



ASSOCHAM

Banking e-Bulletin



January, 2017

The Associated Chambers of Commerce and Industry of India

ASSOCHAM Corporate Office: 5, Sardar Patel Marg, Chanakyapuri, New Delhi-110 021

Tel: 011-46550555 (Hunting Line) • Fax: 011-23017008, 23017009

Email: assochem@nic.in • Website: www.assochem.org

Top Banking News

- **Surge in Debit Card Usage Has Banks On Alert For Fraud:**

Large banks such as State Bank of India, Axis Bank, ICICI Bank, HDFC Bank, are getting worried that the unexpected surge in debit card transactions might tempt swindlers. They are turning to professional consultants for help to pre-empt any financial fraud. Debit card transactions have surged 300-400 % in the wake of the early-November demonetization, According to Fidelity National Information Services (FIS) that operates a payment network for 75 banks. FIS manages more than 12,000 ATMs in the country. The government's demonetization move has curbed cash in the circulation, a move that is seen bearing fruits over long run in terms of throttling unaccounted money in the system. In case of a fraud, banks need to investigate to identify the root cause. If they are not able to prove that it was because of customer neglect but a deficiency in their framework which resulted in the fraud, they will have to compensate losses. Before the demonetization move, SBI was registering 3 Lakhs debit card transactions a day that has jumped to a whopping 12 Lakhs now. One of the proactive measures adopted by banks is to block cards based on points of compromise identified as part of the investigation or root cause analysis. Banks are now looking to engage

with us more. Also, cyber crime is moving towards emerging markets in South East Asia, including India, because they are considered less secure compared to Europe and now, there is money flowing through the system because of demonetization.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/surge-in-debit-card-usage-has-banks-on-alert-for-fraud/articleshow/55714405.cms>

Dated: 1 December, 2016

- **Lack Of Clarity About Cashless And Online Transactions Makes Digital Payments More Worrisome:**

Even as demonetization pushes for more and more cashless and online transactions through, e-wallets, banks and other such apps, there is a serious lack of clarity on how these companies handle customer data, and how it is shared with other entities. However, the handling of this data, most of which carries some of our most personal information, has little protection if it is misused by a private or government entity. The company also claims that it can map, using your phone data, the area of your residence and office. There are several other companies, especially those in the financial technology (FINTECH) space, doing similar mapping. The Wall Street Journal on has reported that more than three dozen local governments across China are compiling digital records of social and financial behavior to rate credit worthiness. A person

gets a score deduction for violations such as fare cheating, jaywalking and violating family-planning rules. India may be some distance away from such a credit scoring system, but the increased use of online transactions financial or otherwise is sure to lead to similar business models. If there is large level of customer migration of users from an app company, they will just become a data analytics company. The bigger danger in future is the growth of large data intermediaries which are similar to Visa and Mastercard networks, which purchase big databases and further sell this data and build their services or product on top of that. While lack of a privacy law or controller has been a long standing concern, the existing law for data protection Section 43(A) of the Information Technology Act also offers only very basic protection and is “grossly inadequate”, according to Abraham. There have also been cases of government entities making sensitive and personal information public.

- On First Payday After Demonetization, Banks Run Out Of Cash Within Hours And ATMs Dry Up:** Banks faced the brunt of public frustration again as customers found themselves standing in long lines to withdraw cash after November salaries were credited to accounts. As banks ran out of notes, people waited at automated teller machines but struck out there too as supplies to cash dispensers were down to a fifth of required levels. The situation will not change much from our side even if it is salary day because there is not enough cash in bank branches or ATMs. The situation will only improve once Rs 500 notes come into circulation and it will take days before that happens. Although under supervision from the ATM task force more than 1.5 Lakhs ATMs have already been tweaked for the new series notes, they are running dry due to lack of adequate supply of cash from the Reserve Bank of India. In normal times, during the salary season we used to get around Rs 8,000 to Rs 10,000 Cr. from the banks to be distributed across ATMs in the country on a daily basis. Now we are getting around Rs 2,000 Cr. which is awfully inadequate. Before the withdrawal of the Rs 500 and Rs 1,000 notes, ATMs used to be filled with about Rs 50 Lakhs of currency. That’s dropped to Rs 5 Lakhs at a time because of the shortfall in supply. As per Private sector Bankers, the state-owned ones that manage currency chests have an advantage when it comes to supply of notes. Of the total 4,075 RBI-owned currency chests in India, State Bank of India and its associates manage



Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/lack-of-clarity-about-cashless-and-online-transactions-makes-digital-payments-more-worrisome/articleshow/55714435.cms>

Dated: 1 December, 2016

more than half. Other public sector banks manage 1,173 chests while private ones run 160. Money disbursed to PSU (public sector unit) banks is more than us because they also need to meet the post office and rural demand. PSU banks are synonymous with the government machinery.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/on-first-payday-after-demonetisation-banks-run-out-of-cash-within-hours-and-atms-dry-up/articleshow/55713874.cms>

Dated: 1 December, 2016

- Stressed Bankers Seek Clarity From Reserve Bank Of India:** Nearly a million exasperated bankers, who are abused and sometimes even locked up inside their branches for apparently no fault of theirs, are now protesting against the Reserve Bank of India, demanding transparency from the central bank on its handling of the demonetization issue. The regulator must do its bit to explain the measures taken to handle the situation rather than issue circulars and tweak rules by the hour. RBI should disclose how much currency has been printed and how much they have distributed to the banks so that people can be properly informed. The bank employees' association also wrote to the Indian Banks Association against the multiple circulars issued by the central bank and how they were creating problems for bank employees. RBI is issuing umpteen number of instructions every day and the branch staff can't cope with such orders sometimes they create more problems than offer solutions. The association has also told IBA that bank employees

have been under severe pressure due to tensions, conflicts and clashes breaking out inside bank branches. The next 10 days are likely to be crucial as a huge number of employees and pensioners would throng the bank branches to draw their salary but non-availability of cash may lead to a lot of heartburn.



Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/stressed-bankers-seek-clarity-from-reserve-bank-of-india/articleshow/55714602.cms>

Dated: 1 December, 2016

- RBI Caps Banks' Loan Exposure To Large Borrowers:** The Reserve Bank of India (RBI) has capped banks' exposure limit to a single entity to 20% and that to a business group at 25%. The move, aimed at containing concentration risk of banks, is in line with international best regulatory practice that is popularly known as Basel III

norms. A bank's exposure to an entity or a business group is considered 'large' if it is equal to or above 10% of a bank's eligible capital base. According to the revised norms, the sum of all exposures of a bank to a single business entity must not be higher than 20% of a bank's available and eligible capital base at all times. However, in exceptional cases, bank board may be allowed an additional 5% exposure of the lender available and eligible capital base. The sum of all exposure of a bank to a business group must not be higher than 25% of its available and eligible capital base at all times. Under the proposed framework, an exposure to counterparty will comprise both balance sheet as well as off-balance sheet exposures such as derivatives and other hedging. RBI had released the draft guidelines in August for feedback from bankers. A bank's exposures to its counterparties may result in concentration of its assets to a single counterparty or a group of connected counterparties. The revised norms will be implemented from April 2019.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-caps-banks-loan-exposure-to-large-borrowers/articleshow/55736644.cms>

Dated: 2 December, 2016

- **Nearly All ATMs Reprogrammed To Dispense New Rs. 500 And Rs. 2,000 Notes:** Nearly all of India's 202,000 Automated Teller Machines (ATMs) have been reprogrammed to dispense new Rs500 and Rs2,000 notes, quicker than previously expected. Around 90% and more of

the ATMs of State Bank of India, Punjab National Bank and Axis Bank had been tweaked. However, most of the currency is going to branches rather than ATMs. At the end of the day, banks have to give us cash. The machines need to be reprogrammed as the new Rs. 500 and Rs. 2,000 notes are smaller in size than the Rs. 500 and Rs. 1,000 currency demonetized on November 8. ATM recalibration is going slow in rural areas though due to logistics issues. ATM withdrawals are limited to Rs. 2,500 at a time from dispensers recalibrated to take new Rs. 500 and Rs. 2,000 notes. Those that haven't been reprogrammed will dispense Rs. 2,000 at a time. The formation of the ATM task force by the government helped speed up a task that had been expected to take months. The task force which set up its office in Mumbai was tracking developments almost minute by minute and any issue with cash logistics or cash in transit or engineers was dealt at a central level irrespective of which company the individual worked for.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/nearly-all-atms-reprogrammed-to-dispense-new-rs500-and-rs2000-notes/articleshow/55736372.cms>

