

# June Banking Current Affairs 2017

## Amendment in Banking Ombudsman Scheme

- RBI widened the scope of its banking ombudsman platform for addressing missell of third party products, and customer grievances on and mobile banking and electronic banking issues, recognising customers' plight in dealing with such troubles. This will be effective from July 1.
- RBI said banking ombudsman can look into grievances related to lack of transparency in product sales (insurance, mutual fund other third party investment products), which are often recognised as misselling. Under the amended scheme, a customer would also be able to lodge a complaint against the bank for its nonadherence to RBI instructions with regard to mobile banking and electronic banking services which are important means for digital banking.
- The pecuniary jurisdiction of the banking ombudsman to pass an award has been increased from existing Rs 10 lakh to Rs 20 lakh. Ombudsman can direct banks to pay compensation up to Rs 1 lakh to the complainant for loss of time, expenses incurred as also, harassment and mental anguish suffered.

## Monetary Policy Review

RBI kept the interest rates unchanged by saying that "premature action at this stage risks disruptive policy reversals later and the loss of credibility". "The current state of the economy underscores the need to revive private investment, restore banking sector health and remove infrastructural bottlenecks. Monetary policy can play a more effective role only when these factors are in place. Therefore, the MPC decided to keep the policy rate unchanged with a neutral stance and remain watchful of incoming data".

The RBI reduced the statutory liquidity ratio (SLR) by 50 basis points to 20 per cent of deposits and tightened the issue norms for overseas rupee-denominated bonds. RBI lowered the growth estimate in line with the CSO figures. The projection of real GVA growth for 2017-18 has been revised 10 bps downwards to 7.3 per cent.

## Important highlights of the Bi-monthly Policy

- Repo rate unchanged at 6.25%
- Reverse repo unchanged at 6%
- Statutory Liquidity Ratio cut by 0.5% to 20%

- Growth forecast for 2017-18 lowered to 7.3% from 7.4%
- Inflation projected at 2-3.5% for H1, 3.5-4.5% H2, FY18
- GST roll out not to have material impact on inflation
- Farm loan waivers risk fiscal slippages and inflationary spillovers
- Need to revive private investment, restore banking sector health, remove infrastructure bottleneck
- RBI to work with government to address stress in bank balance sheet

## RBI asked banks to resolve 55 high value cases of bad loans

RBI asked banks to resolve 55 high value cases of bad loans within six months or face the prospect of being directed to go in for the new insolvency resolution mechanism as part of the strategy to rein in unacceptable level of nonperforming assets (NPAs). RBI has asked banks to find solution for 55 identified NPA accounts within six months otherwise the central bank would examine those cases and refer for resolution under the Insolvency and Bankruptcy Code (IBC). IBC has defined timeframe for the resolution and there is 14day time period for admission or rejection of a case by National Company Law Tribunal. After a case is accepted by NCLT, the creditor would get 30 days to hire insolvency practitioners and then the entire process to be completed in 180 days which will look at various possibilities including revival of projects or liquidation.



## IBPS RRB (PO+CLERK)

COMBO

170 TOTAL TESTS

- 70 Full Length Mocks
- 100 Practice Sets
- E-Books, Study Notes etc.

Bilingual

**Public sector banks to raise Rs 58,000 crore through equity dilution**

Public sector banks, including SBI, Bank of Baroda and IDBI Bank plan to raise Rs 58,000 crore through equity dilution during the current fiscal to meet Basel-III norms and clean up their balance sheets. SBI plans to raise Rs 15,000 crore through share sale, Bank of Baroda and Central Bank of India plans to raise Rs 6,000 crore and Rs 65,000 crore from capital markets, respectively. Oriental Bank of Commerce and IDBI Bank have taken board's approval for raising Rs 5,000 crore each through equity dilution, while Union Bank of India plans to Rs 4,950 crore during the current fiscal.

**Note:** As per the Indradhanush plan public sector banks need to raise Rs 1.10 lakh crore from markets, including follow-on public offer, to meet Basel-III requirements, which will kick in from March 2019.

**Banking Current Affairs**

- ✚ SBI has been authorised to refer Essar Steel, Bhushan Steel & Electrosteel to the bankruptcy court raising the possibility that some of these companies could be merged in an effort to return them to health. The decision of the lenders consortium indicates a new urgency in dealing with lakhs of crores of bad loans in the steel sector. The three companies between them owe banks nearly Rs 1 lakh crore. Essar Steel owes lenders Rs 44,000 crore, Bhushan Steel Rs 47,000 crore and Electrosteel Rs 10,200 crore.
- ✚ RBI asked banks to provide "adequate details" of transactions in the passbooks and statements of accounts so that customers can crosscheck them. The details to be provided by banks in passbooks, include name of the payee, mode of transaction, nature of the

charges (like fee/ commission/ fine/ penalty), and loan account number.

