AIBEA's Banking News

7 to 13 JUNE 2019

NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

ICICI Bank, SBI and HDFC among top victims of over Rs 2.05 lakh cr frauds in 11 years: RBI data

PTI New Delhi | June 12, 2019

BUSINESSLINE

•

Of over 50,000 frauds that hit banks in India in the last 11 fiscal years, the ICICI Bank, State Bank of India (SBI) and HDFC Bank reported highest number of cases, according to an RBI data.

Of the total 53,334 cases of frauds reported during 2008-09 and 2018-19 fiscal years, involving a whopping Rs 2.05 lakh crore, a highest of 6,811 were reported by the ICICI Bank involving Rs 5,033.81 crore.

The state-run State Bank of India (SBI) reported 6,793 fraud cases involving Rs 23,734.74 crore followed by HDFC Banks which recorded

2,497 such cases involving Rs 1,200.79 crore, according to the data given by the central bank in response to an RTI query filed by this correspondent.

The Bank of Baroda reported 2,160 fraud cases (involving Rs 12,962.96 crore), Punjab National Bank 2,047 frauds (Rs 28,700.74 crore) and Axis Bank had 1,944 fraud cases involving RS 5,301.69 crore public money.

As many as 1,872 frauds involving Rs 12,358.2 crore was reported by Bank of India, 1,783 by Syndicate Bank (Rs 5830.85 crore) and Central Bank of India's 1, 613 cases involving Rs 9041.98 crore, the data shows.

IDBI Bank Ltd reported 1,264 fraud cases involving Rs 5978.96 crore, Standard Chartered Bank 1,263 cases involving Rs 1221.41 crore, Canara Bank 1,254 cases of Rs 5553.38 crore, Union Bank of India 1,244 frauds of Rs 11,830.74 crore and Kotak Mahindra 1,213 cases involving Rs 430.46 crore.

In that period, Indian Overseas Bank reported 1,115 frauds involving Rs 12,644.7 crore, while Oriental Bank of Commerce 1040 cases of Rs 5,598.23 crore.

The United Bank of India reported 944 cases of frauds involving Rs 3052.34 crore, State Bank of Mysore 395 cases of Rs 742.31 crore, State Bank of Patiala 386 cases (Rs 1178.77 crore), Punjab and Sind Bank 276 cases (Rs 1154.89 crore), UCO Bank 1081 frauds (Rs 7104.77 crore), Tamilnad Mercantile Bank Ltd 261 cases (Rs 493.92 crore) and Lakshmi Vilas Bank Ltd reported 259 frauds (Rs 862.64 crore).

Foreign banks

Some of the foreign banks operating in India also reported fraud cases worth crores during the last 11 fiscal years.

American Express Banking Corporation reported 1,862 fraud cases of Rs 86.21 crore, Citi Bank 1,764 cases of Rs 578.09 crore, Hongkong and Shanghai Banking Corporation (HSBC) Ltd 1,173 frauds of Rs 312.1 crore and The Royal Bank of Scotland Plc reported 216 frauds involving Rs 12.69 crore, the RBI data said.

A total of 274 cases of frauds were reported by the State Bank of Travancore involving Rs 694.61 crore, Jammu and Kashmir Bank Ltd reported 142 such cases of Rs 1639.9 crore, The Industrial Finance Corp of India had nine cases of Rs 671.66 crore, The Dhanlakshmi Bank Ltd 89 cases of Rs 410.93 crore and Vijaya Bank reported 639 cases involving Rs 1,748.9 crore, it said.

Yes Bank Ltd reported 102 fraud cases involving Rs 311.96 crore and Paytm Payments Bank Limited reported two cases of Rs 0.02 crore (or Rs 2 lakh), it said.

Scheduled banks

PTI had on June 3 reported that as many as 6,801 cases of fraud were reported by scheduled commercial banks and select financial institutions involving an amount of Rs 71,542.93 crore in the last fiscal, quoting data from the RBI.

During 2008-09, a total of 4,372 cases were reported involving an amount of Rs 1,860.09 crore. In 2009-10, Rs 1,998.94 crore worth fraud was reported in 4,669 cases.

A total of 4,534 and 4,093 such cases were reported in 2010-11 and 2011-12 involving Rs 3,815.76 crore and Rs 4,501.15 crore, respectively.

In the 2012-13 fiscal, 4,235 fraud cases involving Rs 8,590.86 crore were reported by banks as against 4,306 cases (involving Rs 10,170.81 crore) in 2013-14 and 4,639 cases (involving Rs 19,455.07 crore) in 2014-15.