Dated: 2 December, 2016

- **Mastercard, Visa and RuPay To Take A Hit On Revenue As They Help Push Digital Payments:** Banks and digital payments processors, such as Visa, MasterCard and RuPay, are expected to lose over Rs. 1,000 Cr. in revenue between November and December as the Merchant Discount Rate (MDR) on the usage of debit cards at

PoS (Point Of Sale) transactions has been waived till December 31. Currently, for transactions below Rs. 2,000 a merchant pays the acquirer bank 0.75% MDR, while for transactions above Rs. 2,000, he shells out 1%. The acquirer bank (the one issuing the swipe machine) then pays 0.6% of its share to the card-issuing bank. The payment processors make anything between 6 and 8 Basis Points on these transactions from acquirer and issuing banks. The National Payments Corporation of India (NPCI) also collects 60 paise from card-issuing banks and 30 Paise from the bank that issues the swipe machine. As per the latest numbers from the Reserve Bank of India (RBI), the collective value of debit and credit card transactions at ATMs and PoS was Rs. 2.62 Lakhs Cr. in September, and according to an estimate, banks and payment processors make around 1% on transactions at PoS terminals. The amount merchants pay to the acquirer bank as a share of the transaction value at PoS terminals stood at Rs. 160 Cr. in September. The PoS transactions have gone up three times post ban on high-denomination notes on November 8 and the consequent cash crunch in the system. But because of a recent directive from the RBI, banks will not get MDR from merchants till December 31.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/mastercard-visa-and-rupay-to-take-a-hit-on-revenue-as-they-help-push-digital-payments/articleshow/55736180.cms>

Dated: 2 December, 2016

- **RuPay Card Usage Jumps 118 % In 1st Week Of Demonetization:** RuPay card

usage jumped by over 118.60% in the week following demonetization that took effect from November 8 mid-night while the overall debit and credit card transactions recorded an increase of 70.50%. According to RBI data, the usage of RuPay card at POS terminals soared by as much as 200.60% to 46.60 Lakhs transactions during November 9-15. This compares with 15.50 Lakhs swipes during November 1-8. The government demonetized the old high value banknotes from the midnight of November 8 and also imposed restrictions on cash withdrawals from banks as well as ATMs, prompting people to move to go digital. As per RBI, a total of 65.6 Lakhs transactions were recorded through RuPay cards during November 9-15. This includes 19 Lakhs spending through e-commerce platforms. Further, 1.58 Cr. Mastercard debit cards were used during the period, up 76.84% over November 1-8. Mastercard credit card transactions went up by about 24% to 57.31 Lakhs. In the case of Visa, the increase in debit and pre-paid transactions stood at 93% while for the credit card segment, it was 42% during November 1 and 8. Taking all RuPay, Mastercard and Visa together, the total transactions were up at 3,39,60,329 during November 9-15, from 1,99,19,176 on November 1-8, an increase of 70.49%. RuPay payment gateway has been developed by India while Mastercard and Visa are foreign companies.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/rupay-card-usage-jumps-118-per-cent-in-1st-week-of-demonetisation/articleshow/55757235.cms>

Dated: 2 December, 2016

- **For All The Talk, Five PSU Banks Yet To Join UPI, Govt. Backed Digital Platform:**

As the government pushes for cashless transactions, five public sector banks are yet to join the Unified Payment Interface (UPI) network, an ambitious fund remittance service backed by the Reserve Bank of India and the government. State Bank of India, which controls 25% of the banking business, launched its UPI app SBI Pay only on November 24 nearly 3 months after UPI went live in August-end and two weeks after the demonetization announcement. HDFC Bank, ICICI and Axis launched their own UPI-based apps before SBI. While digital payment platforms including Paytm, FreeCharge, MobiKwik and RuPay have witnessed significant surge in downloads as well as transactions, Indian Overseas Bank, Indian Bank, Syndicate Bank, Corporation Bank and Punjab & Sind Bank have not joined UPI. Thirty banks had already signed up with UPI, including Foreign Banks like HSBC. It's aiming for one million transactions by the year-end. UPI is the combined initiative of the banking industry in India and supported by the RBI. The demonetization period is a good time to push digital banking platforms like UPI. The government should ask five PSU banks to go for UPI. An advanced version of Immediate Payment Service (IMPS), a round-the-clock funds transfer service, UPI seems to have overcome teething problems and has started targeting more merchants and customers. After demonetization, daily transactions have jumped from 6,000-7,000 to 20,000

now. IMPS is already clocking 1.2 million transactions. UPI and IMPS together will have over 2 million transactions by March-end. Demonetization will be a game-changer. Adding that the UPI platform has already attracted 160 merchants. Flipkart has already done the preliminary test. Our UPI offering aims at providing a channel agnostic collection solution to corporate, which will enable them to drive sales through increased digitization of flows. UPI facilitates 'virtual address' as a payment identifier for sending and collecting money and works on single-click two-factor authentication.

