrot' approach to entice customers to switch behavior and adopt digital payments, demonetization employs a more draconian 'stick' approach, which may prove to be more effective," the report. Demonetization may well be the catalyst that sees semi-urban and rural markets in India skip the 'card' era and leapfrog directly to 'mobile payments' era. The firm's research also found that 43% of adult smartphone users in developed markets use their phones to check their bank accounts. As per the report mobile-based digital authentication and identity, which is now gaining popularity as "GSMA Mobile Connect", can help address the issue of multiple login IDs and passwords. Mobile Connect supports various levels of authentication methods including biometric. When used in conjunction with Aadhaar, it can address all levels of authentication. Telcos in 2017 will design digital transformational programmes to enhance customer experience through more digital interaction points with a focus on customer acquisition, relationship, and value management. The Deloitte TMT report

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/banking-and-securities-firms-it-spends-to-increase-9-7-in-2017/articleshow/57079770.cms>

Dated: February 10, 2017

added that telecom operators would unveil new Internet of Things (IoT) strategies or stretch the existing one to have higher level of participation in the overall end-to-end IoT ecosystem. As per the report, a couple of “leading operators” would make significant investments to extend their IoT capabilities. Though initial focus would be on providing SIMs for IoT devices and solutions, which in 2017 is expected to take off, leading to over a billion additional SIM sales in the next 3 years. The study highlighted that India would be a rapidly growing hub for IoT solutions with market value expected to be \$9 billion, with an installed unit base of 1.9 billion by 2020. India IoT opportunity is expected to grow almost 7 times to move from \$1.3 billion in 2016 to \$9 billion by 2020.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/mobile-payments-to-overtake-physical-card-spends-in-2017/articleshow/57089768.cms>

Dated: February 11, 2017

- **RBI Governor Shri Urjit Patel Nudges Banks To Reduce Lending Rates:** RBI Governor Shri Urjit Patel exhorted banks to reduce their lending rates to push credit demand in laggard segments, saying banks have benefited from influx of low-cost deposits and its previous repo rate cuts. One the amount of reduction in the repo rate that RBI have undertaken combined with the fact that banks have benefited immensely from the influx of deposits which are CASA deposits, that has come into the system and the weighted average lending rate reduction has been considerably less,

given that RBI feel that there is some scope for further reduction in lending rates and if sectors like housing, personal etc the reduction has been much more than for other sectors by the same bank. There could be a cut in lending rates in some sectors where reduction has been relatively lower so far. Earlier this week, RBI retained the repo rate, at which it lends to the system, at 6.25% and the reverse repo rate at 5.75%. However, the central bank had reduced its repo rate by a total 1.75 %age points between January 2015 and September 2016. The commentary in our monetary policy statement by the Monetary Policy Committee (MPC) was the observation that inflation ex-food and fuel has hardly bulged since September and therefore if further reduction in headline inflation it is going to be difficult. So it is not a change of stance with respect to that at all, just a comment that since September CPI inflation ex-fuel and food has been difficult to bring down and going forward to go towards 4% and away from 5 % on a durable basis requires that CPI ex-food and fuel to also come down.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-governor-urjit-patel-nudges-banks-to-reduce-lending-rates/articleshow/57096324.cms>

Dated: February 12, 2017

- **Banks Rush To Buy Cyber Security Cover As Digi Payments Rise:** At a time when cyber threats are on the rise for banks for increasing cashless transactions and effects of demonetization, insurers see rise in demand for cyber insurance and

cyber liability insurance, in particular. This is despite the fact that the industry base for cyber insurance is currently as low as Rs 60 Cr. There are various cyber insurance covers available in the country, but it is the cyber liability insurance which is in maximum demand for the banks. Non-life insurers that provide cyber insurance cover include New India, National, ICICI Lombard, Tata AIG, HDFC Ergo and Bajaj Allianz. Country's largest lender State Bank of India (SBI), which fell victim to cyber frauds some time back, is now considering insurance to protect its 30 Cr. customers. Recently, in one of the biggest ever breaches of financial data in the country, customers of 3.2 million debit cards belonging to different banks were hit by cyber frauds where their ATM details were compromised. Several victims even had reported unauthorized usage from locations in China. The worst-hit card-issuing banks in the episode included SBI, HDFC Bank, ICICI Bank, YES Bank and Axis Bank. Banks either had to replace or asked users to change the security codes of as many customers. Even though SBI didn't suffer any big financial losses due to the data compromise episode, still as a precautionary measure, it had blocked 6 Lakhss debit cards. Bank of Baroda which had seen around 1 Lakhss of its debit cards being compromised in the recent episode, is also keen to go for such insurance covers in future.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/banks-rush-to-buy-cyber-security-cover-as-digi-payments-rise/articleshow/57109815.cms>

Dated: February 12, 2017

- **200 Villages Use E-Cash On Airtel's Bank:** Bharti Airtel has expanded its payment bank operations to 200-plus villages across Rajasthan, Telangana, Andhra Pradesh and Karnataka, reducing its dependence on cash transactions as part of an ambitious plan to roll out financial services to millions outside the banking system. Going forward, the Shri Sunil Mittal-led telco plans to expand its payments banking services to 5,000 villages across the country to help them similarly go cashless. Airtel Payments Bank is a unit of Bharti Airtel, in which the country's largest telecom company owns 80% while the balance shares are held by Kotak Mahindra Bank. Airtel's payments banking services would help cashless purchases of farm produce, goods and services through mobile phones. Each of the 200-plus villages, which previously had zero access to formal banking services, now has at least one Airtel Payments Bank outlet offering basic banking services, including cash deposits, withdrawals and seamless money transfer facilities. Most households in these villages also have an Airtel Payments Bank savings account and can, accordingly, engage in banking transactions with plain feature phones. They can earn an annual interest of 7.25% and a Rs 1 Lakhs personal accident insurance cover, which Airtel feels will help attract customers outside the brand as well to use the services. Each account will be identified by the user's cell phone number. Airtel will also not charge any processing fee from customers and merchants partners for digital transactions, which is likely to



spur adoption to cashless payments. Airtel Payments Bank is the first to go 'live' since the RBI issued payments bank permits in April last year. The parent company, Airtel, has already committed a Rs 3,000 Cr. investment in its payments bank as part of plans to build a national digital payments ecosystem with over 5 million merchants. Over 1 million merchants have already been on-boarded across India.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/200-villages-use-e-cash-on-airtels-bank/articleshow/57120572.cms>

Dated: February 13, 2017

- **Dena Bank In Talks With Insurance Companies To Raise Capital:** Public sector Dena Bank is in talks with few insurance companies to raise capital. Besides, the bank was also weighing alternate means to raise capital, it would depend on the market conditions. For Dena bank the worst phase is over, things post demonetization is now improving. After the currency call, CASA of the bank had increased nine %. However, credit growth had fallen due to demonetization. Regarding the reported merger with Union Bank, there has been discussion regarding the merger between Dena Bank and the chairman of Union Bank. The bank was increasing the total number of branches by additional 25 by year-end. Dena Bank was also trying to convert its representative office into a branch in London.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/dena-bank-in-talks-with-insurance-companies-to-raise-capital/articleshow/57129958.cms>

Dated: February 13, 2017

- **Government Allocates Rs 500 Cr. To India Post Payments Bank For Financial-Year 2017-18:** Government has allocated Rs 500 Cr. to India Post Payments Bank for financial year 2017-18 as it gears up to set up 650 branches across country by September 2017. Government has allocated Rs 125 Cr. as "capital infusion into corporate entity for India Post Payments Bank" and Rs 375 Cr. as "grant in aid to India Post Payments Bank (IPPB)", as per Output-Outcome Framework for Schemes 2017-18 for the Department of Posts. India Posts is the second entity to roll out payments bank though on a pilot basis in Raipur and Ranchi, after Airtel that has earmarked Rs 3,000 Cr. as initial investment for pan-India operations with an interest rate of 7.25 % on deposits. Besides, Airtel is offering free money transfer from Airtel to Airtel numbers within Airtel Bank, money transfer to any bank account in the country. The IPPB will offer an interest rate of 4.5 % on deposits up to Rs 25,000; 5% on deposits of Rs 25,000-50,000 and 5.5% on Rs 50,000-1,00,000. The total paid up equity of the new bank IPPB is Rs 800 Cr., of which the government has already infused Rs 275 Cr. Payments banks can accept deposits up to Rs 1 Lakhs per account from individuals and small businesses. The new model of banking allows mobile firms, super market chains and others to cater to banking requirements of individuals and small businesses. The allocation to IPPB is part of Rs 1,034.13 Cr. earmarked for the Department of Posts. The second big chunk of the total allocation, Rs 279.6 Cr., has

been allocated for providing IT hardware and software in identified rural areas for improved access to services and customer satisfaction, resulting in increase in customer transactions, traffic and revenue. The DoP has been allocated Rs 110.83 Cr. for establishing e-commerce, parcel booking, international business centres, Rs 73.5 Cr. for estates management, Rs 32 Cr. for mail operations and Rs 17.7 Cr. for equipments and IT infrastructure in rural post offices. Government has allocated Rs 3.8 Cr. for setting up 246 offices and 200 outlets for providing better access to communication and financial services.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/government-allocates-rs-500-Cr.-to-india-post-payments-bank-for-financial-year-2017-18/articleshow/57131142.cms>

Dated: February 13, 2017

- **Bharat Financial Inclusion Wants To Grow Relationship With IndusInd Bank:** Amid talks of its merger with IndusInd Bank, microfinance company Bharat Financial Inclusion is looking to grow business relationship with the Hinduja group controlled bank. The MFI works as a business correspondent for IndusInd in select locations covering 100 branches. All the business garnered through these branches are in the books of IndusInd Bank. Sizeable portion of the investors think ultimately for an NBFC, MFI or any other, the destination point is to become a bank. Their feedback is if there is something happening, if the destination point is closer, try to go for it.

Source: [http://economictimes.indiatimes.com/industry/banking/finance/banking/bharat-financial-inclusion-](http://economictimes.indiatimes.com/industry/banking/finance/banking/bharat-financial-inclusion-wants-to-grow-relationship-with-indusind-bank/articleshow/57134198.cms)

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Dated: February 13, 2017

- **Union Bank Denies Merger Talk With Dena Bank:** State-run Union Bank of India denied having any talks with its smaller peer Dena Bank for a possible merger of the two banks within hours after the former claimed to have had a meeting with the latter on this. There was a report quoting Dena Bank chairman and managing director which stated about some merger talks with Union Bank. Since the NDA government came to power amidst a deep crisis in the state-run banks profitability following a massive spike in bad loans, there were many talks about consolidation in the industry. But the only merger that has finally got the go ahead so far has been the merger of the five associate banks of SBI with and that of Bharatiya Mahila Bank with SBI. The consolidation talks gained momentum as government finances did not allow it to recapitalize banks properly to meet the Basel 3 norms. While it has given Rs 25000 Cr. this year, only a similar has been budgeted for next year as well, even when banks need around \$90 billion in fresh capital.

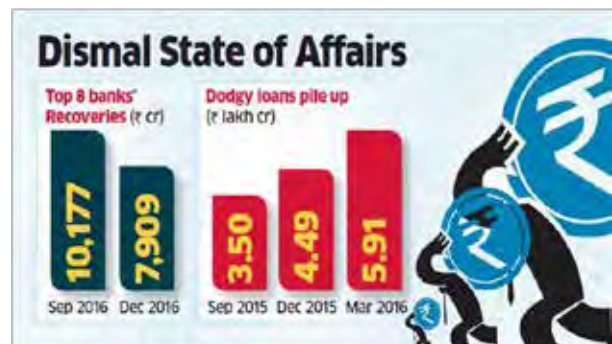
Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/union-bank-denies-merger-talk-with-dena-bank/articleshow/57134653.cms>

Dated: February 13, 2017

- **Demonetization Puts Brakes On Banks' Loan Recovery Efforts:** Demonetization has not only dampened banks' core business of lending, it has also hit them where it hurts loan recovery. Recoveries from bad assets

have fallen nearly a quarter among the top 8 lenders. Banks, which had set lofty targets for loan recoveries at the start of the year after the Asset Quality Review exercise, are likely to miss their targets as bad loans continue to pile up. Top banks recovered just Rs 7,909 Cr. from such loans at the end of the December quarter against Rs 10,177 Cr. at the end of the September quarter. These numbers are dismal, especially when compared with the quantum of dodgy loans banks have accumulated since December last year. Data compiled by ETIG shows that at the end of September 2015, banks' absolute gross non-performing assets stood at Rs 3.50 Lakhs Cr., which climbed by a staggering Rs 1 Lakhs Cr. to Rs 4.49 Lakhs Cr. in merely 3 months when the RBI announced the asset quality review exercise. At the end of March last year, gross non-performing assets in 41 listed banks stood at Rs 5.91 Lakhs Cr. The country's largest lender State Bank of India showed recoveries of Rs 1003 Cr. against Rs 1344 Cr., sequentially. For the 9-month period of this financial year, the bank managed to recover only Rs 3,994 Cr. and upgraded accounts worth Rs 2434 Cr. ICICI Bank recoveries and upgrades slowed to Rs 625 Cr. against Rs 800 Cr., sequentially. It also managed to sell loans worth Rs 87 Cr. to asset reconstruction companies. For Axis Bank, recoveries and upgrades nosedived to Rs 350 Cr. compared with Rs 1073 Cr. quarter-on-quarter, a fall of nearly 250 %. The ratio of gross non-performing advances of commercial banks rose to 9.1 % from 7.8 % between March

and September 2016, pushing the overall stressed advances ratio to 12.3 % from 11.5 % at the end of March quarter. The quantum of special mention accounts-2 accounts where the loan is overdue for 60 days or more increased across bank groups, RBI data showed. Another large PSU lender Punjab National Bank has recorded a slowdown in its recoveries from problem loans to Rs 2413 Cr. against Rs 2883 Cr. quarter-on-quarter. The bank also upgraded loan accounts worth Rs 1534 Cr. According to RBI's latest edition of the Financial Stability Report, PSU banks could only recover Rs 19,757 Cr. last fiscal year against Rs 27,849 Cr. in fiscal 2015. Banks were saddled with more than Rs 7.3 Lakhs Cr. in bad loans at the end of December 2016. This has led to a virtual freeze in lending activity with credit growth in low single digits for several state-run banks.



Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/demonetisation-puts-brakes-on-banks-loan-recovery-efforts/articleshow/57135362.cms>

Dated: February 14, 2017

- **Bank Of Baroda Sees Growth In Bad Loans Slowing:** Bank of Baroda Ltd expects the rate of growth in bad loans to slow in the coming financial year. Bank of

Baroda expects gross non-performing loans to total about 450 billion rupees (\$6.7 billion) in the current year ending in March. That would put the bank within the 50 billion rupees rise in bad loans that it had forecast for the current year, incremental bad loans in the next fiscal year would fall below these levels. The bank had strengthened its credit monitoring and recovery processes and had a “strong” team on the ground chasing errant borrowers. Altogether, Indian banks had a record \$133 billion of restructured debt and bad loans as of last September, according to Indian central bank data. The amount of soured loans surged last year after a clean-up order by the regulator brought more bad debt to light. Bank of Baroda also expects lending growth to gather pace going forward. The bank is confident it can raise more external capital if it needs to and it could also look at monetizing some non-core investments. Bank of Baroda’s investments include a stake in UTI Asset Management, which is preparing for an initial public offering. The bank is also selling a stake in India’s National Stock Exchange, which is expected to list later this year. At least five brokerage firms have downgraded Bank of Baroda’s stock since it reported third-quarter earnings. Of 44 analysts covering the bank, 18 have a ‘buy’ or equivalent rating, while 13 have a ‘sell’ the stock.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/bank-of-baroda-sees-growth-in-bad-loans-slowing/articleshow/57148739.cms>

Dated: February 14, 2017

- **In Digital Rush, Banks May Let You Down:**

Of late, the flow of wisdom from top central bankers to the less privileged ones has come down to a trickle. But there is an exception the subject of cyber security. Reserve Bank of India deputy governor Shri SS Mundra has addressed three conferences in as many months. But the message is more worrying than comforting. His lament was that while the threats for over 1.4-billion bank accounts are on the rise, the banks are hardly doing much to protect their customers. Leave alone taking precautionary measures, they don’t even do the mandatory reporting bit to the regulator on time. In March 2011, when hackers infiltrated RSA one of the world’s top computer security companies the message was loud and clear that if a security company gets broken into, it could happen to anyone. A few years later, its chief Shri Amit Yoran shocked the security world when he announced that “the cyber-security industry was fundamentally broken and warned that it was only going to get worse.” A cyber-attack in the summer of 2014 on the world’s largest bank, JPMorgan Chase, rattled the industry when accounts of 76 million households and 7 million businesses were compromised. JPMorgan admitted to the breach and now invests nearly \$600 million a year to prevent it. The \$1.5-trillion Indian Banking industry in the last 6 months has reluctantly reported that a dozen banks were hit by malware, which included compromising 3.2 million card details. The situation is very scary if banks don’t strengthen their cyber security, there

is no doubt in my mind that all banks will be attacked. Cyber-attacks in worst case situations can bring down the entire bank, it can deface their entire website, severely prohibit them from carrying on with their normal functions. The state of affairs in Indian banks does not give confidence. RBI has appointed a standing committee to redraw cyber security preparedness. While the regulator mandates reporting of cyber-attacks within 2-6 hours of detection, banks usually skip it. The official numbers also don't reflect the true story. Top 51 banks in India have lost Rs 485 Cr. between April 2013 and Nov 2016 and 56 % of the money lost is due to Net banking thefts and card cloning incidents, finmin data shows. There are at least 15 ransomware attacks per hour in and one in three Indians falls prey to it. India does not have a central repository to detect red flags early on and understand the modus operandi of cyber-attacks. In many cases, organizations which have been previously attacked may mask it and move on, as compared to the western world where there is a reporting mechanism for cyber- attacks. It is a double-edged sword for banks where digital transactions have soared since high value currency were scrapped while their infrastructure remained as unsafe as before. There is risk with some digital initiatives, so be paranoid and believe that it is changing the world. The world of cyber security is like testing uncharted waters. RBI has warned banks that prevention is better than cure and banks will do well to secure themselves from a threat that has

the potential to bring down a financial institution.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/in-digital-rush-banks-may-let-you-down/articleshow/57155151.cms>

Dated: February 15, 2017

- **ESOPS For Star Performers At State-Run Banks In The Works:** Employees of state run banks may stand eligible for stock options from next fiscal year, as the government is actively considering the suggestion made by the Banks Board Bureau to better incentivize employees. The bureau last month submitted a report to the finance ministry on rewarding bank staff based on performance. One of the proposals is to issue shares equivalent to a certain percentage of banks' net profit to employees. It is being examined. For large banks, employee Stock Option Plan (ESOP) could be as much as 5% of profit after tax. For smaller banks, it could be about 3%. The ESOPs will be offered to top performers as a measure to retain talent. Apart from ESOPs, bonuses and other performance-linked packages are also being discussed. Naturally, the top-rung officials will be given a large quantum, as they will have only up to five years of service left. For those with longer service duration, the quantum will be low. ESOPs are common in the private sector, where companies offer stocks to reward and retain key and top-performing employees. Since the employees stand to benefit from any appreciation in stock price, ESOPs help also in aligning the interests of the employees with those of shareholders. In

the last four years, the government has considered various proposals to offer stock options to employees of state-run banks. However, the plans did not materialized on account of several issues, including poor financial performance of lenders due to rising bad loans. In 2010, a government-appointed committee recommended that 15% top performers in the executive cadre including the chairman and executive director be offered stock options. Last year, the then Reserve Bank of India Governor Shri Raghuram Rajan also made a case for offering ESOPs to bank staff. With public sector banks' shares trading at such low levels, a small allocation to employees may be a strong source of motivation, and can be a large source of wealth as performance improves. The country's largest bank, State Bank of India at one stage was looking to

offer an Employees Stock Purchase Scheme, but the plan was shelved. There would be a common framework on ESOPs for all state-run banks. Bank employees would get both monetary and nonmonetary incentives.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/esops-for-star-performers-at-state-run-banks-in-the-works/articleshow/57155873.cms>

Dated: February 15, 2017

- Bankers Seek Dispensation From Regulator To Recast Of Bad Loans:** Bankers led by State Bank of India (SBI) have asked for a special dispensation from the banking regulator to revive companies that require deep restructuring of loans. As per SBI chief Smt. Arundhati Bhattacharya, bankers have asked the Reserve Bank of India's approval to amortize losses that require deep restructuring of loans. Such restructuring involves haircuts, longer duration loans and reduction in interest rates and converting a substantial portion of loan into equity. Bankers have conveyed regulator that they would be more willing to recast a loan if they have the flexibility to provide for losses across several quarters rather than doing it in one shot. Banks have also proposed to the regulator that the 'oversight committee' could player a bigger role in resolving bad loans. At present the oversight committee overseas whether banks have followed all the norms on loans that are restructured under S4A - Scheme for Sustainable Structuring of Stressed Assets. Bankers have proposed that the oversight committee should be empowered to approve all restructured



loans and not limit itself to S4A. This would ring fence bankers from any future witch hunting from regulatory agencies such as Central Bureau of Investigation and Central Vigilance Commission in case the company does not revive despite the debt recast and haircuts. As it is after CBI arrested five bankers from IDBI Bank, most bankers are staying away from taking any decision for the fear of witch-hunting if the borrower fails to repay the loan. Bankers also proposed that the special dispensation on pricing of loans that are converted into equity under strategic debt restructuring (SDR) scheme should be made available even for loans that are not restructured under SDR scheme. As of now, for companies where borrowers have defaulted, banks can convert part of the debt into equity to acquire controlling stake in the company under the SDR scheme. Under this scheme lenders are given dispensation to can convert shares into equity at current market prices and they don't have follow SEBI's formula of six months average pricing of shares. These dispensations will give bankers greater flexibility to restructure loans. The concern for banks stems from the fact that a number of banks have reported huge losses as they had to provide for bad loans. RBI report on restructured loans says that stressed loans and total bad loans have touched 12.5% of the loan book.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/bankers-seek-dispensation-from-regulator-to-recast-of-bad-loans/articleshow/57170390.cms>

Dated: February 15, 2017

- **Government To Give More Space To Asset-Reconstruction & State-Run Companies To Take Over Stressed Assets:** The government will look to give more space to asset reconstruction and state-run companies to take over stressed assets instead of setting up a bad bank, an idea that gained currency after the Economic Survey suggested it to help banks get rid of their biggest burden. There are a number of initiatives that are being taken to resolve the stressed assets issue. In this (year's) Budget, more measures have been taken to strengthen asset reconstruction companies. As of now, there is no need for a bad bank. The government is expected to hold meetings with all stakeholders to assess the dispute resolution process. The Economic Survey suggested the setting up of a public sector asset rehabilitation agency, or bad bank, to buy nonperforming assets from state-run banks. The level of stressed assets is seen at over 20% of the gross advances of banks. Bad loans have been the biggest drag on the performance of the state-run banks in the recent years. Getting these out of the books will allow them to focus more or lending. But many, including central bank officials, are cautious on their comments about the success of a bad bank, including on how to find buyers for the NPAs such an entity would take over from banks. Globally, bad banks have not been very successful and in India as well the experiment with Stressed Asset Stabilization Fund (SASF) has not been encouraging. Stressed assets of around Rs 9,000 Cr. were transferred

into SASF when IDBI was converted into a bank. This trust has recovered Rs 4,500 Cr. and the remaining valuation of the block is only Rs 400 Cr.. Although the government would consider the suggestion for a bad bank, it was not in favour of a bad loan situation supported only through Budget. Private asset reconstruction companies have not been successful in resolving bad debt, the Economic Survey 2016-17 had noted. A professionally run central agency, with government backing, could overcome the coordination and political issues that have impeded its progress. The government had earlier explored the idea of setting up a National Asset Management Company that could act as a nodal agency to deal with the problem of bad loans. That process is already on through various channels, including the Banks Board Bureau (BBB).

signal for it. The merger will be completed in fiscal year 2018. The merger of associate bank with SBI will raise SBI's ranking among global banks. Post-merger the bank will have 25% market share in deposits and advances. Earlier, the bank had planned to merge the 5 associate bank and Bhartiya Mahila Bank with itself by the end of this fiscal year. However, it was delayed due to demonetization exercise that started in November involving scrapping of Rs 500 and 1000 notes. The combined entity will have a mammoth network of nearly 23,000 branches and 21000 ATMs, further increasing the dominance of the nation's largest bank.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/associate-banks-merger-with-sbi-to-be-completed-by-fy-2018-sbi-chief/articleshow/57186066.cms>

Dated: February 16, 2017



Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/government-to-give-more-space-to-asset-reconstruction-state-run-companies-to-take-over-stressed-assets/articleshow/57175454.cms>

Dated: February 16, 2017

- Associate Banks' Merger With SBI To Be Completed By FY- 2018:** The merger of 5 associate banks with State Bank of India will be completed in the fiscal year 2018 even as the cabinet has given a green

- HDFC Bank Unveils Five Winners Of Its 2nd Digital Innovation Summit:** One of India's largest private sector lenders HDFC Bank embarks on its second trip hand holding 5 startups from across the world, in an effort to embrace the latest technology offering available in the financial technology space to enhance its suite of offerings for its customers. The bank announced five technology partners who would be over the next one year integrating their systems with the bank. These players are offering host of products starting from mobile point of sales solutions to artificial intelligence based personal stock broker, smart asset management and offline enhancement of branch efficiency. While the winners



are from across India from Mumbai, Delhi, Bangalore, one of them is from Tel Aviv, Israel. The objective of the summit is to have at its disposal a pool of cutting edge world technology solutions. The bank got around 120 applications this year and chose five winners after various rounds of presentations and case studies. Over the next year they would be evaluating security concerns, applicability and adaptability with the bank's back end IT environment to ensure smooth integration with their systems.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/hdfc-bank-unveils-five-winners-of-its-2nd-digital-innovation-summit/articleshow/57186172.cms>

Dated: February 16, 2017

- **Bad Bank Is A Good Idea:** As per Kotak Mahindra Bank chief Shri Uday Kotak, the present state of the financial sector needs such an institution so that they can continue to oil a fast-growing economy. The stress in our banking sector must be eradicated to allow the system to lend to small businesses and other growing sectors of economy and the present health of our public sector banks do not allow them to do so. Describing the 24 PSU banks as the “70 % problem” (in reference to the over 70% market share of these banks), he wondered what was the need for so many state-run lenders, which is the highest in the world after China. Their service to the nation is humongous. Without them small and medium sector would have been in difficulty. The entire PSL sector lending would not have been possible till some

years ago without them. The management and governance teams to run 24 state run banks need huge investments and faces challenges merger among the public sector banks will help in resolving this problem. It is ruled that successive Governments since the 1969 nationalization have done little on this front. However, just by creating a bad bank will not solve the issue of bad loan which he pegged at around 20 % of the system. It should be ensured there is a solid basis to price the stressed assets at a fair value and a strong management is in place to run it. It can be noted that after the Economic Survey, which called for setting up such a bank, the industry was expecting an announcement in this regard in the Budget to tide over the mounting NPA problem in the banking sector. While banks need close to Rs 1 trillion in fresh capital by fiscal 2019, the Government had budgeted only Rs 10,000 Cr. in the next financial year, while it gave Rs 25,000 Cr. each in fiscal years 2016 and 2015.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/bad-bank-is-a-good-idea-says-uday-kotak/articleshow/57191848.cms>

Dated: February 16, 2017

- **Cash Hoarders On The Loose At ATMs:** Still finding it hard to get cash at an ATM? That's because people haven't stopped hoarding notes. The supply of currency to automated teller machines has risen to about 80-85% of pre-demonetization levels but the fear of not having enough hard cash in hand is driving people to stock up. The moment there are Rs 500 notes at an ATM, people tend to queue up and keep the cash with

them even if they don't need it. ATMs are getting more average footfalls than that before November 8, when it was announced old Rs 500 and Rs 1,000 notes would cease to be legal tender. If an ATM was receiving 120 customers daily before, now it hovers around 130 to 140, still around 10% more. Immediately after the demonetization announcement, ATM replenishment rates plummeted as RBI struggled to print new notes fast enough. Also, the machines needed to be recalibrated for the new notes, which were smaller than the previous ones. That meant long queues at ATMs or the ones that had cash even as weekly withdrawal limits were put in place. While the overall weekly withdrawal limit of Rs 24,000 on savings accounts remains, the daily curb on cash from ATMs has been lifted. That's one of the reasons ATMs are emptying out rapidly. The limit on savings accounts will be raised to Rs 50,000 from February 20 and abolished altogether from March 13. That could calm fears and reduce the propensity to hoard, bankers hope. The supply should attain complete normalcy by the end of February 2017.

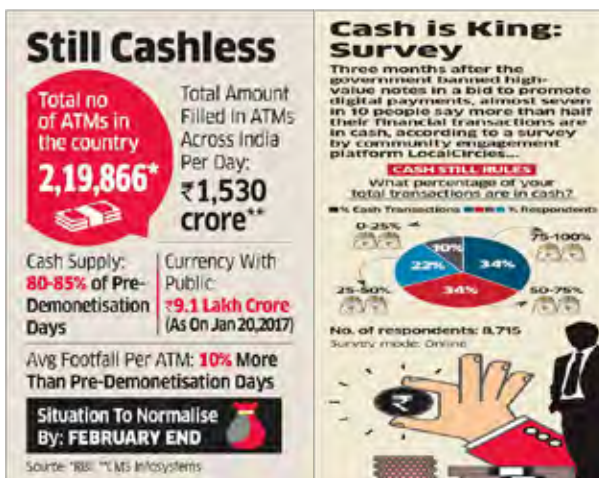
Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/attention-cash-hoarders-on-the-loose-at-atms/articleshow/57195363.cms>

Dated: February 17, 2017

- No Major Impact On Indian Banks In UK Post-Brexit:** There will be no major impact on Indian banking operations in the UK post-Brexit and the British capital will continue to be the global "financial hub", according to the UK chief of State Bank of India. As per Shri Sanjiv Chadha, the SBI's Regional Head for the UK and chair of the Association of Indian Banks in the country, Indian banks in the UK are set for a new phase of growth as they prepare to expand operations into subsidiaries. State Bank of India and Bank of Baroda will have both branch operations and subsidiary operations. The importance of this move is a wider balance sheet size. The Bank of England's Prudential Regulation Authority had directed British operations of foreign-owned banks taking deposits of more than 100 million pounds to restructure with their own ring-fenced capital. Subsidiaries are subject to more complex clearances, while branches are part of a home office legal entity and don't require their own capital base in the UK. SBI and Bank of Baroda are set to make the transition from a branch to subsidiary in the next three to six months, following which they will have a dual presence in the UK. Indian banks offer by far deposit rates, the best remittance rates to India and best interest rates for lending opportunities.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/no-major-impact-on-indian-banks-in-uk-post-brexit-sbi-uk-chief/articleshow/57202678.cms>

Dated: February 17, 2017



- **Will Expanding The Ambit Of Oversight Committee For Stressed Loan Help Bank Customers?:**

A powerful overseeing committee, as proposed by bankers, aimed to vet resolution of all types of dud loans would harm customers as well as banks. Bankers want RBI to widen the scope of the overseeing committee, which is currently is tasked with debt recast norms that come under S4A (scheme for sustainable structuring of stressed assets) - one of the many debt recast schemes to revive viable companies by refining their loans. The overseeing committee was set up in June to ensure that debt recast under S4A scheme in is done in a transparent manner. It comprises of eminent experts who will independently review the processes involved in preparation of the resolution plan. Lenders now want this overseeing committee to vet all types of debt recast packages. IDBI Bank's board, which is the highest authority in an organization, had approved the loans to Kingfisher Airlines yet it's five officials, including CMD Shri Yogesh Agarwal, were arrested by Central Bureau of Investigation on allegations of improper lending. Bankers should know that if CBI does not respect the independence of the board, any amount of endorsement from an overseeing committee will not save bankers from the claws of an investigative authority. Also, any new layer will increase the turnaround time for borrowers. As it is debt recast is time consuming since it goes through several rounds of back and forth between banks and lenders. Also, getting all lenders on board and getting approval

from respective board is a challenge. Besides, in the back drop of the IDBI-CBI case, it is natural that members of vetting committee would prefer to play safe. They would ask for fool-proof documentation of a debt recast package such as seeking all kind of information to support the proposal. This would take months and involve a mountain lot of paper work.

*Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/will-expanding-the-ambit-of-oversight-committee-for-stressed-loan-help-bank-customers/articleshow/57204836.cms>*

*Dated: February 17, 2017*

- **Will Focus On Expanding Into Banking This Year:**

As per Paytm founder Shri Vijay Shekhar Sharma, the company will focus on expanding its operations in banking and build upon its distribution and customer base. By 2020 the company targets to reach a customer base of 500 million. Post-demonetization, Paytm saw a surge in its customers owing to the digitization push by the government. Traditionally Indian companies have found global customers, which are business to business customers, but not consumers.

*Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/will-focus-on-expanding-into-banking-this-year-paytm/articleshow/57209363.cms>*

*Dated: February 17, 2017*

- **Ahead Of Merger With Sbi, Associate SBT To Raise Up To Rs 600 Cr.:**

Ahead of its proposed merger with parent SBI, State Bank of Travancore (SBT) will raise up to Rs 600 Cr. to shore up additional tier-I capital by issuing Basel compliant bonds on private placement. The bank got

approval of its Executive Committee to raise the money, which will be added as its additional tier-I capital. The executive committee of the board of directors of the bank at its meeting held on February 18, 2017 has approved the raising of up to Rs 600 Cr. by way of issue of Basel III compliant additional tier-I bonds by private placement. The Union Cabinet cleared the proposal to merge State Bank of India with five of its associate banks -- three of which are listed and other two unlisted. State Bank of Bikaner and Jaipur (SBBJ) and State Bank of Mysore (SBM) apart from SBT, are the three listed entities, while State Bank of Patiala and State Bank of Hyderabad are unlisted. However, there is time for the amalgamation to take shape as the complex merger process entails share swap as well as employee issues, among others. Banks in India are augmenting their tier-I capital, to gradually align themselves with global Basel-III Capital Regulations to strengthen capital planning by creating buffer against potential stresses on asset quality and consequential impact on performance and profitability. The standards are being implemented in phases since April 1, 2013 by Indian banks. India is expected to get fully compliant with Basel III standards by March 2019. This will align full implementation of Basel III for Indian banks closer to the internationally agreed date of January 1, 2019.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/ahead-of-merger-with-sbi-associate-sbt-to-raise-up-to-rs-600-Cr./articleshow/57222287.cms>

Dated: February 18, 2017

- **Bandhan Bank To Retain Focus On Microcredit For Now:** As a strategy to grow its business, Bandhan Bank will continue to disburse a large chunk of loans as microcredit for some more time. There are people wanting to start new business or expand existing one, or have need for an affordable housing. So, Bandhan Bank is gradually coming to cater to that segment. It is unlike a top-down process. The bank wants to cater to a large number of customers so the main focus is on disbursing microcredit. The bank has the capacity as well as skills that have been built at the microcredit level to serve the loan requirement of these people. Bandhan Bank presently disburses 91 % of its loans in the microcredit form, adding the portfolio mix need to be diversified as the bank grows its operations in the future. With deposit mobilisation worth over Rs 19,800 Cr. and loan book of about Rs 20,200 Cr. as on date, the Kolkata headquartered bank hopes if the business grows by about 30-40 %, it will be able to increase its headcount by 10-15 %. As of now, the bank has 23,300 employees and hopes to add another 200 by March.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/bandhan-bank-to-retain-focus-on-microcredit-for-now-says-ceo/articleshow/57233227.cms>

Dated: February 19, 2017

- **Banks Look For Insurance As Cyber Threats Increase:** With instances of cyber threats increasing, the banks, which are increasingly going digital prodded by government and regulators following note-ban, are looking for cyber insurance

a fledgling industry vertical for general insurers but having large growth potential. The country reportedly lost a whopping USD 4 billion in fiscal 2016 to cyber crimes, while globally, the economic loss due to cyber crimes stood at USD 455 billion in 2016. According to insurance industry reports, cyber crimes are growing at 40-50 % annually globally. Similarly, global cyber risk insurance premium stood at USD 3.5 billion in 2016, which was only USD 2.5 billion in 2015, amply indicating growing incidents of cyber crimes across the world. Country's largest lender State Bank, which fell victim to cyber frauds late last year, is now considering insurance to protect its over 30 Cr. customers. Similarly, Bank of Baroda, which had seen about 1 Lakhss of its debit cards being compromised in the recent episode, is also keen to go for such insurance covers in future. While private sector lender Axis Bank is reported to have taken cyber insurance cover from HDFC Ergo, as many as 20 state-owned lenders are seriously in talks with insurers to get cyber insurance cover. The city-based private lender did not respond to text messages seeking for confirmation. General insurers also see a rise in demand for cyber risk insurance. Cyber insurance has seen close to 20 % rise at Bajaj Allianz in the current fiscal. In-line with rising incidents of cyber threats, the industry has seen a 10-15 % uptake of cyber liability covers.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/banks-look-for-insurance-as-cyber-threats-increase/articleshow/57231930.cms>

Dated: February 19, 2017

- **RBI Asks Custodians Not To Settle All FPI Trades In HDFC Bank:** The RBI has asked all custodians not to settle trades in HDFC Bank done after 1.40 pm on 17th February 2017 in which foreigners were buyers. On 17th February night, custodians issued a circular to their foreign clients saying, as per RBI'S directions, they would confirm all purchase trades by FPIs and NRIs in HDFC Bank executed prior to issue of notice by the stock exchanges. An email query to RBI on the matter did not elicit any response till the time of going to print. FPI holding in the bank would have crossed 75% on 17th February as against the 72% limit. FPIs pumped Rs 8,043.14 Cr. into Indian stocks on 17th February. As per Brokers majority of it flowed into HDFC Bank shares. On 17th February, Rs 15,000 Cr. worth of HDFC Bank shares changed hands of which 66% or Rs 9,959 Cr. worth of shares were traded on delivery basis. RBI barred foreigners from buying HDFC Bank shares as rules do not permit foreign holding of more than 74% in the bank. The central bank has fixed cut-off point for foreign investment at two percentage points lower than the actual limit. As on December 31, foreign holding in the private bank was 72.25%. However, conversion of ESOPs- 23.77 Lakhss shares on December 23 and 37.27 Lakhss shares on November 29- brought down the FII limit to below 72%.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-asks-custodians-not-to-settle-all-fpi-trades-in-hdfc-bank/articleshow/57225038.cms>

Dated: February 19, 2017

- **DBS To Hire 100 Technology Skilled Professionals Through Hackathon:** DBS, Singapore's leading bank plans to hire 100 technology skilled professionals, in emerging and disruptive technologies across cloud, machine learning and Big Data through a hackathon. The 100 new selects will join DBS Asia Hub 2 in Hyderabad, India, according to a release. This coding challenge, which has already received more than 3000 applications, is open to both fresh graduates and experienced professionals who can apply up to March 12, 2017. Hackathons like this help us connect with top talent across the country who are game changers and will be instrumental in reimagining banking. The recruitment drive, DBS Hack2Hire, consists of two parts an online assessment challenge followed by a live two-day hackathon session. Shortlisted candidates from the second round will undergo interviews for full-time roles at DBS Asia Hub 2. The bank has collaborated with leading technology providers such as Amazon Web Services, Cloudera and Pivotal for conducting the hackathon.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/dbs-to-hire-100-technology-skilled-professionals-through-hackathon/articleshow/57254040.cms>

Dated: February 20, 2017

- **FM Shri Arun Jaitley Meet Top Bankers To Allay Fears, Discuss Bad Loans:** Finance Minister Shri Arun Jaitley met managing directors of large public sector banks to allay their fears on investigating agencies following an overzealous approach in case of loans turned bad. The meeting

was sought by bankers through their association, Indian Banks Association as there was widespread fear among bankers after arrest of former bank officials in case of Kingfisher loans. There is almost a banking paralysis in PSBs. The meeting was held to take a stock of the banking sector and also steps taken to bring down the non-performing loans. A host of issues came up for discussion, including capital needs of banks and implications of Good and Services Tax (GST). Non-Performing Assets or bad loans of Public Sector Banks (PSBs) stood at Rs 5.89 Lakhss Cr. till September 2016, which estimates put at 20% of the gross advances. In January, Central Bureau of Investigation had arrested former IDBI's bank chairman Shri Yogesh Agarwal in connection with Rs 950 Cr. loan given by the bank to the now-defunct Kingfisher Airlines. The CBI raised queries about how the bank lent money to company that was rated below-investment grade.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/fm-arun-jaitley-meet-top-bankers-to-allay-fears-discuss-bad-loans/articleshow/57256377.cms>

Dated: February 20, 2017

- **Further Consolidation In PSU Banks After Improvement In NPA:** Days after the Cabinet approved merging five associate banks with SBI. The government may not like to go in for further consolidation in public sector banks till the NPA situation improves. Merging PSU banks at their current health is not a good option as it has potential to undermine the performance of the merged entity, officials added. Meanwhile, heads of the top 10

PSU banks, including SBI, PNB and BoB, had meeting with the Finance Minister where host of issues were discussed including current NPA situation, capital infusion and GST implementation from the banks' perspective. According to sources, the arrest of bankers by investigating agencies also came up during the meeting. Recently, former top officials of IDBI Bank were arrested by CBI in connection with Kingfisher Airlines case, putting bankers to become extra cautious resulting in slowdown in processing of loan proposals. The meeting also discussed the problems faced by banks in faster resolution of stressed assets. As on September 30, 2016 gross NPAs of public sector banks rose to Rs 6,30,323 Cr. as against Rs 5,50,346 Cr. by June end. This works out to an increase of Rs 79,977 Cr. on quarter on quarter basis. As far as recapitalisation of public sector banks are concerned, the government may carry forward the fund infusion amount to next fiscal if there is no suitable candidate. The remaining amount for bank recapitalisation (which is Rs 2,085 Cr.) can be carried forward to the next year. IDBI Bank stake sale, is very much on the government agenda. The government is working on new strategy for IDBI Bank stake sale as the bank has huge real estate which investors are overlooking. Bad bank proposal is not on the immediate agenda as the government wants to try private sector asset reconstruction companies.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/further-consolidation-in-psu-banks-after-improvement-in-npa/articleshow/57260214.cms>

Dated: February 20, 2017

- **Turn Digital Or Turn Into History, RBI Deputy Governor Shri Mundra To Banks:**

As per Reserve Bank of India (RBI) deputy governor Shri SS Mundra, The age of financial technology firms is here to stay and will remain a challenge to the banking system in the future. Banks that do not become digital run the risk of becoming history. Incumbent banks have no time to lose. They would need to tap the requisite talent and create an environment where such talent can innovate and be agile. The banks must view the success of fintech ecosystem as an opportunity and not as a threat. Fintech companies are disrupting every facet of traditional financial services and up to 28% of the banking and payments business are at risk by 2020. Fintech companies having capacities to address specific pain-points of financial customers such as remittance, credit, savings, and could also disrupt banking to micro and small enterprises in the next 5 years. The fintech revolution will wipe out nearly a third of all the employees at traditional banks in the next 10 years. This prediction is essentially about the lack of growth and loss of business over time, though it may be difficult at this juncture to accurately gauge the possibility of any particular benefit or risk materialising in the fintech universe. Shri Mundra suggested that banks must collaborate with fintech companies which are more efficient and agile fintech players. Banks would need to assess the likely impact of disruption and re-orient their business

models. As the incumbents, they may need to leverage their comparative advantage to improve their customer relationships, change their internal processes, mindset, and internal structures, the nimble-footedness of fintech players still eludes banks and alienates potential borrowers. However, as fintech firms grow in size, they would be coming under equivalent regulatory framework. Moreover, majority of them are venture capital supported entities, which can't exactly substitute a wide capital base. This is where the banks could capitalise on the fintech ecosystem. Also, fintech firms do not have a big client base of their own and will find it difficult to navigate through regulations of the finance industry. Banks have capital and can weather intense competition. They also have the benefit of experience and tried-and-tested infrastructure alongside specific financial knowledge of risk management, local regulations and compliance. In fact, banks' on-the-ground market and customer knowledge and pre-existing client base can be of immense value to fintech projects.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/turn-digital-or-turn-into-history-rbi-deputy-governor-mundra-to-banks/articleshow/57256533.cms>

Dated: February 21, 2017

- Bandhan Bank To Focus On Retail Loans Rather Lending To Corporate:** Bandhan Bank, plans to stay away from corporate lending and instead focus on the financially excluded segment. Most banks offer loans to only 10 per cent of the population and



**The Other Market**  
**Bandhan Bank to build upon its strengths in microfinance**

**Aims to monetise** priority sector lending | **Not keen on** lending to corporate sector

**91% of its lending** in micro credit, **68% branches** in rural areas

**Expects credit** portfolio of ₹22,000 cr by March 2017

**Has 805 branches & 2,427** doorstep service centres

**Most banks offer loans to only 10% of the population... We're targeting those who are left out**  
**CHANDRA SHEKHAR GHOSH, CEO**

are fighting for that segment. Bandhan Bank is targeting those who are left. Indian banks have so far concentrated only on the corporate sector and haven't built up the skillsets to target the financially excluded. There is a need to build up skills so that bankers can understand the credit need of this segment, identify right proposals, the amount to disburse, and even repayment. As much as 91 per cent of its lending portfolio is in micro credit and 68 per cent of its branches are in rural areas. Bank will continue to focus on retail loans mostly in the rural sector as it aims to build upon its strengths from its earlier operations in the microfinance sector. The bank expects its credit portfolio to touch around Rs 22,000 Cr. by March 2017 and aims to have



a 50 per cent year on year growth in all segments. The bank which has opened 805 branches in its 18 months of operations is also focused on its door step service centres, which has been its strength as a microfinance firm. The infrastructure in these 2,427 service centres is very simple and the staff is also simply dressed. The bank is also open to work with new small finance banks and aims to monetize its priority sector lending portfolio to large banks that fail to meet the priority sector lending targets. The bank has not been impacted due to the demonetization drive and expects some of the low cost deposits to stick. The bank has no immediate plans to list on stock exchanges as it has more than comfortable capital adequacy ratio at 29 per cent. As per the Reserve Bank of India regulations, the bank will look to list after three years. It is also not looking to expand its branch network for the moment and will continue to focus on the eastern regions in the country.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/bandhan-bank-to-focus-on-retail-loans-rather-lending-to-corporates/articleshow/57261550.cms>

