

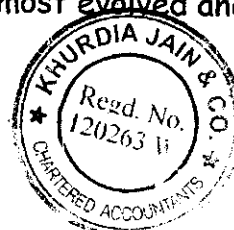


BANKING SNIPPETS FOR DECEMBER 2017

1. **PUBLIC SECTOR BANKS LOOK TO FRAME COMMON RULES TO VALUE STRESSED ASSETS:** The Finance ministry along with the state run banks is working to frame a common set of rules for valuation of stressed assets for faster resolution of loans extended by consortia of banks. It is observed that under cases of joint lending, banks are unable to arrive at a common valuation, which stalls the resolution process. Further individual banks also fear that if they agree to a certain haircut, it may not stand the scrutiny of vigilance agencies. The new norms will address such problems.

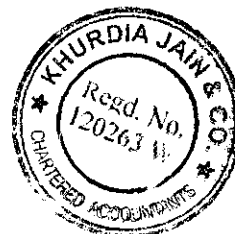
2. **RBI RINGS ALARM ON BITCOINS, CAUTIONS CUSTOMERS:** Bitcoin is a cryptocurrency which can be purchased and stored online in a digital wallet from any of the Bitcoin exchange service provider that is active in India. You can later convert them into local currency. Reserve Bank of India is not impressed with the cryptocurrency - Bitcoin. Bitcoin is all set to touch a record \$12,000 but RBI has cautioned Bitcoin players that they face potential risks, including financial, legal and those related to customer protection. In a statement RBI has clarified that it has not given any licence or authorisation to any entity to operate schemes or deal with Bitcoin or any other cryptocurrency.

3. **ICICI BANK LAUNCHES "SMART VAULT":** ICICI bank has launched its technology driven "Smart Vault", most advanced and first-of-its-kind locker service in India. The Smart Vault is powered by revolutionary robotic technology which minimises human intervention while operating the bank locker. The advanced Radio Frequency Identification (RFID) enabled mechanism scans your request and retrieves your locker using robotic arm and your locker is made available to you conveniently at a kiosk. After your work with locker is over, the robotic arm retracts your locker back to the locker room. Smart Vault is equipped with the most evolved and intelligent security system.





4. **RBI REDUCES FEES ON DEBIT CARD PAYMENT FOR SMALL SHOPS:** RBI has decided to reduce the Merchant Discount Rate (MDR) for debit card transactions. Under the new rules there are different slabs depending on the turnover of the business. For small business (with a turnover of Rs 20 lakh or less), the MDR cap would be @ 0.4% or Rs 200/- whichever is lower. For other merchants, the MDR cap would be 0.9% or Rs. 1,000 per transaction whichever is lower. But payment gateways are crying foul stating that with no equitable distribution of MDR, the slashing of rates will only add to their pain.
5. **SIX STRESSED BANKS TO GET Rs 7,500 CRORE CAPITAL INFUSION:** Bank of India, IDBI Bank, UCO bank, Bank of Maharashtra, Dena bank and Central Bank of India are the 6 most stressed banks who will get fresh equity infusion of over Rs 7,500 crore from the government. This is provided immediately to meet the prescribed regulatory capital requirement. But the government officials said that it will monitor their functioning to ensure that they undertake clean, responsible and prudent business to enhance stakeholder value.
6. **GOVERNMENT TO BEAR MDR CHARGES ON DIGITAL PAYMENT TRANSACTIONS UPTO Rs. 2,000:** The government will bear the Merchant discount Rate (MDR) on digital transactions up to Rs. 2,000. Such MDR will be borne by the government for two years with effect from January 1, 2018 by reimbursing the same to the banks.
7. **FINANCE MINISTER SAYS STRENGTHENING PUBLIC SECTOR BANKS IS TOP PRIORITY:** Finance Minister Mr. Arun Jaitley has said that strengthening the Public sector banks is the top most agenda of the government. The government has already announced the detailed recapitalisation move and this will ensure to some extent that banks are able to support their lending capacity. Mr. Jaitley gave more emphasis on MSME sector lending as he said that MSME sector has been on receiving end in last few years particularly with lending capacity of banks being depleted as a result of NPAs.





8. RISING NPAs IN EDUCATION LOAN ADD TO BANKS'

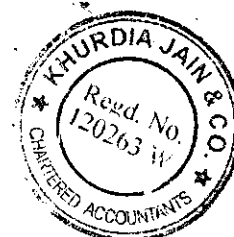
STRESS: Education loans have started becoming NPA in large numbers with defaults in repayments rising to 7.67% of the total outstanding education loans. As per the IBA data, the total outstanding education loan in the banking sector in 2016-17 was Rs. 67,678 Crore, of which Rs. 5,191 crore was NPA. This is despite certain changes made in the education loan scheme such as extension of the repayment period to 15 years and the launch of Credit Guarantee Fund Scheme for education loans. In our opinion this means that there is very low growth as far as the employment opportunities are concerned.