Source: <http://indianexpress.com/article/business/banking-and-finance/5-psu-banks-yet-to-join-upi-govt-backed-digital-platform-4405968/>

Dated: 2 December, 2016

- **I-T Department Finds Rs 1.64 Cr. Undisclosed Income In Jan Dhan Accounts:**

The Income Tax department has detected undisclosed monies of Rs 1.64 Cr. and other "inconsistencies" in its countrywide investigations into the sudden popping up of suspicious amounts in Jan Dhan accounts. The department has detected the suspicious activity in these accounts in banks in Kolkata, Midnapore, Ara (Bihar), Kochi and Varanasi, some other accounts in over half-a-dozen cities are under the scanner of the taxman. The Central Board of Direct Taxes (CBDT), policy-making body for the I-T department, Rs 40 lakh has been seized from one such account in Bihar. Such accounts have a deposit limit of Rs 50,000. Investigation being conducted by the I-T department across India into

the sudden surge incash deposits in Jan Dhan accounts have revealed various inconsistencies. Undisclosed monies of approximately Rs 1.64 Cr. deposited by persons who have never filed returns of income being below the taxable limits, into their Jandhan accounts have already been detected at Kolkata, Midnapore, Ara (Bihar), Kochi and Varanasi. The CBDT added that the "undisclosed income so detected will be brought to tax as per the provisions of the Income Tax Act, 1961 apart from other actions depending upon the outcome of investigations. As per updated data till November 23, the Jan Dhan accounts have seen a huge surge in deposits, with Rs 21,000 Cr. being parked in such accounts following demonetisation announced by Prime Minister Narendra Modi on November 8. Following the currency scrap, the total balance in these accounts had crossed Rs 65,000 Cr. to Rs 66,636 Cr. As of November 9, the balance in about 25.50 Cr. such accounts was Rs 45,636.61 Cr. With a view to increasing banking penetration and promoting financial inclusion and with the main objective of covering all households with at least one bank account per household across the country, Pradhan Mantri Jan Dhan Yojna (PMJDY) was launched on August 28, 2014.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/i-t-department-finds-rs-1-64-Cr.-undisclosed-income-in-jan-dhan-accounts/articleshow/55757101.cms>

Dated: 2 December, 2016

- **Public Sector Banks Post Net Loss Of Rs. 17,993 Cr. In Last Fiscal:** Public Sector

Banks (PSBs) posted a net loss of Rs 17,993 Cr. in the last fiscal, as per government data. According to the data presented in Lok Sabha by Minister of State for Finance, the 28 public sector banks reported a collective net loss of Rs 17,993 Cr. in 2015-16. Of them, 14 banks registered net loss in their books for 2015-16, while the remaining logged profits. Among those making losses, Bank of India had the highest share with Rs 6,089 Cr., Bank of Baroda Rs 5,396 Cr., Punjab National Bank Rs 3,974 Cr., IDBI Bank Rs 3,665 Cr., Oriental Bank of Commerce Rs 2,897 Cr., UCO Bank Rs 2,799 Cr., Syndicate Bank Rs 1,643 Cr. and Central Bank of India Rs 1,418 Cr. The high level of Non-Performing Assets (NPAs) and rules by RBI to make higher provisioning for sub-standard assets were the main reasons for the banks to register big losses. However, banks have now taken many corrective measures for loan recovery and are supposed to return to profits in next few quarters. Of those who made profits in their books last fiscal included SBI at Rs 9,951 Cr., State Bank of Hyderabad Rs 1,065 Cr., State Bank of Bikaner & Jaipur Rs 851 Cr. and Andhra Bank Rs 540 Cr. The government has proposed to infuse Rs 70,000 Cr. into the PSBs out of the budgetary allocation for 4 years to 2018-19 under the Indradhanush Plan. The government has already infused a sum of Rs 25,000 Cr. in 19 PSBs during financial year 2015-16 and a budgetary provision of Rs 25,000 Cr. has been made for 2016-17. Government has allocated Rs 22,915 Cr. to 13 PSBs as on July 19, 2016.