Dated: February 21, 2017

- **Banks Eye 1 Mn Merchants On Bharat Qr Network:** The next time you walk into a kirana store in a small town without electricity or landline phones, chances are that you will spot a Bharat QR code placard which can be scanned for payment using your bank's mobile application. Bharat QR can be used for making payments by storing debit or credit card details within a

mobile app. Soon the code will also enable payments using the Unified Payments Interface and Aadhaar-enabled payments. For shopkeepers, the savings will be in the cost of buying or renting maintaining a card swipe machine. However, there will be a cost which is at present similar to charges paid on debit and credit cards. Even the Unified Payment Interface, which is vaunted as a low-cost payment option, attracts the same transaction fee when used by a merchant. There is a proposal to have lower charges for Bharat QR and merchant UPI transactions. This is the second digital payment offering by the National Payment Corporation of India (NPCI) after demonetization.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/bandhan-bank-to-focus-on-retail-loans-rather-lending-to-corporates/articleshow/57261550.cms>

Dated: February 21, 2017

- **IDBI Bank To Sell Stake In Non-Core Businesses:** IDBI Bank proposes to dilute stake in some non-core businesses to shore up capital base. The board of the bank has approved in-principle the proposal to divest some of its non-core investments subject to compliance with all applicable laws and regulations and final approval obtained for each transaction. Finance Minister in 2015 had hinted at a change in IDBI Bank wherein the government would continue to hold a majority stake, yet keep it at arm's length. IDBI Bank has a large portfolio of real estate which was not taken into consideration during the valuation exercise. The bank is looking at

this aspect and trying to find a way out so that its valuation gets better. As far as the stake sale of IDBI Bank is concerned, both the government and the bank's board have already given nod for Qualified Institutional Placement (QIP). The government's holding in IDBI Bank stood at 73.98 per cent as on December 2016. The Public Sector Banks, including IDBI Bank, have been allowed to raise capital from public through follow on public offer (FPO) or Qualified Institutional Placement (QIP) by diluting Government of India holding up to 52 per cent in a phased manner based on their capital requirement, their stock performance, liquidity, market conditions. The bank has deferred the agenda on issue of capital. Regarding tentatively considering the agenda on issue of capital at the board meeting scheduled on February 21 IDBI Bank has now informed BSE that the agenda could not be submitted for discussion at the Board Meeting held on February 21. The same may tentatively be submitted in a subsequent board meeting for which a separate disclosure will be made under SEBI regulation.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/idbi-bank-to-sell-stake-in-non-core-businesses/articleshow/57271587.cms>

Dated: February 21, 2017

- **Public Accounts Committee Calls Heads Of Public Sector Banks To Discuss Bad Loans:** Concerned over mounting bad loans, the Public Accounts Committee (PAC) has called the heads of public sector banks to explain issues relating to NPAs, including the loans given to Shri Vijay Mallya-led firms. To begin with, the panel

has called CEOs of Indian Bank and Indian Overseas Bank at its meeting in Chennai on February 27. Besides, representatives of the Finance Ministry will also be present at the discussion over issue of bad debts in the public institutions. The PAC will be holding such meeting separately with other lenders on the rising NPAs, which has become a major source of concern for the public sector banks. The PAC is learnt to have already dispatched a questionnaire to the heads of banks to seek details about bad debts and major defaulters. The questions asked are on quantum of the bad debts, the reasons for increase in such loans, steps taken to recover them and also the factors delaying the recovery. As on September 30, 2016 gross NPAs of public sector banks rose to Rs 6.3 Lakhs Cr. as against Rs 5.5 Lakhs Cr. at the end of the June quarter. This works out to an increase of Rs 79,977 Cr. on quarter on quarter basis. A consortium of 17 lenders to Kingfisher, including the State Bank, have struggled to recover close to Rs 6,000 Cr. loan given to the defunct Kingfisher Airlines. The liquor baron quietly flew to London in March last year, chased by banks as well as investigating agencies over allegations of financial fraud. To recover some of the money, the SBI has tried to auction Mallya's property. Among the assets pledged as collateral is the flamboyant businessman's luxurious Kingfisher villa in Goa, which the bank has yet to find a buyer for. Recently, former top officials of IDBI Bank were arrested by CBI in connection with Kingfisher Airlines case,

putting bankers to become extra cautious resulting in slowdown in processing of loan proposals. During the meeting on February 27, the PAC will also undertake performance review of import and export trade facilitation through Customs Port and Special Economic Zones where representatives of Revenue Department will also be present. Besides, it will also discuss performance audit on assessment of assesseees in pharmaceuticals sector for the year ended March 2014.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/public-accounts-committee-calls-heads-of-public-sector-banks-to-discuss-bad-loans/articleshow/57275570.cms>

Dated: February 21, 2017

- **One Million Bankers To Strike Work On February 28:** Around one million bankers will go on strike on February 28 following the failure of conciliation talks between the United Forum of Bank Unions (UFBU) and the management. The UFBU is an umbrella body of nine unions in the banking sector. As per All India Bank Employees Association (AIBEA) General Secretary Shri C.H. Venkatachalam, the Chief Labor Commissioner of the Ministry of Labor had called for a conciliation meeting in Delhi. Representatives of the Indian Banks Association (IBA) and UFBU were also present. All attempts to find solutions to the demands raised by the unions yielded no result. So the United Forum of Bank Unions decided to proceed with the proposed strike on February 28. One million employees and officers of public sector banks, private banks, foreign

banks, co-operative banks and regional rural banks will strike work on that day.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/one-million-bankers-to-strike-work-on-february-28/articleshow/57275937.cms>

Dated: February 21, 2017

- **No Communication On Axis-Kotak Merger: Finance Ministry Sources:** The Finance Ministry has not received any communication with regard to reported merger of Kotak Mahindra Bank and Axis Bank. Mergers of private banks do not come to Finance Ministry, rather it is for the regulator to see. Government indirectly holds stake in Axis Bank through public sector insurance companies and SUUTI. The Specified Undertaking of Unit Trust of India (SUUTI) holds about 12 per cent stake in Axis Bank while LIC has 14.49 per cent holding in the bank. Remaining promoter category stake is with four PSU general insurance companies and one state-owned re-insurer GIC Re. In 2015, Kotak Mahindra Bank completed acquisition of mid-sized private sector ING Vysya Bank for about Rs 15,000 Cr.. The deal was touted as India's biggest banking merger. The merger catapulted the nation's fourth largest private bank to nearly Rs 2 Lakhs Cr. balance-sheet size entity.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/no-communication-on-axis-kotak-merger-finance-ministry-sources/articleshow/57276943.cms>

Dated: February 21, 2017

- **RBI For December Deadline To Recast Top 50 Bad Loans:** The Reserve Bank of India is proposing its toughest measures

yet to recover loans from defaulters by prescribing December deadline for the loan restructuring of top 50 defaulters in a way that the assets turn viable and also in an environment where vigilance departments do not stifle the right economic outcome. Picking up from where former governor Shri Raghuram Rajan left, deputy governor Shri Viral Acharya proposed setting up two asset management companies, one private and the other quasi with government stake holding, and two rating agencies for valuation of stressed assets. The rate of bad loans has come to such an alarming level that banks should be shown some 'tough love' by barring those non-performers from taking deposits and lending. In some cases, merger of banks should also be considered to reduce dependence on government capital. This situation should be a cause for concern to all of us. It is reminiscent of weak banks and stagnating growth witnessed by Japan in the 1990s, with repercussions to date, and by Italy since 2010. Japan has experienced, and Italy, is in my opinion experiencing, a lost decade. A 'bad bank' conveys the impression that this entity is to operate as a bank but has bad assets to start with. In fact, the idea is not to operate these entities as banks at all. Resolution agencies set up as banks that originate or guarantee lending have ended up being future reckless lenders.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-for-december-deadline-to-recast-top-50-bad-loans/articleshow/57280360.cms>

Dated: February 22, 2017

- **Why The Kotak-Ing Vysya Bank Merger Has Not Been As Inexpensive As Believed:**

Nearly 27 months ago billionaire Shri Uday Kotak announced the takeover of ING Vysya Bank after years of eyeing it. At that time, many competitors were envious that he got the asset for a song. While the merger, which has propelled the bank to fourth rank, is nearing completion, insiders believe that it wasn't as inexpensive as people believed it to be. For a seasoned rainmaker like the 56-year-old Shri Kotak who has supposedly set his sights on the next target Axis Bank there have been many surprises on the way, and lessons, too. Since November 2014, the stock market has marked down the price it is willing to pay to own the lender. The bank's shares now trade at 3.9 times its book value after falling to nearly 3 against more than 5 times prior to the merger, though it still stands out in a crowded market. To ensure that there were no skeletons in the cupboard, ING Vysya's stressed assets were transferred to a separate "bad bank". These problem loans were about 6% of the erstwhile ING Vysya's total loans which were valued at Rs 2,575 Cr.. After having dealt with stressed assets at one go, the senior management felt that technology was a bigger challenge than anything else. The Rs 15,000-Cr. acquisition was just the beginning of the journey. Shri Kotak set up a thirty-member integration management office headed by current COO Shri Mohan Shenoji and a three-member steering committee which included Shri Kotak himself and two other joint managing directors. And there were

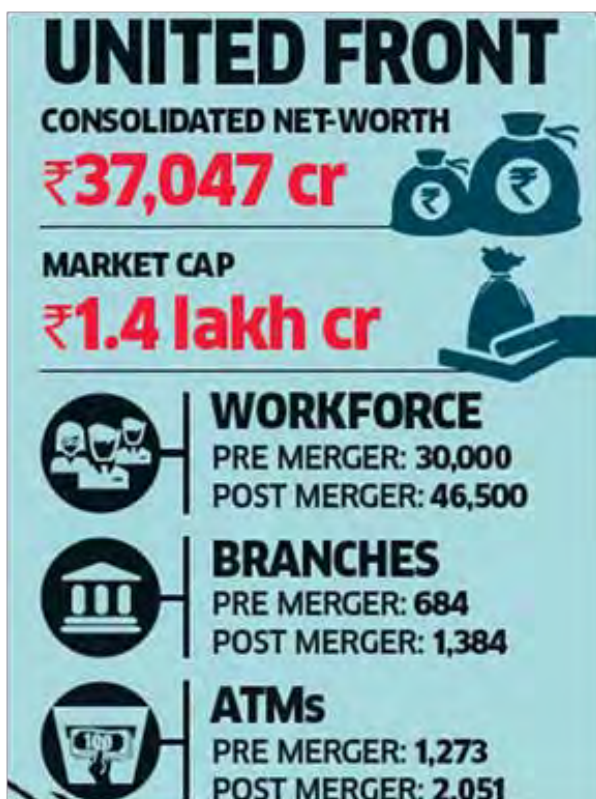
over five consultancies, including a team of more than 50 people on call, to help. The merger process, according to me, was like servicing and upgrading an aircraft while it is flying. Before the merger, Shri Kotak had a strong workforce of about 30,000 employees. Following the merger, the combined workforce stood at over 40,000. This number stands at more than 46,500. And for the man who runs the numbers yet another challenge was that of the people from the 85-year-old bank which was once a community bank and had unionized labor and for the man who runs the numbers show at the bank, his calculations now stand vindicated. Even as the country is debating about the need for a bad bank now, Shri Kotak has already had created a separate entity to park all troubled assets

of ING Vysya after taking a huge hair-cut. That has paved the way for a quick recovery without the burden of being questioned on the valuation of bad loans. The model of superior risk pricing and lean operating model is a winning strategy, KMB is the best risk manager in town. KMB's business model of 'superior risk-based pricing and lean operating model' is a winning strategy in an environment of margin pressure and rapid digital adoption by customers. For a bank like Kotak, which has been mostly retail and capital market-oriented, an asset light model and huge real estate, including a 9-storeyed building in Mumbai's BKC business district, have been a blessing. ING Vysya has also opened up a new opportunity for Kotak in terms of lending to multinational corporations because of its Dutch connection. Even though the profitability takes a hit, those customers are sticky.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/why-the-kotak-ing-visya-bank-merger-has-not-been-as-inexpensive-as-believed/articleshow/57281019.cms>

Dated: February 22, 2017

- Solairedirect Raises Rs 675 Cr. From IDFC Bank:** IDFC Bank is creating a renewable energy niche in loans, sanctioning Rs 675 Cr. to a Rajasthan-based solar power project owned by French company Solairedirect. The deal could be an early sign of a revival in lending in India, especially after growth in industry credit hit a 62-year low of 5.1 per cent year-on-year for 2016, down from 10.6 per cent last year. Emails sent to IDFC Bank remained



unanswered at the time of going to print. IDFC Bank is charging 11% interest during the construction period and 10.5% from the start of commercial operations. The debt is for an 18-year tenor. The project is scheduled to be commissioned by April this year. The loan has been channelized through a special purpose vehicle called Solaire Surya Urja Pvt. IDFC Bank's loans grew 53% year-on-year to Rs 71,354 Cr. (outstanding credit) during the October-December period. The bank is expanding its credit presence through fintech startups in areas such as Surat, Rajkot, Chandigarh and Bengaluru. The pace of loan growth by banks plunged to a 54-year low as individuals and companies put consumption and economic activity on hold with the pressures of the cash crunch unleashed by the country's currency scrapping that began on November 9. Banks have started cutting lending rates, based on marginal cost of funds, across maturities, a move aimed at working off sluggish credit while wooing borrowers. Significant capex is happening in this space. Investment will continue to be largely in infrastructure across the country. The government has targeted solar power capacity of 100 GW by 2022. Solar generation capacity was 9,012.69 MW at the end of December, according to data on the Central Electricity Authority's website.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/solaire-direct-raises-rs-675-cr.-from-idfc-bank/articleshow/57294935.cms>

Dated: February 22, 2017

- **Enough Cash, Decision On NPAs Vital For Growth:** Sufficient cash in both rural areas and cities, along with some bold and pragmatic decisions on issues like bank' Non-Performing Assets (NPAs) will be key drivers for reverting to eight per cent growth of the Indian economy. The credit off-take from corporate India, in any case, will be quite low as long as the entire issue of non-performing assets and cleaning up of the banks' balance sheets is not resolved with a pragmatic approach and strong political will. A clear distinction should be made between willful defaulters and those whose business ran into difficulty due to external economic factors like volatile commodity prices, or even those whose commercial decision may appear to be wrong in hindsight. Referring to a large number of domestic and global macro issues, the government should further speed up infrastructure projects of roads, highways, railways, ports and airports financed through public funding. Creation of jobs for the youth, who are getting added in large numbers every year, is one of the prime responsibilities both for the government and for corporate India. Further incentives for investment into manufacturing, information technology, infrastructure and other core industrial sectors will create more employment for the youth.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/enough-cash-decision-on-npas-vital-for-growth-assochem/articleshow/57295411.cms>

Dated: February 22, 2017

- **Idea Of Bank To Tackle Bad Loans Gaining Traction:** The idea of setting up a state-owned Asset Reconstruction Company (ARC) or a bank to deal with mounting bad loans is gaining traction and it needs to be created quickly. Essentially, there seems like a growing convergence towards the idea (of state-backed Asset Reconstruction Company). As per newly appointed RBI Deputy Governor Shri Viral V Acharya, a two-pronged strategy to resolve the issue of bad loans including creation of a private asset management company. For larger stressed assets, loans need to be bought by the government owned Asset Management Company, he had suggested. As per the Chief Economic Advisor, rising global oil prices will not pose a serious risk to the economy if they remain within the range of \$55-65 a barrel. The budget for 2017-18 is remarkably favorable to macroeconomic stability and low inflation.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/idea-of-bank-to-tackle-bad-loans-gaining-traction-cea-arvind-subramanian/articleshow/57300889.cms>