- ✚ Asset quality pain for banks is expected to continue in fiscal year ended March 2018 due to restructuring by banks, weakness in some large corporate accounts and events like waiver of farm loans, according to ICRA. ICRA expects gross nonperforming assets (GNPAs) of Indian banks to increase to 9.9% to 10.2% by March 2018 from 9.5% in March 2017 with fresh slippages of loans expected at 3% to 4% in the fiscal.
- ✚ The government was forced to constitute a new mechanism, the Appointments Board, to select chiefs of four key financial institutions because the Vinod Rai headed Banks Board Bureau (BBB) "refused" to conduct interviews for two of these posts. The new board, headed by financial services secretary Anjuly Chib Duggal.
- ✚ Lanco Infratech, the power and roads builder, became the first company to face bankruptcy proceedings among the dozen identified by the regulator as IDBI Bank has decided to recover its dues by taking the resolution to insolvency courts. Banks led by IDBI Bank has initiated insolvency proceeding against Lanco Infratech, the first among the 12 stressed accounts that were identified by the RBI after they were empowered to direct banks to take action against defaulting borrowers.
- ✚ Bandhan Bank is targeting to open another 160 branches to reach the 1000 mark by the end of this financial year according to the Managing Director and Chief Executive Officer of Bandhan bank Chandra Shekhar Ghosh.
- ✚ RBI has initiated prompt corrective action on Bank of Maharashtra placing restriction on the banking activities. RBI has said that the action is take on the bank in view of high level of bad loans. This is the sixth bank to be placed under PCA by the RBI. It has initiated PCA on Central Bank of India, IDBI Bank, UCO Bank, Dena Bank and Indian Overseas Bank. The move will restrict the bank from announcing dividend, opening branches, hiring and giving loans to companies rated below investment grade.
- ✚ Central Bank of India has been placed under the RBI's watchlist on Prompt Corrective Action (PCA) owing to high bad loans and negative return on assets. It has put the bank under Prompt Corrective Action in view of high NPA (nonperforming assets) and negative return on assets (RoA).
- ✚ Yes Bank has partnered with mobile payments switch TerraPay to enable real time money transfer to bank

accounts in India. Powered by TerraPay's global clearing and settlement service, the partnership will make it faster and convenient for consumers to send money to any bank account. TerraPay has partnered with Yes Bank in a Rupee Drawing Arrangement which enables TerraPay's network partners to make instant cross-border money transfer to bank accounts in India.

- ✚ SBI said that its paid up capital has increased to Rs 863 crore following the Rs 15,000 crore share sale through qualified institutional placement (QIP) route. The bank allotted 52.21 crore shares of face value of Re 1 at price of Rs 287.25 per share aggregating to Rs 14,999 crore to 61 eligible investors, it said.
- ✚ Bank credit growth has fallen once again to 5.1% year-on-year for the fortnight ending May 26, according to Reserve Bank of India's data. The slow pace of economic growth may continue to impact the overall credit demand in the next few months, analysts said.
- ✚ India with 6.2% GDP growth for the March quarter, has lost the status of world's fastest growing economy as China's GDP grew 6.9% in the same period.
- ✚ Andhra Bank and Allahabad Bank have put up for sale nearly Rs 6,000 crore of bad loans amid mounting pressure on staterun lenders to clean their books. The assets on sale include Seven Hills Hospital, Visa Power, Visa Steel, L&T Chennai Tada Toll Road, KS Oil, Transstroy India and a few of its associate companies. ARCs will participate in bidding for the bad loans on offer. As per the new norms, ARCs will have to pay at least 50 per cent of the purchase price in cash and the balance 50 per cent can be paid in form of security receipt or SR.
- ✚ SBI announced several revisions in its charges on different services. IMPS fund transfer charges through internet banking/UPI/IUSSD will be Rs 5 plus service tax for amounts of up to Rs 1 lakh; Rs 15 plus service tax for above Rs 1 lakh and up to Rs 2 lakh; and Rs 25 plus service tax for above Rs 2 lakh and up to Rs 5 lakh. Cash deposit through banking correspondent of up to Rs 10,000 will be charged at 0.25 per cent of the value with a minimum of Rs 2 and maximum of Rs 8 plus service tax. Cash withdrawal through banking correspondent of up to Rs 2,000 will be charged at 2.50 per cent of the transaction value (minimum of Rs 6) plus service tax.
- ✚ RBI has put Dena Bank under watch by initiating prompt corrective action against it, a move that will place various restrictions on the lender, including on fresh loans and dividend distribution. It has initiated

'prompt corrective action' for Dena Bank in view of high net NPA and negative ROA (return on asset).

- ✚ RBI has allowed cooperative banks, who are permitted to install ATMs and issue debit cards, to also issue prepaid payment instruments PPIs like mobile wallets. RBI laid down strict norms and conditions to be followed by cooperative banks before permitting them to issue wallets for utility bill payments and other activities up to a limit of Rs 10,000. The apex bank also laid down various criteria like banks should be core banking or CBS compliant, with net nonperforming assets being less than 3 per cent and also being profitable in the previous financial year.
- ✚ Indian Overseas Bank (IOB), the Lead Bank for Thiruvananthapuram district, has launched the Retail Mart, a retail lending concept, in Kerala's capital city.
- ✚ Lakshmi Vilas Bank (LVB) has appointed B K Manjunath as a part-time chairman for three years. Lakshmi Vilas Bank has informed the stock exchange that subsequent to an approval granted by the Reserve Bank of India (RBI).
- ✚ Mortgage lender HDFC Ltd is the only Indian company to be named among the top 10 consumer financial services companies in the world, with American Express claiming the first position. HDFC was ranked seventh on the Forbes Global List 2017 in the consumer financial services sector same as last year.