As many as 4,693 and 5,076 cases of fraud were reported in 2015-16 and 2016-17 involving Rs 18,698.82 crore and Rs 23,933.85 crore, respectively, it said.

Independent directors will soon have to take exams before appointment

Bloomberg June 12 | June 12, 2019

BUSINESSLINE

Independent directors on company boards will soon have to clear an exam before they can be appointed, said Injeti Srinivas, the top bureaucrat in charge of corporate affairs.

Who will watch the watchdogs has become a burning question in India, which has in the past year charged a jeweller with defrauding a state-run lender of more than $2 billion, seen defaults at non-bank financiers send its financial system to the brink of a crisis, and and watched as billionaires toppled into bankruptcy. Observers say the companies' independent overseers should have detected signs of trouble even before they manifested.

"We want to demolish the myth that independent directors don't have any fiduciary duty," Srinivas said in an interview in New Delhi on June 6. "We want to propagate corporate literacy to make them aware of their duties, roles and responsibilities."

The exam will be an online assessment covering the basics of Indian company law, ethics, and capital market norms among other areas, Srinivas said. While aspiring directors will have a fixed time frame within which they have to clear the exam, they will be allowed an unlimited number of attempts, he said.

Experienced directors who have already been on boards for several years will be exempt from the test but will have to register themselves on a database the government is preparing. This compilation will be a one-stop platform where companies looking for independent directors can meet those willing to serve, Srinivas said.

According to existing law, every company listed in India has to have independent directors accounting for at least a third of its board strength. Their main duty is to act as overseers outside the influence of the firm, safeguarding the interests of minority shareholders.

Recent experience has shown lapses. Top banks are grappling with allegations of improper lending and the banking regulator banned SR Batliboi & Co., an affiliate of EY, from bank audits for 12 months.

Credit rating companies failed to warn of impending defaults at IL&FS Group, and the Corporate Affairs Ministry has sought a five-year ban on Deloitte saying that they failed to enquire into IL&FS loans.

RBI unlikely to revisit retirement age for MDs and CEOs of private lenders

Surabhi Mumbai June 12, 2019 BUSINESSLINE

IndusInd Bank and HDFC Bank CEOs set to retire next year

Private sector banks that have been hoping to get an extension for their chiefs after the age of 70 may be in for disappointment as the Reserve Bank of India is understood to be not amenable to the idea.

“There is a view that the current norms were formulated after much thought and discussion and have served the sector well.

“The RBI may not accept a proposal to extend the age limit beyond the current 70 years, especially as it could be seen to be a one-off exception,” said a person familiar with the development, noting that the retirement age for public sector banks remains 60 years.

The issue assumes significance given that the MDs and CEOs of two private sector lenders – IndusInd Bank and HDFC Bank – are due to retire next year.

IndusInd Bank MD and CEO Romesh Sobti will retire in March 2020, while Aditya Puri, who heads HDFC Bank, will retire in October next year when they turn 70.

Following this, they will not be eligible for re-appointment based on current RBI guidelines.

Market experts believe that the test case may be IndusInd Bank, and if the RBI agrees to the re-appointment of Sobti, then HDFC Bank could also send a similar proposal.

Sources said if at all the issue has to be revisited, it will be done with due process and as a policy decision, adding that as of now no concrete proposal has been submitted to the RBI on this issue. During the fourth quarter results conference of IndusInd Bank, Sobti had indicated that he would be willing to continue at the bank, but said it was up to the RBI to review the age norms.

He had also said the bank was working on a succession plan roadmap for the last four years and has been grooming candidates.

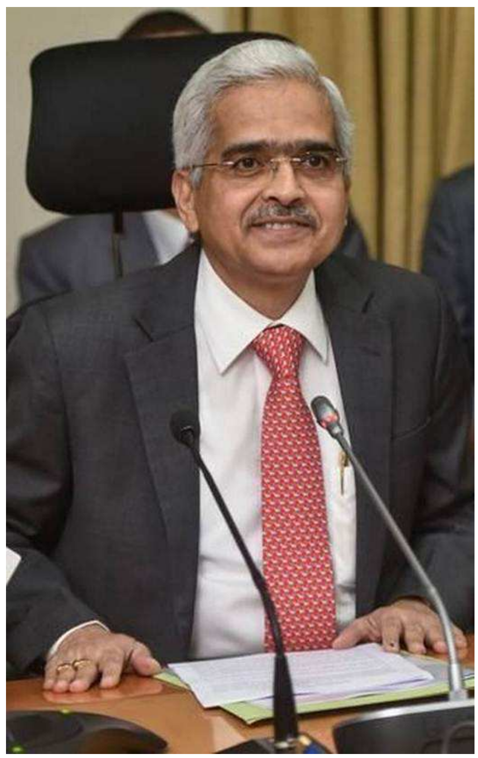
Meanwhile, HDFC Bank, in its annual report 2018-19, has said the Nomination and Remuneration Committee of the board would soon set up a search committee to scout for potential successors to Puri.