Dated: February 23, 2017

- **Airtel Payments Bank To Sell Insurance, MF Products:** Airtel Payments Bank (APB) is planning to sell third party financial products to boost its revenue from other income category. Starting operations few months ago, the bank had already opened 2.5 Lakhs banking points across the nation with a total customer base of two million spread across geographies. Payments banks were now required to park 75 per cent of their total deposits in SLR

securities and the balance 25 per cent in other instruments as prescribed by the RBI. While charges were levied on cash withdrawals, other transactions were free of levies.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/airtel-payments-bank-to-sell-insurance-mf-products/articleshow/57313348.cms>

Dated: February 23, 2017

- **Bankers Led By ICICI Bank Acquired Controlling Stake At Jaiprakash Power Ventures:** Bankers led by ICICI Bank have acquired controlling stake in Jaiprakash Power Ventures after the company defaulted on repayment of loans. The move will also reduce company's debt by Rs 3058 Cr.. Shares of the company rose by 4.70 per cent to close at Rs 6 a piece at Bombay Stock Exchange. Prior to the conversion of debt into equity lenders had an exposure of Rs 25,000 Cr. in the company. Following the conversion of debt into equity, 23 banks were allotted 305 Cr. shares in the company. Lenders now have 51 per cent stake in the company, this includes ICICI Bank holding 13.7 per cent, IDBI Bank at 5.3 per cent, Punjab National Bank at 4.4 per cent stake, Central Bank of India at 4.1 per cent and State Bank of India at 3.5 per cent. Other lenders with stake in the bank includes Bank of India, IDFC Bank, Canara Bank and LIC. Promoter's stake in the company is reduced to 31 per cent from 63.6 per cent in the December 2016. Jaiprakash Associates owned 29 per cent stake in Jaiprakash Power Ventures. The conversion of debt into equity shares is done under strategic debt restructuring

(SDR) scheme, which gives lenders the right to acquire majority equity stake in a defaulting company at the prevailing market price and subsequently sell their stake to a prospective buyer. Lenders had initiated SDR in the company in July 2016 itself. Over the last two years, lenders have initiated SDR in over two dozen companies with the intension to revive the financially ailing companies by finding a new promoter. However, bankers have been able to find buyers for their stake only few companies such as ABG Cement and Gammon.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/bankers-led-by-icici-bank-acquired-controlling-stake-at-jaiprakash-power-ventures/articleshow/57316642.cms>

Dated: February 23, 2017

- IDBI Bank Set To Get Rs 3000 Cr. Bail Out Package From Govt.:** The government is all set to bail out IDBI Bank with a Rs. 3,000-Cr. capital infusion to help it maintain a healthy capital-adequacy ratio and pursue credit growth. There are projections that in the last quarter of this fiscal there will be a jump in bad loans for IDBI. About

seven state-run banks have reported net profit over the past three quarters. There has also been substantial improvement in recoveries done by some lenders, including Indian Overseas Bank. On the other hand, IDBI Bank's lending portfolio is mostly in corporate segment and that is one of the major reasons for surge in its bad loans. IDBI reported a net loss of Rs.2,255 Cr. in December quarter against Rs.2,184 Cr. in the year-ago period. Gross non-performing assets (GNPAs) rose to Rs. 35,245 Cr. at December-end 2016 from Rs.30,134 Cr. in the previous quarter. The current Tier-I capital stands at 8.53 per cent. Last week, the bank informed the stock exchanges that its board of directors had approved in-principle a proposal to divest some of its non-core investments. The bank is expected to raise around Rs.5,000 Cr. through such stake sale. The bank holds stake in IDBI Federal Life Insurance, IDBI Capital Market Services and NSE, among others. The government has budgeted Rs.25,000 Cr. towards bank capitalisation this fiscal, of which it has allocated Rs.22,915 Cr..

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/idbi-bank-set-to-get-rs-3000-Cr.-bail-out-package-from-govt/articleshow/57319809.cms>

Dated: February 24, 2017

- Five Associate Banks To Merge With SBI From April 1:** The merger of State Bank of India's five associate banks with the parent will become effective in the new fiscal year. In gazette notifications published, the entire undertakings of these five banks shall stand transferred to and vested in

### Helping Hand



Capital infusion to help IDBI Bank maintain a healthy capital-adequacy ratio

Govt still open to bring down stake in bank to below 50%

IDBI Bank's lending portfolio mostly in corporate segment

That is a major reason for surge in its bad loans

- ₹2,255 cr -- net loss in Dec quarter (against ₹2,184 cr in year-ago period)
- ₹35,245 cr -- Gross NPAs at Dec-end 2016 (against ₹30,134 cr in previous quarter)

IDBI Bank holds stake in IDBI Federal Life Insurance, IDBI Capital Market Services & NSE, among others



**BAD LOANS**

IDBI Bank's lending is mostly in corporate segment & that's one of the major reasons for surge in bad loans

**GETTING TO THE CORE**

The bank is also expected to raise ₹5,000 crore from stake sale in its non-core investments



State Bank of India from April 1, 2017. Separately, SBI informed stock exchanges about the effective date of the merger. The Union Cabinet earlier this month approved the merger of State Bank of Bikaner & Jaipur, State Bank of Mysore, State Bank of Travancore, State Bank of Patiala and State Bank of Hyderabad with SBI. The merger will create a bigger SBI that will account for nearly a quarter of all outstanding loans in the country. The combined entity will have a network of nearly 23,000 branches, further increasing the dominance of the country's largest bank. Two of the five associate banks State Bank of Patiala and State Bank of Hyderabad are unlisted. Among the listed ones, SBI holds a 75 per cent stake in State Bank of Bikaner & Jaipur, 90 per cent in State Bank of Mysore and 79 per cent in State Bank of Travancore. The SBI-associate merger was an important step towards strengthening the banking sector through consolidation of public sector banks. The merger is likely to result in recurring savings, estimated at more than Rs.1,000 Cr. in the first year, through a combination of enhanced operational efficiency and reduced cost of funds.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/five-associate-banks-to-merge-with-sbi-from-april-1/articleshow/57314900.cms>

Dated: February 24, 2017

- **United Bank Of India Ties-Up With IRCTC:** United Bank of India has announced a tie-up with IRCTC to offer its customers facility to buy railway tickets using the bank's debit card. The Kolkata-based lender is

the 14th bank & 10th among government banks to provide the ticket booking facility by having direct tie-up with IRCTC. The government waived service charges on train ticket booking on the IRCTC website to promote digital transaction. The bank is continuously working to provide convenience to its customers by introducing technology based products and services. UBI had reported a near four time jump in third quarter net profit at Rs 64 Cr., buoyed by a jump in non-core income. Net profit was Rs 17 Cr. in the year ago period.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/united-bank-of-india-ties-up-with-irctc/articleshow/57332210.cms>

Dated: February 24, 2017

- **India Post Bank Is Likely To Tap World War-Era Tech To Garner Business:** It is back to basics for India Post Payments Bank (IPPB). It is tapping into World War-era phone-based technology and its vast network of postman to target a customer base of around 850 million, which either have no access to telephony or still depend on feature phones. Unlike full-fledged banks, payments banks can accept deposits up to Rs 1Lakhs and have to mandatorily park 75% of funds in government bonds. They are not allowed to offer loans either. With its network of over 1.5 post offices, IPPB is seen to be a major competitor for banks, especially in rural areas and small towns. The bank, floated by India Post, is running behind schedule as it is yet to tie up with a technology vendor for its banking services. But it is still targeting 2 Cr. customers in

the first year with business of around Rs 450 Cr.. By the fifth year, the bank hopes to have eight Cr. customers with a business of Rs 2,500 Cr.. A key focus area for IPPB is one billion bills that are paid every month, with the average ticket size being Rs 300. This is where Giro -an electronic fund transfer tool used in Europe and Japan -will come in handy . Apart from helping customers settle bills, a worker in a city can add his wife or mother as a beneficiary and transfer funds into their accounts by issuing instructions to a call centre. The wife or the mother will then use Aadhaar based authentication to withdraw funds either at a post office or ask a postman to deliver cash at home, for which a small fee may be levied. IPPB is also in talks with the rural development ministry for accessing details of NREGA beneficiaries and pensioners getting funds under the National Social Assistance Programme. Again, idea is to make the payments Aadhaar-based to minimize leakages.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/india-post-bank-is-likely-to-tap-world-war-era-tech-to-garner-business/articleshow/57342138.cms>

Dated: February 25, 2017

- **Bank Strike Likely On February 28, May Dent Services:** Operations at public sector banks may be hit on February 28 as most unions under the aegis of UFBU have threatened to go on strike to press for various demands, including accountability of top executives in view of mounting bad loans in the banking sector. Most of the banks, including SBI, PNB and BoB, have already informed their customers that

functioning of branches and offices will be impacted if the strike takes off. The functioning of private lenders like ICICI Bank, HDFC Bank, Axis Bank and Kotak Mahindra Bank is expected to be normal except delay in cheque clearances. The United Forum of Bank Unions (UFBU) is an umbrella body of 9 unions, but two of the Bharatiya Mazdoor Sangh affiliates National Organization of Bank Workers and National Organization of Bank Officers are not part of the stir. All attempts to find solutions to the demands raised by the unions yielded no results and hence, UFBU decided to proceed with the proposed strike on February 28. Unions are also opposed to the proposed labor reforms of the government and outsourcing of permanent jobs in the banking sector. Some of the demands include compensation of employees and officers for extra hours of work put in following demonetization in November and early initiation of process of next wage revision of bank employees. They have also demanded adequate recruitment in all cadres, stringent measures to recover bad loans and accountability of top executives. Besides, they have pitched for criminal action against willful defaulters. UFBU, who claims membership of nearly 10 Lakhss across banks, also requested the government for cost reimbursement of demonetization to banks. As many as 27 public sector banks control 75 per cent of the total business.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/bank-strike-likely-on-february-28-may-dent-services/articleshow/57356118.cms>

Dated: February 26, 2017

**• HSBC's India Headcount Rises By 4,000 Despite Global Drop:** UK-based banking major HSBC saw its India headcount rise by 4,000 people to reach 37,000 last year even as its worldwide workforce got trimmed by nearly 23,000 persons. India figures as the second-biggest among HSBC's "main centers of employment" after the UK where the banking giant had approximately 45,000 employees at the end of 2016, down from 47,000 a year ago. With the banking sector going through tough times, HSBC also saw its worldwide profit drop sharply in 2016, but India is among a few markets to give it a higher profit. Its global workforce declined for the second consecutive year in 2016, after witnessing a rise in 2014. At December 31, 2016, HSBC had a total workforce of 2,41,000 full- and part-time employees compared with 2,64,000 at the end of 2015 and 2,66,000 at the end of 2014. Besides India, the bank's headcount rose in China as well. However, the number of employees declined in Honk Kong and the US. As per the annual report, the global banking major's customer accounts in India fell to USD 11.3 billion in 2016, as against USD 11.8 billion a year ago. Globally, customer accounts fell by USD 17 billion to USD 1.27 trillion. Its profit before tax for India stood at USD 743 million for 2016, up from USD 606 million in the previous year. It paid USD 315 million in taxes in India for 2016, up from USD 286 million a year ago. HSBC's gross loans and advances to customers in India were USD 8.7 billion in 2016, up from about USD 8 billion in

2015. Its 'net structural foreign exchange exposure' for the Indian rupee rose to USD 3.9 billion in 2016. Globally, its reported profit before tax of USD 7.1 billion was USD 11.8 billion lower than in 2015 while revenue was down by a similar amount at USD 48 billion.

*Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/hsbcs-india-headcount-rises-by-4000-despite-global-drop/articleshow/57357498.cms>*

*Dated: February 26, 2017*

**• Foreign Regulators Check On Health Of Indian Banks:** Amid mounting bad loans and dip in profits, financial services regulators of several countries where Indian banks operate have sought assurance from bank managements about the readiness of parents, shareholders to chip in capital when required. Meeting senior officials of local banks and the Reserve Bank of India, officials of these financial market authorities emphasised the need to spot early signals



**Playing Safe**

- **Regulatory** bodies from UK, Hong Kong, China, UAE and other countries met bankers
- **The domestic** banks which have overseas presence are SBI, BoB, PNB, ICICI, BoI, Axis, IDBI, HDFC, Canara, Syndicate, Uco, Indian, and IoB
- **One of the** intentions of the regulatory college mechanism is to facilitate market supervisors to exchange notes

of stress in loans books and make necessary provisions before it's late. More than a dozen Indian banks run branches abroad. Regulatory bodies from UK, Hong Kong, China, UAE and other countries held separate meetings with large and mid-size banks this week to figure out how they are placed to remain well-capitalized and treat the special mention assets. The exercise is part of the meeting hosted by RBI under the system of 'regulatory college. Each bank is required to make presentation before regulators of markets where they have branch operations; this is followed by joint discussions. Even though Indian banks have little or no retail liability in these markets, the recent decline in asset quality of Indian lenders has understandably drawn the attention of many regulators. The regulatory college meets at a time Indian banks are struggling to resolve sticky loans without drawing the glare of central investigative and vigilance agencies which, many bankers allege, have unleashed a witch hunt to vindicate political decisions. The accelerated provisioning rule that was put in place by former RBI governor Shri Raghuram Rajan would call for an extra 25% provisioning on well over Rs 6 Lakh Cr. loan by March 31, 2017. The lurking fear in the industry is that if managements of banks, RBI, and the finance ministry fail to cobble together a remedy to deal with bad loans within the next few months, then banks will have to arrange capital to make additional 15% provisioning over and above the 25% provisioning in the coming financial year. The domestic banks which have overseas presence are SBI, BoB, PNB,

ICICI, BoI, Axis, IDBI, HDFC, Canara, Syndicate, Uco, Indian, and IoB. One of the intentions of the regulatory college mechanism is to facilitate market supervisors to exchange notes and minimize regulatory arbitrage. Indeed, the comparatively harsher rules in Singapore had tempted some of Indian banks to move certain assets to their books in other business jurisdictions. Some of the regulators had earlier questioned the reluctance of Indian banks to lend to local businesses as most Indian banks use foreign branches to extend credit facilities and arrange external commercial borrowings (or dollar loans) for Indian companies, as well as invest in instruments like foreign currency convertible bonds issued by corporate.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/foreign-regulators-check-on-health-of-indian-banks/articleshow/57363450.cms>

Dated: February 27, 2017

- **Fake Notes, ICICI Bank Says Probing The Matter:** Ruling out possibility of its ATM machines dispensing fake notes, ICICI Bank has ordered a probe into an incident where a customer in Rohtak in Haryana reportedly got Rs 2,000 notes bearing 'Children Bank of India'. Apart from this, some notes were printed with 'Ek Kadam Swachhta ki Aur' and 'Bharatiya Manoranjan Bank'. ICICI Bank has installed state-of-the-art note sorting machines that check the quality of millions of notes every day. If a note, while being checked by any of these machines, fails to conform to RBI security measures, the same note is again checked manually by highly experienced bank officials. Any forged note found is separated and reported to

the local police. Hence, it is not possible for a fake note to be dispensed from the bank's ATM network. The incident came close of the heels of SBI ATMs pushing out similar notes in Delhi. Another SBI ATM, this time in Shahjahanpur in UP, purportedly dispensed a scanned copy of a Rs 2,000 note. On February 24, a 27-year-old man working with an ATM cash loading company was arrested on charges of exchanging five original Rs 2,000 bills with the 'Children's Bank of India' notes that were dispensed from the SBI ATM in Delhi.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/fake-notes-icici-bank-says-probing-the-matter/articleshow/57374174.cms>