## IBPS (PO+CLERK) 2017

### COMBO

with Video Solutions

190 TOTAL TESTS

- 80 Full Length Mocks
- 110 Practice Sets Bilingual
- E-Books, Study Notes etc.

- ✚ Corporation Bank said that its board has approved plans to raise capital up to Rs 3,500 crore in one or more tranches with green shoe option. The banks said the fund will be raised either through allotment of equity shares on preferential basis or follow on public issue or rights issue or qualified institutions placement (QIP) or by way of additional tier-I bond or tier II bonds or debt issue.

- ✦ IDFC Ltd announced the elevation of its CFO Sunil Kakar as the Managing Director and Chief Executive Officer of the company. Kakar has also been appointed as additional director.
- ✦ Cabinet approved the initial public offer of Indian Renewable Energy Development Agency, enabling it to mobilise funds for the clean energy sector. Under the listing proposal, IREDA will issue fresh 13.90 crore shares, increasing the paid-up share capital of the company from Rs. 784 crore to Rs.923 crore.
- ✦ In continuation of issuing of Rs500 denomination banknotes in Mahatma Gandhi (new) series from time to time which are currently legal tender, a new batch of banknotes with inset letter "A" in both the number panels, bearing the signature of Dr. Urjit R. Patel Governor, Reserve Bank of India; with the year of printing '2017' on the reverse, are being issued.
- ✦ RBI marginally lowered the economic growth forecast for the current fiscal to 7.3 per cent even as it hoped that remonetisation would enable pickup in consumer spending, especially in the cash intensive segments.
- ✦ RBI flagged the rapid proliferation of frauds in the banking space over the last five years marking out a 19% increase in the number of fraudulent incidents and 72% increase in the value of the amount lost in the attacks. Around 86% of the frauds reported in 2016-17 was in the space of various credit accounts, said RBI. The number of frauds went up to 5064 from 4235 and the value shot up to Rs 16770 crore from Rs 9750 crore over the last five years, said the central bank in the Financial Stability Report of 2017.
- ✦ ICICI Bank said that a lenders consortium led by it has concluded the biggest asset resolution in the country with the consummation of the Rs 16,189 crore takeover of Jaypee Cements by Ultratech. The sale process of the cement business of Jaiprakash Associates and Jaypee Cement Corporation to the Birla group's UltraTech Cement "has been concluded."
- ✦ SEBI relaxed takeover norms for the acquisition of stressed assets of listed companies to help the government and the RBI in their efforts to tackle bad loans. SEBI's board also approved a proposal to tighten rules for participatory notes through the imposition of a regulatory fee on issuers of such instruments. SEBI will also issue a discussion paper for easier registration of foreign investors.
- ✦ Stepping up its fight against tax evasion, the Centre has made it mandatory to quote the Aadhaar number for opening bank accounts and for transactions exceeding Rs.50,000. With the amendments to the

Prevention of Money Laundering (Maintenance of Records) Rules, 2005 notified earlier this month, banks will have to demand both Aadhaar and the Permanent Account Number (PAN) for verification of identity, starting June 1. By the Finance Act, 2017, the Government had made it mandatory to seed PAN with Aadhaar and quote it in income-tax returns. However, the Supreme Court had held that only those individuals who possess an Aadhaar card need to link it with PAN.

- ✦ According to the Code Compliance Rating of banks done by the Banking Codes and Standards Board of India (BCSBI) 2017, only one (IDBI Bank) out of 26 public sector banks and eight out of 17 private sector banks got 'high' rating for their adherence to code compliance. The eight private sector banks that got 'high' rating are- Axis Bank, DCB Bank, HDFC Bank, ICICI Bank, IndusInd Bank, Kotak Mahindra Bank, RBL Bank and YES Bank. The three foreign banks are Citibank, HSBC and Standard Chartered Bank, that were surveyed got 'high' ranking.
- ✦ Vijaya Bank is going to develop as many as 100 digital villages in various States of the country as part of its initiative to promote digital banking among the rural population.
- ✦ State Bank of India and the World Bank announced that they had financed 100 MW of rooftop solar projects worth Rs400 crore in India. SBI has availed of a loan of \$625 million from the World Bank for on-lending to viable Grid-Connected Rooftop Solar PV (GRPv) projects undertaken by developers, aggregators and end-users, for installation of rooftop solar systems.

**FLAT 60% OFF**  
₹4000 ₹1599

**SSC CGL 2017**

All Rounder

with Video Solutions

350+ TOTAL TEST

• 80+ TIER-I MOCKS
• 50+ TIER-II MOCKS

• 200+ SECTIONAL TEST

Bilingual