"With respect to the tenure of the current Managing Director ending in October 2020, the board will identify a successor and work to ensure that this is done in a manner that will allow appropriate time for an effective transition of responsibilities," the annual report said.

Revised guidelines on bad loans will sustain improvement in credit culture: Shaktikanta Das

PTI Pune | Updated on June 08, 2019

BUSINESSLINE



Shaktikanta Das (file photo).

RBI Governor Shaktikanta Das on Saturday said revised guidelines to deal with stressed assets will sustain improvement in credit culture as it provides for additional provisioning, a strong disincentive for delay in starting resolution proceedings.

After the Supremement Court nullified the Reserve Bank's circular of February 12, 2018 for resolution of stressed assets, the central bank issued a revised 'Prudential Framework for Resolution of Stressed Assets' on Friday. The revised framework for resolving stressed assets by offering lenders a 30-day period to label an account an NPA but has withdrawn all other resolution methods.

The new directions retain the basic spirits of the February 12, 2018 circular as it mandates higher provisioning, bankruptcy options as well as do not allow any other resolution methods outside the new norms. Speaking at the NIBM, at the 15th Annual Convocation of Post Graduate Diploma in Management, here, the RBI governor said the new guidelines provide a system of "strong disincentives" in the form of additional provisioning for delay in initiation of resolution or insolvency proceedings.

The new framework makes inter-creditor agreements mandatory and provides for a majority decision to prevail, he said. Further, wherever necessary, the Reserve Bank of India will issue directions to banks for initiation of insolvency proceedings against borrowers for specific defaults, so that the momentum towards effective resolution remains uncompromised.

"It is expected that the revised prudential framework for resolution of stressed assets will sustain the improvements in credit culture that have been ushered in by the efforts of the Government and the Reserve Bank so far, and that, it will go a long way in promoting a strong and resilient financial system in India," Das said.

The Supreme Court order came on a petition filed by the central bank challenging the Allahabad High Court order, which had asked it and the finance ministry to treat the power sector NPAs separately as their woes were mostly driven by external factors.

PNB admits staggering loan defaults to the tune of Rs 25,000 crore

12 Jun 2019, LIVEMINT

Mysteriously, some companies which availed themselves of loans are shown as registered abroad, while others which are registered in India have taken loans from the PNB from its overseas branches (Photo: Reuters)

The beleaguered PSB admitted to 1,142 big and small defaulters all over India

Of these 1,142, the PNB has so far initiated recovery proceedings by filing suits against 1,108 defaulters to recover Rs 23,880 crore

Mumbai: The beleaguered public sector Punjab National Bank (PNB) has admitted to 1,142 big and small defaulters all over India who have defaulted a stupendous Rs 25,090.3 crore.

Of these 1,142, the PNB has so far initiated recovery proceedings by filing suits against 1,108 defaulters to recover Rs 23,879.8 crore.

However, no suits have been filed against the remaining 34 defaulters who owe the bank Rs 1,210.5 crore.

As is mandatory, the RBI has been informed of the status of all these messy accounts -- some of them several years old and recoveries still pending from them -- as on March 31, 2019.

The veritable 'hit-list' prepared by the country's second largest PSB covers all defaulters owing PNB Rs 25 lakh and above, through all its branches in all states, with the highest numbers emerging from Maharashtra, Punjab, Delhi, Chandigarh, Gujarat, Uttar Pradesh and West Bengal.

Mysteriously, some companies which availed themselves of loans are shown as registered abroad, while others which are registered in India have taken loans from the PNB from its overseas branches.

Interestingly, the list of debt-dodgers goes beyond the duo of absconding diamantaires Nirav D. Modi and Mehul C. Choksi - whose scams worth around Rs 14,000-crore first brought the PNB imbroglio into the limelight in early 2018.

Also figuring in the list is another high-profile absconder, Vijay Mallya, who owes Rs 597.4 crore on the defunct Kingfisher Airlines account.

The other defaulters include Kudos Chemie Ltd., Chandigarh (Rs 1,301.8 crore), Winsome Diamonds & Jewellery Ltd. Surat (Rs 899.7 crore), Jas Infrastructure & Power Ltd., Kolkata (Rs 410.9 crore), Zoom Developers Pvt. Ltd. Mumbai/Indore (Rs 410.1 crore).