Dated: February 27, 2017

- **Nine Bank Unions To Go On Strike On Tuesday:** An umbrella body of nine bank unions has called a day-long strike on Tuesday to protest the government's "anti-people banking reforms" and to press for compensation to employees for extra work done on account of demonetization and booking loan defaulters. The United Forum of Bank Unions (UFBU), comprising nine unions AIBEA, AIBOC, NCBE, AIBOA, BEFI, INBEF, INBOC, NOBW and NOBO will observe the strike. The strike will cover employees and officers in all public sector banks, including SBI, all old-generation private banks, foreign banks, regional rural banks and cooperative banks. The real menace affecting the Indian banking industry is the rise in bad loans and the number of wilful loan defaulters. Fixing accountability for bad loans and taking action against the bank officials and wilful defaulters are the

need of the hour and not formation of a bad bank. The Economic Survey 2016-17 suggested establishment of a "Bad Bank" to deal with the Non-Performing Assets (NPA) or the bad loan issue. The idea was nothing but transferring the bad loans from one government entity to another. The unions have been fighting for more than two decades against the reform measures of the government as these are against the interests of the general public and labor force in the country. Further, every effort is being made to outsource permanent jobs in the banking industry, which is fraught with risks. Around 10 Lakhs bankers ranging from officers to clerks belonging to the nine unions will join the strike. The strike call comes after all attempts to find a solution to the demands raised by the unions yielded no results. The conciliation meeting before the Chief Labor Commissioner on February 21 failed to break the deadlock as the bank management body Indian Banks Association (IBA) did not agree to the union demands. Most state-run banks have informed customers that functioning of branches and offices will be hit if the strike is observed on (28th February). Top private lenders ICICI Bank, HDFC Bank and Axis Bank are not part of the union and will continue to function normally but cheque clearances would not take place. Besides, cash transactions will also be hit and the ATMs are likely to be emptied early during the day.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/nine-bank-unions-to-go-on-strike-on-tuesday/articleshow/57379903.cms>

Dated: February 27, 2017

# India's Foreign Trade (Merchandise)

- **Merchandise Trade:-**

- o **Exports (Including Re-Exports):** In consonance with the revival exhibited by exports in the last four months, during January, 2017 exports continue to show a positive growth of 4.32 per cent in dollar terms (valued at US\$ 22115.03 million) and 5.61 per cent in Rupee terms (valued at Rs. 150559.98 crore) as compared to US\$ 21199.02 million (Rs. 142568.31 crore) during January, 2016. Cumulative value of exports for the period April-January 2016-17 was US\$ 220922.78 million (Rs. 1484473.55 crore) as against US\$ 218532.64 million (Rs. 1420572.68 crore) registering a positive growth of 1.09 per cent in Dollar terms and positive growth of 4.50 per cent in Rupee terms over the same period last year. Non-petroleum exports in January 2017 were valued at US\$ 19422.86 million against US\$ 19111.38 million in January 2016, an increase of 1.6 %. Non-petroleum exports during April - January 2016-17 were valued at US\$ 196254.10 million as compared to US\$ 192071.50 million for the corresponding period in 2016, an increase of 2.2%. The growth in exports is positive for USA (2.63%), EU(5.47%) and Japan(13.43%) but China has exhibited negative growth of (-1.51%) for November 2016 over

the corresponding period of previous year as per latest WTO statistics.

- o **Imports:** Imports during January 2017 were valued at US\$ 31955.94 million (Rs. 217557.32 crore) which was 10.70 per cent higher in Dollar terms and 12.07 per cent higher in Rupee terms over the level of imports valued at US\$ 28866.53 million (Rs. 194134.02 crore) in January, 2016. Cumulative value of imports for the period April-January 2016-17 was US\$ 307311.86 million (Rs. 2065656.42 crore) as against US\$ 326277.38 million (Rs. 2120158.57 crore) registering a negative growth of 5.81 per cent in Dollar terms and 2.57 per cent in Rupee terms over the same period last year.
- o **Crude Oil And Non-Oil Imports:** Oil imports during January, 2017 were valued at US\$ 8140.83 million which was 61.07 percent higher than oil imports valued at US\$ 5054.29 million in January 2016. Oil imports during April-January, 2016-17 were valued at US\$ 69062.66 million which was 5.81 per cent lower than the oil imports of US\$ 73321.66 million in the corresponding period last year. Non-oil imports during January, 2017 were estimated at US\$ 23815.11 million which was 0.01 per cent higher than non-oil imports of US\$ 23812.24 million in January, 2016.

Non-oil imports during April-January 2016-17 were valued at US\$ 238249.20 million which was 5.81 per cent lower than the level of such imports valued at US\$ 252955.72 million in April-January, 2015-16.

- **Trade In Services:-**

- o **Exports (Receipts):** Exports during December 2016 were valued at US\$ 13804 Million (Rs. 93729.71 Crore) registering a positive growth of 3.49 per cent in dollar terms as compared to positive growth of 1.72 per cent during November 2016 (as per RBI's Press Release for the respective months).
- o **Imports (Payments):** Imports during December 2016 were valued at US\$ 8294 Million (Rs. 56316.59 Crore) registering a negative growth of 0.35 per cent in dollar terms as compared to positive growth of 8.37 per cent during November 2016 (as per RBI's Press Release for the respective months).

- **Trade Balance:-**

- o **Merchandise:** The trade deficit for April-January, 2016-17 was estimated at US\$ 86389.08 million which was 19.82% lower than the deficit of US\$ 107744.74 million during April-January, 2015-16.
- o **Services:** As per RBI's Press Release dated 15th February 2017, the trade balance in Services (i.e. net export of Services) for December, 2016 was estimated at US\$ 5510 million. The net export of services for April- December, 2016-17 was estimated at US\$ 48316

million which is lower than net export of services of US\$ 53557 million during April- December, 2015-16. (The data for April-December 2015-16 and 2016-17 has been derived by adding April-December month wise QE data of RBI Press Release).

- o **Overall Trade Balance:** Overall the trade balance has improved. Taking merchandise and services together, overall trade deficit for April- January 2016-17 is estimated at US\$ 38073.08 million which is 29.7 percent lower in Dollar terms than the level of US\$ 54187.74 million during April-January 2015-16. (Services data pertains to April-December 2016-17 as December 2016 is the latest data available as per RBI's Press Release dated 15th February 2017).

## MERCHANDISE TRADE

Exports & Imports (US \$ Million)		
	January	April-January
<b>Exports (Including Re-Exports)</b>		
2015-16	21199.02	218532.64
2016-17	22115.03	220922.78
<b>% Growth 2016-17/ 2015-16</b>	<b>4.32</b>	<b>1.09</b>
<b>Imports</b>		
2015-16	28866.53	326277.38
2016-17	31955.94	307311.86
<b>% Growth 2016-17/ 2015-16</b>	<b>10.70</b>	<b>-5.81</b>
<b>Trade Balance</b>		
2015-16	-7667.51	-107744.74
2016-17	-9840.91	-86389.08
Exports & Imports (Rs. Cr.)		
	January	April-January
<b>Exports (Including Re-Exports)</b>		
2015-16	142568.31	1420572.68
2016-17	150559.98	1484473.55
<b>% Growth 2016-17/ 2015-16</b>	<b>5.61</b>	<b>4.50</b>
<b>Imports</b>		
2015-16	194134.02	2120158.57
2016-17	217557.32	2065656.42
<b>% Growth 2016-17/ 2015-16</b>	<b>12.07</b>	<b>-2.57</b>
<b>Trade Balance</b>		
2015-16	-51565.71	-699585.89
2016-17	-66997.34	-581182.87



## SERVICES TRADE

Exports & Imports (Services) : (US \$ Million)	
(Provisional)	December 2016-17
Exports (Receipts)	13804.00
Imports (Payments)	8294.00
Trade Balance	5510.00
Exports & Imports (Services): (Rs. Crore)	
(Provisional)	December 2016-17
EXPORTS (Receipts)	93729.71
IMPORTS (Payments)	56316.59
TRADE BALANCE	37413.12

# Top Banking Appointments

- **IndusInd Bank Appoints Shri Gaurav Kapur As Its Chief Economist:** Private sector lender IndusInd Bank has appointed Shri Gaurav Kapur, as the chief economist of the bank, as a part of the Global Markets Team. Shri Gaurav will be based in Mumbai and will be responsible for formulating IndusInd Bank's economic forecasts and developing cross-border thematic research. He will also look at tracking the local and global macro-economic environment and formulating views, opinions and forecasts about the Indian economy, markets and policy environment. He has extensive experience in the field of country risk management and sovereign ratings and has worked on the credit ratings review of key economies in Asia including India. Starting with Indian Council for Research on International Economic Relationship (ICRIER) he worked for the last 16 years as a senior economist with Royal Bank of Scotland, erstwhile ABN AMRO Bank - India. Shri Gaurav was also a member on the RBI's committee for review of the national household inflation expectations survey, which is now a key input for monetary policy.
- **Eight Executive Directors Appointed In Various Banks:** Eight Executive Directors (EDs) have been appointed in various public sector banks on the recommendations of Banks Board Bureau. Ms. Neelam Damodharan and Shri Atanu Kumar Das have been appointed as EDs in Bank of India. Shri Damodharan is General Manager in Bank of Baroda and Das is GM in Vijaya Bank. Shri K Swaminathan, General Manager in Indian Overseas Bank, has been appointed as ED in the same bank. Shri Ashok Kumar Pradhan will be ED in United Bank of India. He is at present Chief General Manager with State Bank of Bikaner and Jaipur. Shri P Ramana Murthy will be Executive Director of Central Bank of India. He is GM of Allahabad Bank. Shri Fareed Ahmed Khan, General Manager of Corporation Bank, will be ED in Punjab and Sind Bank. Shri M K Bhattacharya and Shri S Harishankar have been appointed EDs of Indian Bank and Allahabad Bank respectively. Shri Bhattacharya and Shri Harishankar are working as Chief General Managers of State Bank of Mysore and State Bank of Travancore respectively. The appointments are initially for a three-year period.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/indusind-bank-appoints-gaurav-kapur-as-its-chief-economist/articleshow/57004010.cms>

Dated: February 06, 2017

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/eight-executive-directors-appointed-in-various-banks/articleshow/57203110.cms>

Dated: February 17, 2017

# Top Banking Development

- **Ujjivan Becomes 5th Entity To Start Small Finance Bank:** According to a Reserve Bank of India (RBI) notification released, Ujjivan Small Finance Bank has started operations. Ujjivan becomes 5th entity to start a small finance bank. The bank is not offering higher interest rate like its peers. Utkarsh Small Finance Bank is offering 6% on saving bank accounts while Suryoday Small Finance Bank is offering between 6.25-7.25%. The bank has 469 service centers spread across 24 states in the country at the end of December quarter.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/budget-2017-no-big-capital-infusion-for-psu-banks/articleshow/56909238.cms>

Dated: February 1, 2017

- **Airtel Payments Bank Opens Over 1 Lakhss Accounts In Uttar Pradesh:** Airtel Payments Bank has opened over one Lakhss savings accounts in Uttar Pradesh within the first two weeks of its launch in the state. Approximately 60 % of these accounts have been opened in rural areas, underlining the massive scope for serving customers, particularly in unbanked and under banked pockets of the state. In Uttar Pradesh over 12,000 neighborhood Airtel retail stores will also function as banking points, and customers will be able to open savings accounts, deposit and withdraw cash across any of these banking points. Nearly two-thirds of these banking points

across the state are in rural areas, helping in extending the reach of services to unbanked regions. Payments banks can accept deposits from individuals and small businesses up to a maximum of Rs 1 Lakhss per account.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/airtel-payments-bank-opens-over-1-Lakhssss-accounts-in-uttar-pradesh/articleshow/56938665.cms>

Dated: February 2, 2017

- **Bank Of Maharashtra Ties Up With Cigna TTK:** Bank of Maharashtra has partnered with insurance company Cigna TTK Health to market the insurer's products in the bank's branches across the entire country. Under the agreement, the bank will offer the all of Cigna TTK's superior health insurance products to its 2 Cr. customers through its network of over 1,896 branches, its 14,000 bank employees across the country as well as through its digital platforms. Bank of Maharashtra's tie-up with Cigna TTK will bolster penetration of health insurance in the country, which is currently between 5-7%. Additionally, the World Health Organization's (WHO) Sustainable Development Goals 2030 include ensuring healthy lives and promoting well-being for all at all ages, with a specific focus on India. The bancassurance tie-up will be a positive step towards this end. Bank of Maharashtra enjoys great visibility in a large number

of tier III and tier IV cities, helping expand Cigna TTK's footprint across previously unchartered territories.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/bank-of-maharashtra-ties-up-with-cigna-ttk/articleshow/56999162.cms>

Dated: February 6, 2017

- **Axis Bank Ties Up With Earthport:** Axis Bank has tied up with Earthport Plc, a cross-border payment network, to enable faster outbound cross-border payments for its customers through Earthport's state-of-the-art global payments network. Axis Bank has become the first bank in India to connect with Earthport's global payments network, which spans over 60 countries. The Bank joins a growing number of major banks across the globe that can, through a single connection with Earthport, send payments seamlessly to almost any bank account in the world on behalf of their clients, while delivering a faster, more efficient and cost-effective service. This agreement also marks Earthport's entry into India, the world's fastest growing major economy in line with its strategy to become the preferred provider of cross-border payment services to major banks, financial institutions, ecommerce companies and other payment aggregators globally. Through this strategic partnership with Earthport, customers faster remittances with complete transparency on the final amount and time taken to credit beneficiaries overseas with real-time end-to-end tracking.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/axis-bank-ties-up-with-earthport/articleshow/56999530.cms>

Dated: February 6, 2017

- **IDFC Bank, Indialends Tie-Up For Loan Services To 1st Timers:** Private sector lender IDFC Bank has collaborated with fintech startup IndiaLends to enable first time borrowers who do not have a credit history to take loans. IDFC Bank is a differentiated personal loan solution which will offer instant loans approvals through a completely digitized process to first time borrowers. Loan requests by salaried applicants without credit history will now be processed on a real time basis. The unique solution is being offered through a tie-up with IndiaLends, a financial technology startup. At present, borrowers with no established credit history find it difficult and time consuming to secure a loan. IDFC Bank's unique personal loan solution will enable this segment to access funds more easily. There are a number of new-age financial institutions, both banks and NBFCs that have the desired appetite and the keenness to expand the unsecured credit market in India.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/idfc-bank-indialends-tie-up-for-loan-services-to-1st-timers/articleshow/57025335.cms>

Dated: February 7, 2017

- **HDFC Bank, KMB Go Live With Bharat Bill Payment System:** Private sector lenders HDFC Bank and Kotak Mahindra Bank are live with the Bharat Bill Payment System (BBPS) that is aimed at easing utility and other repetitive bill payments for consumers. The BBPS is a centralized system created by the National Payments Corporation, involving banks and non-banks and allows agents to access bill

payments services in an interoperable manner. A customer can pay multiple bills from a single platform without the hassle of visiting multiple websites or issuing individual cheques, or also registering billers with her bank for standard instructions for debit. BBPS introduced by NPCI is a seamless payment platform that offers speed and convenience to pay all types of bills, the service will soon be made available for non-bank customers as well. The bank has introduced the service on its net banking page at present and plans to offer it on mobile banking next. At present, there are 124 billers whose payments can be made using the service. The NPCI has piloting the BBPS since the latter part of 2016, and now the focus will be on adding maximum amount of billers. The billers may include energy utilities, telcos, DTH service providers, insurance companies etc.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/hdfc-bank-kmb-go-live-with-bharat-bill-payment-system/articleshow/57022813.cms>