9. CONSUMER CONSENT MUST FOR CHANGING SUBSIDY-

RECEIVING BANK ACCOUNT; The government has issued notification directing banks and National payment Corporation of India (NPCI) to change the process of mapping Aadhaar linked bank accounts for receiving government subsidies. Further the government has also temporarily halted the existing provision of overwriting existing subsidy-linked bank accounts with freshly opened /mapped Aadhaar accounts. NPCI will now allow override of account request only if it is accompanied by name of his current bank on Aadhaar Payment Bridge (APB) mapper and a confirmation from the requesting bank that it has obtained the requisite consent of the account holder for switching to the requesting bank.

10. RBI WILL NOT EXTEND DEADLINE FOR 2nd LIST OF

DEFAULTERS: In the month of August 2017 Reserve Bank of India had announced a list of 28 large defaulting companies and had instructed the banks to find a resolution plan before 31st December 2017 in accordance with a formula prescribed by it. If the banks failed to do so, the companies had to be referred to the National Company Law Tribunal (NCLT). Now the RBI has turned down the request from banks to extend the deadline for restructuring these defaulting company accounts. This means the companies like Videocon, Jaiprakash Industries, Uttam Galva Steel, Essar Projects etc will have to be referred to NCLT.



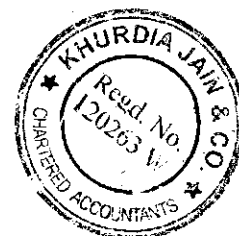


11. **RBI INVOKES PROMPT CORRECTIVE ACTION ON CORPORATION BANK:** Reserve Bank of India has invoked Prompt Corrective Action (PCA) on Corporation Bank as the Bank's bad loans have increased sharply. This makes Corporation bank 8th bank to face restriction in a span of 10 months. A statement issued by Corporation Bank said, this action will not have any material impact on the performance of the bank and will contribute to the improvement in internal control of the bank in its activities.

12. **BANKS HIRE EX-RBI MEN TO AVOID SLIP-UPS:** Tighter regulations, closer scrutiny and higher possibility of fines by RBI has increased the importance of compliance for banks in recent years. As a result, former officials from RBI's Banking Supervision Department are being hired by banks and are in charge of this key functioning department. Many Private Banks, small banks and recently launched Paytm Payments Bank have former RBI officials heading their compliance department.

13. **INDIA ONE AMONGST THE MAJOR NATIONS TO HAVE HIGHER BAD LOANS RATIO:** The 9.85% ratio of bad loans or NPAs in banks has put India in the group of those nations that have very high Non-Performing Assets. The only major countries with similar ratios are the troubled EU nations namely Portugal, Italy, Ireland Greece and Spain. According to a research survey done by rating agency CARE, India's NPA ratio (Excluding Restructured assets) is one of the highest in the group of "High-NPA" nations.

14. **RBI BLAMES I-BANKERS FOR RISE IN NPAs:** RBI has blamed conflicts of interest among merchant bankers as one of the prime reasons for faulty project appraisals of big corporate/consortium advances that have led to piling up of huge non-performing assets in the system which has crossed a whopping 10 trillion mark as on September 2017. RBI in its Financial Stability Report (FSR) has pointed out certain basic deficiencies with regard to the appraisal of long-term projects with a significant gestation time.





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15. **CABINET CLEARS AMENDMENT TO LAW FOR PAYMENT OF INTERIM COMPENSATION IN CHEQUE BOUNCE CASES:** The Cabinet has approved an amendment to the Negotiable Instrument Act to allow for payment of an interim compensation in cheque dishonour cases with a view not to allow unscrupulous elements by holding payments and pending long trials.
16. **RBI PLACES RESTRICTIONS ON BANK OF INDIA:** Reserve Bank of India has triggered Prompt corrective Action (PCA) on Bank of India in view of high Non-Performing Assets and negative return on assets for two consecutive years. This makes Bank of India 9th bank to face PCA in a span of 10 months.
17. **BANKS LOST NEARLY Rs.17,000 CRORE TO FRAUDS LAST FISCAL:** The Reserve Bank of India has informed that as per the fraud monitoring reports submitted by scheduled commercial banks, the amount lost on account of frauds during 2016-17 was Rs. 16,789 crore. Now RBI has formed an inter-disciplinary standing committee on cyber security comprising of Information Security Audit, forensic and cyber security experts.
18. **INSOLVENCY AND BANKRUPTCY BOARD TO DECIDE ON THE FATE OF THE LOAN GUARANTORS:** The governing body of Insolvency & Bankruptcy Board of India (IBBI) is expected to finalise broad guidelines for dealing with personal guarantors & third party guarantors of defaulting loan accounts. This is seen as an additional tool to punish truant promoters and a strong recovery mode.

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