A few defaulters like Kingfisher Airlines, Winsome Diamonds & Jewellery Ltd, Kudos Chemie Ltd. and Zoom Developers Pvt. Ltd. are currently being investigated by the Central Bureau of Investigation (CBI).

When contacted by IANS, PNB officials declined to comment on the list of defaulters.

Recently, the PNB has initiated proceedings to recover around USD 13 million from the Tarapur Textile Park Ltd., Palghar (Maharashtra), which availed the loans from PNB's London branch.

According to official sources, now the PNB is planning to hand over the case to both CBI and the Serious Frauds Investigation Office (SFIO) and invoke the guarantees provided by TTPL's Chairman Arunkmar Muchhala, and the directors Ritika Muchhala and Trinkal Muchhala.

With reference to this instance, the buzz in banking circles is - how companies registered in India availed massive loans from PNB's foreign branches, and similarly, how companies registered on foreign shores were granted loans from the bank's Indian branches, without the connivance of certain officials.

The **All India Bank Employees Association** General Secretary C. H. Venkatachalam termed as "a very serious matter that one bank has such a massive number of defaulters of public money".

"Plus, it is not confined to one bank and all banks have such bad loan accounts. A bulk of defaulters are corporates or big companies and a forensic audit of all should be carried out. Why can't the bank file criminal cases against the big-time willful defaulters instead of merely civil suits which can drag on for years," Venkatachalam told IANS.

Union Budget likely to spell out roadmap for banking sector reforms, consolidation

Press Trust of India Jun 12, 2019 New Delhi:

The Union Budget for 2019-20 is likely to spell out a roadmap for banking reforms, including consolidation of the state-owned lenders, with a view to enable the sector to play a pivotal role in pushing India towards $5 trillion economy, sources said.

The first Budget of Modi 2.0 government is scheduled to be presented on 5 July by Finance Minister Nirmala Sitharaman on the backdrop of India's economy hitting 5-year low growth of 6.8 percent in 2018-19.

The banking sector has an important role in the reinvigorating sagging economy, the sources said, adding the Budget speech of the Finance Minister will contain a roadmap for the reforms in the sector.

The upcoming Budget would also provide direction to the consolidation journey in the public sector banking space, started last year by effecting the first three-way merger, they added.

As part of this exercise, erstwhile Vijaya Bank and Dena Bank were merged with Bank of Baroda (BoB) effective April 1 to create the third-largest lender of the country.

According to the sources, the journey will continue broadly on the same lines of the merger of smaller banks with big lenders.

So, fit candidates for the acquisition of small lenders would be Punjab National Bank, Canara Bank, Bank of India and Union Bank of India with some capital support, the sources added.

It is to be noted that the government infused Rs 5,042 crore in BoB to enhance its capital base to meet additional expense due to the amalgamation of Dena Bank and Vijaya Bank.

The maiden three-way amalgamation is the first step in the consolidation of the public sector banking industry, recommended in 1991 by the Narasimham Committee report. Through this merger, the government has created an institution of global scale and size, thereby providing significant benefit to all stakeholders.

The consolidated entity started the operation with a business mix of over Rs 15 lakh crore on the balance sheet, with deposits and advances of Rs 8.75 lakh crore and Rs 6.25 lakh crore, respectively.

BoB, the second-largest public sector lender after State Bank of India, now has over 9,500 branches, 13,400 ATMs, and 85,000 employees to serve 12 crore customers.

Prior to BoB merger, the government only had experience of State Bank which had merged five of its associate banks - State Bank of Patiala, State Bank of Bikaner and Jaipur, State Bank of Mysore, State Bank of Travancore and State Bank of Hyderabad and also Bhartiya Mahila effective April 2017.

50TH ANNIVERSARY OF BANK NATIONALISATION

19TH JULY, 1969 – 2019

- **WE HAIL - NATIONALISATION OF BANKS**
- **WE DEMAND - STRENGTHENING OF PUBLIC SECTOR BANKS**
- **WE OPPOSE - PRIVATISATION OF BANKS**
- **WE DEMAND - STRINGENT MEASURES TO RECOVER BAD LOANS**
- **WE DEMAND -NATIONALISATION OF ICICI BANK AND ALL PRIVATE BANKS**
- **WE PLEDGE - BETTER CUSTOMER SERVICES TO THE COMMON PEOPLE**

ALL INDIA BANK EMPLOYEES' ASSOCIATION

ALL INDIA BANK EMPLOYEES' ASSOCIATION

Central Office: PRABHAT NIVAS

Singapore Plaza, 164, Linghi Chetty Street, Chennai-600001

Phone: 2535 1522 Fax: 2535 8853, 4500 2191

e mail ~ chv.aibea@gmail.com

Web: www.aibea.in