Dated: February 07, 2017

- **Federal Bank Partners With Commodity Online For Loan Distribution:** Federal Bank Limited has partnered with online data and information portal Commodity Online for the distribution of loans against warehouse receipts and collateral management services across the country. According to the agreement, Commodity Online will roll out an agri commodity financing platform through its flagship portal [commodityonline.com](http://commodityonline.com) where farmers and traders can track commodity markets and warehouses online and get

financing for their commodities quickly. Less than 40% of traders in India have access to institutional credit. And barely 10-15% small and marginal farmers get access to finance. Loans against warehouse receipts were around Rs 5000 Cr. ten years back. Currently, banking institutions have lent around Rs 40000 Cr. against warehouse receipts. Federal Bank, with its country-wide network of branches and tie-ups with a dozen collateral management companies, is keen to step up the agri commodity financing business through [commodityonline.com](http://commodityonline.com) as it has huge potential in an agrarian country like India. Commodity financing has the potential to grow to Rs 2 Lakhs Cr. businesses by 2025 in India. Commodity Online is focused on providing various easy financing solutions online through its partnership with Federal Bank.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/federal-bank-partners-with-commodity-online-for-loan-distribution/articleshow/57037236.cms>

Dated: February 08, 2017

- **Karnataka Bank Launches National Pension System In Mangaluru:** Karnataka Bank has launched 'National Pension System' (NPS) at its corporate office here. NPS was introduced by the Government of India with an intention to provide old age financial security by way of regular income in the form of pension. While earning, one can contribute to the NPS and start receiving pension after attaining the age of 60 years, to meet one's financial needs. Any individual between the age 18 years and 60 years can register his name with

the bank's branch to contribute and to get the pension benefit under this scheme. With the flexibility and tax exemption feature, it is most suitable to the earning unorganised sector employees. Bank is providing another tool to the common public for improving their financial security along with other social security schemes. Karnataka Bank is always in the forefront in serving the customers with social welfare cause. Launching of the NPS is one such step towards improving the welfare of the society. The bank has introduced this scheme at select branches initially and plans to introduce it in a phased manner at all of its branches.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/karnataka-bank-launches-national-pension-system-in-mangaluru/articleshow/57202526.cms>

Dated: February 17, 2017

- **SBI Ties Up With Greenply To Offer Financial Services To Its Dealers:** State Bank of India has announced a tie-up with Greenply Industries to grow its channel financing business. Forging a business partnership is somewhat routine, but this turns out to be special as the deal allows SBI to take yet another step in growing its digital banking footprint. The two companies signed the memorandum of understanding for financing the dealers of Greenply Industries on electronic platform. SBI will extend financial services to Greenply dealers to grow further on a very competitive pricing. SBI, which is slated to enjoy one-fourth market share with the merger of its associate banks with itself

in FY18, is planning to create a digital-only bank platform to allow transactions to be done with the help of apps, internet banking and mobile banking. It has also taken initiative to stop use of paper from its branches for end-to-end digitization.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/sbi-ties-up-with-greenply-to-offer-financial-services-to-its-dealers/articleshow/57221692.cms>

Dated: February 18, 2017

- **HDFC Bank Readies To Take On Paytm:** HDFC Bank chief Shri Aditya Puri may have taken digs at Paytm, attacking the cashback model for promoting wallets, but the country's most valuable bank is not taking any chances being left out of the game. HDFC Bank has drawn up ambitious plans for QR code based payments- A model popularized by Paytm as IndiaQR kicks off. The RBI and payment networks (Visa/ MasterCard/ RuPay/ American Express) will unveil IndiaQR a "scan and pay" facility for small shops that do not have the volumes to justify deploying a card swipe machine. HDFC Bank has appointed payment tech company In-Solutions Global (ISG) to provide an end-to-end merchant acquiring platform. ISG will provide a package which includes app development to the switch. According to an ISG spokesperson this will give the private banks a competitive edge in pricing deals with small shops as it will not be dependent on multiple service providers. Paytm had used the demonetization period to go all out and promote Quick Response or QR codes as a cash-and-card alternative. The payment

involves scanning a matrix code, which contains the recipient's account details and authorizing the payment on a mobile application. There is a crucial difference between Paytm and IndiaQR. Paytm is a "closed loop" payment system, which means that money remains in one book and cannot be transferred across accounts. The merchant can use his balance to pay utility bills without a fee, but if he wants to transfer funds to a bank account there is a charge of 1.5%. In IndiaQR funds are transferred from the customer's bank account to the merchant's bank account irrespective of the bank. The RBI has prescribed charges of 25 basis points for debit card transactions up to Rs 1,000 and 50bps for transactions between Rs 1,000 and Rs 2,000 up to March 31, 2017. IndiaQR code is open for all banks. But the industry attention is on HDFC Bank, whose merchants account for bulk of card transactions in the country.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/scan-pay-hdfc-bank-readies-to-take-on-paytm/articleshow/57243489.cms>

Dated: February 20, 2017

- **Citi Launches Citi Tech For Integrity Challenge:** Banking giant Citi has launched the Citi Tech for Integrity Challenge (T4I) a global program that brings on board technology innovators from around the world to create solutions to promote integrity, accountability and transparency in the public sector. This initiative from Citi, in collaboration with private and public sector partners, will offer technology companies an opportunity to innovate in the areas of financial transactions, cyber security,

financial education, grievance redressed, cutting red tape, and other such areas. In India, T4I is supported by the Ministry of Electronics and Information Technology, the Digital India Foundation and several leading private sector companies including IBM, PwC, Microsoft, MasterCard, Facebook, Let's Talk Payments and Wipro. T4I aims to extend the concept of open innovation in digital banking to the public sector and beyond. The opportunity to leverage new technologies and introduce innovations that will accelerate digitization and foster transparency in the country, is unique and very satisfying. Encouraging open innovation and supporting innovators will continue to remain a strategic priority for Citi. As part of the T4I program, Citi and its partners will offer a structured virtual accelerator program including mentorship, webinars and workshops to innovators covering the commercial and technical aspects of their propositions. Stakeholders in the program have identified 73 pain points for which startups, tech SMEs and large tech companies will offer possible solutions. The tech solutions received through this program will be evaluated by a jury, and selected finalists will have an opportunity to showcase their innovations to a wide and knowledgeable audience at 'Demo Day' events to be held in June in Hyderabad as well as Mexico, Argentina, Ireland and UAE. Finalists will receive a host of rewards including cloud credits, fast-track access to accelerator programs, access to financial inclusion hubs as well as technical and SME mentoring for scaling

up solutions. Financial assistance too will be provided by the key stakeholders though Citi declined to comment on the investment set aside for the same.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/citi-launches-citi-tech-for-integrity-challenge/articleshow/57257309.cms>

Dated: February 20, 2017

• **United Bank Of India Ties-Up With IRCTC:**

United Bank of India has announced a tie-up with IRCTC to offer its customers facility to buy railway tickets using the bank's debit card. The Kolkata-based lender is the 14th bank & 10th among government banks to provide the ticket booking facility by having direct tie-up with IRCTC. The government waived service charges on train ticket booking on the IRCTC website to promote digital transaction. The bank is continuously working to provide convenience to its customers by introducing technology based products and services. UBI had reported a near four time jump in third quarter net profit at Rs 64 Cr., buoyed by a jump in non-core income. Net profit was Rs 17 Cr. in the year ago period.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/united-bank-of-india-ties-up-with-irctc/articleshow/57332210.cms>

Dated: February 24, 2017

• **Lakshmi Vilas Bank Ties With Centrum For Its Wealthy Clients:**

South-based Lakshmi Vilas Bank is fast shedding its age-old look with a new bunch of top executives at the helm of affairs. The lender has now roped in Centrum group, a leading financial services company, which will now manage

the bank's wealthy clients. The bank's interested HNI (High Networth Individuals) clients will be referred to Centrum Wealth for professional wealth management and family office services. Centrum Wealth will offer its portfolio of Wealth Management Services to the Bank's interested HNI clients. LVB and Centrum have signed a Memorandum of Understanding. Centrum Wealth Management currently has assets under advice (AUA) in excess of Rs 10,000 Cr.. It offers a bouquet of professional Wealth Management Services which include investment advisory across asset classes, portfolio management services and family office services including estate and tax planning. With Shri Parthasarathi Mukherjee at the helm, the bank has built in the past one year a senior team of several senior bank executives, who came from bulge-bracket lenders including HDFC, SBI, Axis Bank, Royal Bank of Scotland, and is hoping to get back on the growth track as fast as it can. In the past one year LVB shares have nearly doubled to Rs 160 now from Rs 88 earlier. During the same period, Centrum Capital shares more than trebled to 36 from 11 earlier. Two months ago, Lakshmi Vilas Bank raised Rs 165 Cr. through qualified institutional placement with investors including DHFL Pramarica Life, Aviva Life Insurance, IDBI Bank and Axis Bank.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/lakshmi-vilas-bank-ties-with-centrum-for-its-wealthy-clients/articleshow/57378383.cms>

Dated: February 27, 2017



## Top RBI Circulars

Circular Number	Date of Issue	Department	Meant For
RBI/2016-2017/235 IDMD.CDD. No.2188/14.04.050/2016-17	23.2.2017	Internal Debt Management Department	Sovereign Gold Bonds, 2016-17 – Series IV - Operational Guidelines
RBI/2016-2017/234 IDMD.CDD. No.2187/14.04.050/2016-17	23.2.2017	Internal Debt Management Department	Sovereign Gold Bonds 2016-17 – Series IV
RBI/2016-2017/233 A. P. (DIR Series) Circular No.31	16.2.2017	Foreign Exchange Department	Issuance of Rupee denominated bonds overseas – Multilateral and Regional Financial Institutions as Investors
RBI/2016-2017/232 FMRD.DIRD.13/14.01.019/2016-17	16.2.2017	Financial Markets Regulation Department	Forward Rate Agreement (FRA) and Interest Rate Swap (IRS) - Withdrawal of Fortnightly return
RBI/2016-2017/231 DBR.No.Ret. BC.51/12.07.145A/2016-17	16.2.2017	Department of Banking Regulation	Inclusion of "Capital Small Finance Bank Limited" in the Second Schedule to the Reserve Bank of India Act, 1934
RBI/2016-2017/230 DBR.No.Ret. BC.52/12.07.143A/2016-17	16.2.2017	Department of Banking Regulation	Inclusion of "Equitas Small Finance Bank Limited" in the Second Schedule to the Reserve Bank of India Act, 1934
RBI/2016-2017/229 DBR.RRB.BC.No. 53/31.01.001/2016-17	16.2.2017	Department of Banking Regulation	Repayment of Gold Loan
RBI/2016-2017/228 DGBA.GAD. No.2128/44.02.001/2016-17	16.2.2017	Department of Government and Bank Accounts	Reimbursement of Merchant Discount Rate
RBI/2016-2017/227 FIDD.CO.LBS. BC.No.21/02.08.001/2016-17	16.2.2017	Financial Inclusion and Development Department	Formation of twenty one new districts in the State of Telangana - Assignment of Lead Bank Responsibility

RBI/2016-2017/226 DCM(Plg) No.3217/10.27.00/2016-17	13.2.2017	Department of Currency Management	Deposit of Specified Bank Notes (SBNs) – Chest Balance Limit / Cash Holding Limit
RBI/2016-2017/225 DGBA. GAD.2012/15.02.005/2016-17	09.2.2017	Department of Government and Bank Accounts	Interest rates for Small Savings Schemes
RBI/2016-2017/224 DCM (Plg) 3107/10.27.00/2016-17	08.2.2017	Department of Currency Management	Removal of limits on withdrawal of cash from Saving Bank Accounts
RBI/2016-2017/223 Ref. No. IDMD/2024/08.02.032/2016-17	06.2.2017	Internal Debt Management Department	Auction of Government of India Dated Securities
RBI/2016-2017/222 DBR.BP.BC. No.50/21.06.201/2016-17	02.2.2017	Department of Banking Regulation	Basel III Capital Regulations- Additional Tier 1 Capital
RBI/2016-2017/221 A.P. (DIR Series) Circular No. 30	02.2.2017	Financial Markets Regulation Department	Risk Management and Inter-bank Dealings: Permitting Non Resident Indians (NRIs) access to Exchange Traded Currency Derivatives (ETCD) market
RBI/2016-2017/220 A.P. (DIR Series) Circular No. 29	02.2.2017	Foreign Exchange Department	Foreign Exchange Management Act, 1999 (FEMA) Foreign Exchange (Compounding Proceedings) Rules, 2000 (the Rules) - Compounding of Contraventions under FEMA, 1999
RBI/2016-2017/219 DNBR.CC.PD.No. 084/22.10.038/2016-17	02.2.2017	Department of Non Banking Regulation	Review of Guidelines on "Pricing of Credit"

# Top Expert Reports

- **Rs 10,000 Cr. Very Little For Banks Recapitalization (S&P):**

As per Global rating agency S&P, the Budget announcement to infuse Rs 10,000 Cr. into public sector banks is highly insufficient and the lack of capital may delay the clean-up of their balance sheets. While presenting the Budget, finance minister allocated Rs 10,000 Cr. for recapitalization of the NPA-laden public sector banks for next financial year. S&P believes that this amount (Rs 10,000 Cr.) is clearly insufficient to recapitalize public sector banks. The requirement is much higher. Our estimate is in the region of Rs 2.5 trillion. The finance minister's assurance to provide additional allocation to state-run banks, in case they require, gives some comfort. With softer interest rates, state-run banks to raise more money through additional tier I bonds. If the banks are starved for capital, it will delay their balance sheet clean-up, which will also mean that smaller public sector banks, which are more starved for capital, will struggle to grow. Under the Indradhanush roadmap announced in 2015, the government will infuse Rs 70,000 Cr. in state banks over four years while they will have to raise a further Rs 1.1 trillion from the markets to meet their capital requirement in line with global risk norms, known as Basel III. In line with the blueprint, public sector banks have been

given Rs 25,000 Cr. in each fiscal, 2015-16 and 2016- 17. Besides, Rs 10,000 Cr. each would be infused in 2017-18 and 2018-19. The government has already announced fund infusion of Rs 22,915 Cr., out of the Rs 25,000 Cr. earmarked for 13 state-run banks for the current fiscal. Of this, 75 % have already been released.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/sp-says-rs-10000-Cr.-very-little-for-banks-recapitalisation/articleshow/56935920.cms>

Dated: February 2, 2017

- **New RBI Norns On At-1 Bond A Huge Capital Respite For PSBs (ICRA):**

The new Reserve Bank guidelines on Basel III-compliant Additional Tier-1 (AT-1) bonds have partially reduced the default risks for many state-run banks like Central Bank, IOB and United Bank, who had negative distributable reserves under the earlier guidelines. While three of the 21 state-run banks- Central Bank of India, Indian Overseas Bank and United Bank of India had negative distributable reserves as %age of their risk weighted assets at- 0.69, -1.63 as per the earlier guidelines, respectively, but under the new guidelines the same will turn positive at 0.39, 0.66 and 2.72, respectively. This can help ensure that these three banks can avoid the imminent risk of default on the coupon payments. As of September 2016, the statutory distributable reserves

of 21 state-run banks, excluding the five SBI associates, stood at around Rs 1.28 Lakhss Cr. Despite the risks associated with these instruments, the banks have sold AT-1 bonds aggregating to over Rs 46,000 Cr. (PSBs Rs 39,000 Cr.) till date of which around Rs 28,100 Cr. (PSBs Rs 21,600 Cr.) has been raised in the current fiscal alone, says the report. Under the new guidelines that include the profit/loss reported by PSBs during the first half of fiscal 2017, the reserves that are now available for servicing the coupon have increased by 2.9 times to Rs 2.72 Lakhss Cr. from Rs 94,000 Cr. in September 2016. The revised guidelines by the Reserve Bank on Basel III-compliant Additional Tier-1 (AT-1) bonds have strengthened the banks' ability to service the coupons, thereby partially reducing the risks associated with such instruments. Banks are required to appropriate 25% of their annual net profit towards statutory reserves. If a bank reports losses, the revised guidelines allow it to service the AT-1 coupons by additionally dipping into the reserves created through appropriation of profits (including statutory reserves, capital reserves created from sale of investments and special reserves) as against earlier guidelines that allowed only utilization of distributable reserves (revenue reserves and surplus in P&L account). The new RBI circular also removes the ambiguity on definition of distributable reserves as it specifically states that the accumulated losses should be set off while computing the reserves eligible to service these bonds.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/new-rbi-norms-on-at-1-bond-a-huge-capital-respite-for-psbs-rating-agency-icra/articleshow/57005826.cms>

Dated: February 6, 2017

- **India Affiliate Sees Banks' Core Capital Needs At \$13.6 Bn By March 2019(Fitch):**

As per India Ratings and Research Report, India's banks will need 910 billion rupees (\$13.6 billion) in Tier-1 capital until March 2019 to grow at a bare minimum pace of 8 to 9 percent on average. Of the total capital needs, 500 billion rupees will have to come from additional Tier-1 bonds. The Indian government, which owns majority in nearly two dozen lenders, has plans to inject 200 billion rupees into those banks over the next 2 financial years beginning April. As per analysts the government will have to increase the capital injection significantly to keep some weak banks afloat as global Basel III banking rules are due to be fully implemented by March 2019. India Ratings "believes there is an increasing divide between the large and smaller (state-run banks), with the former having some access to growth capital, better market valuation, and also some non-core assets to divest while the latter would only receive bailout capital if required.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/fitch-india-affiliate-sees-banks-core-capital-needs-at-13-6-bn-by-march-2019/articleshow/57162445.cms>

Dated: February 15, 2017

- **Gap Between Small & Large PSU Banks Will Widen (India Ratings):** As per the India Ratings (Ind-Ra) report, In an outlook for the banking sector for the

next fiscal year ending March 2018, Small and mid-sized public sector banks will continue to struggle due to a large stock of Non- Performing Assets (NPAs) and weak capitalization widening the gap between their larger government owned counterparts. Large public sector banks have better access to growth capital, better market valuation, and also some non-core assets to divest holding them in good stead to their smaller counterparts. However mid and small sized public sector banks have no such luxuries and are dependent on bailout capital from the government. Ind-Ra expects large PSBs with better access to capital and private sector banks with their robust capitalization to navigate another year of low growth and high credit costs with a stable outlook. The agency retains its negative outlook on mid-sized and smaller PSBs. Banks like Vijaya Bank, Dena Bank, Andhra Bank, Punjab & Sind Bank, Syndicate Bank and Central Bank of India have a one year funding gap of 30% to 40% according to Ind-Ra. Ind-Ra defines funding gap as deposits and borrowings maturing in one year minus loans and investments maturing in one year minus interbank assets divided by total assets of the bank. The funding gap would mean that these banks will find it increasingly difficult to grow given increasing capital requirements and large funding gaps impeding their ability to compete on spreads. However, long term ratings of all public sector banks remain resilient on expectations of continued government support. Around 10 mid-sized public sector banks are running

high asset liability mismatches which could potentially impact their ability to transmit any easing or compete aggressively on marginal cost lending rate. The rating agency predicts that Net Interest Margins (NIMs) of the banking sector will remain stable at 2.90% for the next fiscal about 15 to 20 basis points lower than the long-term average. Ind-Ra estimates that Indian banks will require Rs 91,000 Cr. in tier-1 capital (including Rs 50,000 Cr. of Additional Tier-1 (AT1) bonds) including a residual Rs 20,000 Cr. from the government's bank recapitalization programme till March 2019 to grow at a bare minimum pace of 8%-9% compounded annual rate. The rating agency expects stressed assets in the banking sector to peak at 12.5% to 13% in the next two years as well as credit costs easing to 185 basis points from 230 basis points in the fiscal ended March 2016 as a large proportion of the recently acquired higher-bucket non-performing loans keep aging. On the other hand, significant proportion of unrecognized stress pertains to sectors such as infrastructure, realty and capital goods which potentially have long-term viable assets but would increasingly need cash flow restructuring to avoid slippages.

*Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/gap-between-small-large-psu-banks-will-widen-india-ratings/articleshow/57167082.cms>*

*Dated: February 15, 2017*

- **Majority Of Consumers Willing To Adopt Mobile Payments (Visa Mobile Payments Readiness Survey):** As per Visa Mobile Payments Readiness Survey, Majority of

consumers in the country are ready to move away from cash and adopt mobile payments for their purchases. Consumers also believe that relying on mobile payments could be a time-saver, according to the 'Visa Mobile Payments Readiness Survey'. When it comes to paying in a store, the majority of consumers in the country are prepared to leave their cash at home and use mobile payments. The survey asked 1,000 consumers about their attitudes towards using their mobile phones to make purchases. It found that 93 % of respondents were interested in using electronic payments more often. "Cashless payments are faster and more convenient than using notes and coins. In the last quarter, Visa saw nearly 75 % increase in payments volume in the country and the number of processed transactions more than doubled. Nearly 89 % of the respondents were also aware that mobile payments can be used for small value everyday purchases. More than a third (36 %) of respondents can save an hour each week if they did not have to queue at an ATM to withdraw cash while one quarter (25 percent) feel they can save more than two hours. Asked whether convenience or security was a more important consideration when it comes to mobile payments, 71 % of the respondents cited security as a higher priority for them. Interestingly, men (73 %) are more likely than women (68 %) to rate security over convenience.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/majority-of-consumers-willing-to-adopt-mobile-payments-report/>

*articleshow/57233572.cms*

*Dated: February 19, 2017*

- **India May Take At Least 5 To 10 Years To Transition To A Less-Cash Economy (Kotak Securities):** As per a report by Kotak Securities, Even as the government has taken several initiatives to lower dependence on cash post the high-value note ban, India may take at least five to ten years to become a significantly cash-less economy. But this transition may take lesser time than other less-cash economies given the existing technological advancements. India is possibly beginning the transition to a less-cash economy though far from achieving it. Expansion of infrastructure, higher penetration of technology and, most importantly, change in social behaviour will be essential ingredients for a steady transition towards a less-cash economy. India lags behind comparable countries in most essential metrics. However, with unwavering commitment to this transition, India can achieve a significantly less-cash economy over the next 5-10 years. Based on the Bank of International Settlements (BIS) data, the absolute value of transactions performs poorly considering the size of the population. India's per capital non-cash transaction value is only \$1000 per person compared to \$ 273000 in the USA and \$24700 in Australia. This is symptomatic of a still low penetration level of banking and other financial channels, especially in the rural segment. It has called for an expansion and investment in the digital infrastructure to reach any meaningful global comparison. Besides, mobile and

internet penetration also needs to be increased. Low cash to GDP economies such as UK and Sweden have taken decades for the transition. The demonetization measure pushed India towards digital payments but increasing non-cash payment footprints would depend on the inclusion of rural and urban poor population. A vision document from the RBI highlighted seven 'A's required by payment services to transition to a less-cash economy: (1) Accessibility, (2) Availability, (3) Awareness, (4) Acceptability, (5) Affordability, (6) Assurance, and (7) Appropriateness. India's transition is likely to be faster than the current less-cash economies given existing technological advancements which, if proactively supported, could help in faster transitions.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/india-may-take-at-least-5-to-10-years-to-transition-to-a-less-cash-economy-kotak-securities/articleshow/57276422.cms>

Dated: February 21, 2017

- **Trend Reversal, Why Private Sector Banks See More Bad Loans (Moody's Investors Service):** As per Moody's Investors Service, Top private sector lenders including ICICI Bank and Axis Bank may see more bad loans chocking their earnings growth in coming quarters. Both of Axis Bank Ltd (Baa3 positive) and ICICI Bank (Baa3 positive,) have seen significant additions to their NPLs (Non-performing loans) from outside of their already announced watch list accounts. As per the report, A continuation of the increasing non-watch list NPL trend would put negative pressure on the banks' credit profiles. According to analysts in

Moody's Investors Services, Increased Non-Performing Loans (NPLs) from outside the watchlists of Axis Bank Ltd (Baa3 positive, baa3) and ICICI Bank Limited's (ICICI, Baa3 positive, baa3) are pressuring their credit profile. Meanwhile, asset quality trends for public sector banks have been more benign, and the pace of deterioration has slowed in the past two quarters from the levels seen in FY2016. However, IDBI Bank Ltd (Baa3 stable, b1) has been a negative exception, with the bank seeing significant additions to its NPLs during Q3 FY2017. Net interest margins will also come under pressure as banks gradually adopt the marginal cost of funds lending rate to price their loans. So far, less than 20% of the banks' variable-rate loans have been reprised to MCLR as opposed to their base rate.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/trend-reversal-why-private-sector-banks-see-more-bad-loans/articleshow/57315090.cms>

Dated: February 23, 2017

- **Bad Bank To Push Clean-Up; Psbs May Need Higher Govt Support (Fitch):** As per the report of Fitch, the creation of a 'bad bank' will speed up resolution of stressed assets in the banking system, but it will also require significant capital infusion in the state-run banks to meet any shortfall. The recent economic survey mentioned about formation of a bad bank that will purchase stressed assets and take them to resolution. The creation of a 'bad bank' could accelerate the resolution of stressed assets in country's banking sector, but it may face significant logistical difficulties and would simultaneously require a

credible bank recapitalization programme to address the capital shortfalls at state-owned banks. The country's banks have significant asset quality problems that are putting pressure on profitability and capital, as well as constraining their ability to lend. It expects the stressed-asset ratio to rise over the coming year from the 12.3 per cent as at end-September 2016, with the ratio significantly higher among state-owned banks. The banking sector will require around USD 90 billion in new total capital by financial year 2018-19 to meet Basel III standard and ongoing business needs. This estimate is unlikely to be significantly reduced by the adoption of a bad-bank approach, and could even rise if banks are forced to crystallise more losses from stressed assets than currently expected. The government will eventually be required to provide more than the USD 10.4 billion that it has earmarked for capital injections by the financial year 2018-19 - be it directly to state-owned banks or indirectly through a bad bank. Bad bank's most likely form would be that of a centralized Asset-Restructuring Company (ARC). Bad bank's proponents believe it could take charge of the largest, most complex cases, make politically tough decisions to reduce debt, and allow banks to refocus on their normal lending activities. Similar mechanisms have previously been used to help clean up banking systems in the US, Sweden, and countries affected by Asian financial crisis in the late 90s. Senior European policymakers have recently discussed

prospect of a bad bank to deal with NPLs in the EU. The agency believes that a bad bank might provide a way around some of the problems that have led the country's banks to favour refinancing over resolving stressed loans. As per the report, large corporate often have debt spread across a number of banks, making resolution difficult to coordinate and the process would be simplified if the debt of a single entity were transferred to one bad bank. This could be particularly important in the country's current situation, with just 50 corporates accounting for around 30 per cent of banks' stressed assets. Several small private ARCs already operate in the country but they have bought up only a very small proportion of bad loans in the last two years, as banks have been reluctant to offer haircuts on bad loans even where they are clearly worth much less than their book value. This is, in part, because haircuts invite the attention of anti-corruption agencies, making bank officials reluctant to sign off on them. According to the rating agency, a larger-scale bad bank with government backing might have more success. It is, however, unlikely to function effectively without a well-designed mechanism for pricing bad loans, particularly if the intention is for bad bank to be run along commercial lines and involve private investors. Banks would need capital to cover haircuts taken during the sale of stressed assets, and the bad bank would most likely require capital to cover any losses incurred during the resolution process.



Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/bad-bank-to-push-clean-up-psbs-may-need-higher-govt-support-fitch/articleshow/57326163.cms>

Dated: February 24, 2017

- **'Bad Bank' To Speed Up Stressed Assets Resolution (Fitch):**

As per Fitch Ratings, Setting up of a 'bad bank' can accelerate the resolution of stressed assets in the banking sector but that would also require a credible capital infusion plan by the government. The country's banks have significant asset-quality problems that are putting pressure on profitability and capital, as well as constraining their ability to lend. The concept of a 'bad bank' that purchases stressed assets and takes them to resolution was floated in the latest Economic Survey. The creation of a 'bad bank' could accelerate the resolution of stressed assets in India's banking sector, but it may face significant logistical difficulties and would simultaneously require a credible bank recapitalization programme to address the capital shortfalls at state-owned banks. Fitch expects the stressed-asset ratio to rise over the coming year from the 12.3 per cent recorded at end-September 2016. The ratio is significantly higher among state-owned banks. A larger-scale bad bank with government backing might have more success. However, it is unlikely to function effectively without a well-designed mechanism for pricing bad loans, particularly if the intention is for the bad bank to be run along commercial lines and involve private investors. Fitch estimates that the banking sector will require around USD 90 billion in new total

capital by 2018-19 fiscal to meet Basel-III standards and ongoing business needs. The US-based agency expects that the government will eventually be required to provide more than the USD 10.4 billion that it has earmarked for capital injections by 2018-19, be it directly to state-owned banks or indirectly through a bad bank. Asset-quality indicators may be close to their weakest levels, but the pace of recovery is likely to be held back by slow resolution of bad loans. The most likely form of a bad bank would be that of a centralized asset-restructuring company (ARC) and as envisaged could take charge of the largest, most complex cases, make politically tough decisions to reduce debt, and allow banks to refocus on their normal lending activities. Similar mechanisms have previously been used to help clean up banking systems in the US, Sweden, and countries affected by the Asian financial crisis in the late 1990s. Senior European policymakers have recently discussed the prospect of a bad bank to deal with non-performing loans in the EU. A bad bank might provide a way around some of the problems that have led Indian banks to favor refinancing over resolving stressed loans. Large corporate often have debt spread across a number of banks, making resolution difficult to coordinate. The process would be simplified if the debt of a single entity were transferred to one bad bank. This could be particularly important in India's current situation, with just 50 corporate accounting for around 30 per cent of banks' stressed assets. Several

small private ARCs already operate in India but they have bought up only a very small proportion of bad loans in the last two years, as banks have been reluctant to offer haircuts on bad loans even where they are clearly worth much less than their book value. This is, in part, because haircuts invite the attention of anti-corruption agencies, making bank officials reluctant to sign off on them. Reduced valuations also increase pressure on capital.

*Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/bad-bank-to-speed-up-stressed-assets-resolution-fitch/articleshow/57327045.cms>*

*Dated: February 24, 2017*

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### Forthcoming Program and Bulletins

<b>Bond Market Series</b>	ASSOCHAM's National Conference on Bond Market- 2016	23rd March 2017, Hotel Taj Coromandel, Chennai 07th April 2017, Hotel Taj Vivanta, Bangalore
<b>ASSOCHAM's Banking Bulletin</b>	Vol-23	10th April 2017
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