Government has revised performance indicators for banks which are basically built on improving efficiency and capital utilization.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/public-sector-banks-post-net-loss-of-rs-17993-Cr.-in-last-fiscal-mos-finance/articleshow/55752624.cms>

Dated: 2 December, 2016

- **RBI Revises Market Stabilization Scheme Limit To Rs 6 Lakhs Cr.:** After the withdrawal of the legal tender character of the Rs 500 and Rs 1000 denomination notes with effect from November 9, 2016, there has been a surge in the deposits with the banks. Consequently, there has been a significant increase of liquidity in the banking system which is expected to continue for some time. In order to facilitate liquidity management operations by the Reserve Bank of India in the current scenario, Government of India has on the recommendation of the Reserve Bank of India, decided to revise the ceiling for issue of securities under the Market Stabilisation Scheme (MSS) to Rs 6 Lakhs Cr. The earlier limit was Rs 30,000 Cr. This hike is valid only for 28 days. Under MSS, the central bank will issue Cash Management Bills (CMB). Auction of 28-days CMB will be done using multiple price auction method. A lot of money is lying in branches, which can't be moved to currency chest. Only when we move it to the currency chest, it will be counted as CRR. One purpose is to reduce the liquidity till the money goes out. These bonds will mostly likely sell after December 9. The banks will be happy

to deploy surplus funds in their balance sheets due to demonetization.

Source: http://www.moneycontrol.com/news/business/rbi-revises-market-stabilisation-scheme-limit-to-rs-6-lakh-cr-for-fy17_8055421.html

Dated: 2 December, 2016

- **Mumbai's Kalbadevi Now Trades With A New Currency:** Kalbadevi market in Mumbai, one of the largest business and trade hubs in western India that primarily deals in cash, seems to have adapted to the government's demonetization move without much fuss. There's no cashless revolution in sight in the old market, which transacts in thousands of Cr. every day, but most businessmen are silently managing their trade mostly on trust and credit, and help of public sector banks. Alpesh Majia, who runs a shop that mostly sell recharge coupons for mobile talk time, never disappoints customers when they walk in with Rs 2,000 notes to buy vouchers worth just one-tenth of that amount, even if he does not have enough change. There are many bank branches around Kalbadevi area, including Punjab National Bank, SBI, Bank of India, ICICI Bank, HDFC Bank, and United Bank of India.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/mumbais-kalbadevi-now-trades-with-a-new-currency/articleshow/55760714.cms>

Dated: 3 December, 2016

- **Mobile Banking Platform For Basic Feature Phones In Works, Telcos Told To Support Tech:** As New Delhi salvages the story of 'Digital India' out of the pain and chaos of demonetization, telecom companies have been categorically told to support an

inexpensive technology that allows mobile banking with ordinary feature phones having no internet connection. After letting it languish for years, the government is now pushing for the rollout of Unstructured Supplementary Service Data (USSD) which can be used to carry out simple banking transactions like account balance enquiry and small fund transfers. The channel is a simple interactive text messaging system that can be used by a mobile phone subscriber to reach out to his/her bank. Of the 900 million handsets in India, about 600-650 are basic feature phones which lack the advanced functionality of a smartphone. A key feature of the Digital India drive would be to encourage users of such elementary handsets to try out mobile banking. National Payments Corporation of India (NPCI), the umbrella organization for all retail payments systems in India, is working on the USSD platform to make it more user-friendly so that commands are simpler, names of banks and beneficiaries can be saved on the handset and payments to utilities are feasible. Telecom companies have never been keen to co-operate. The government has lowered the charge from 1.50 to 50 paise per transaction, but it has to push telcos which are a formidable lobby. So far they have resisted. Some of the telcos choose to priorities more lucrative services than USSD, which slows down the service. The USSD stakeholders, backed by the govt. may rope in a top movie star or a sportsperson to endorse the product. The typical transactions in USSD backed mobile banking are: enquiry

of balance fund, obtaining the details of last five transactions and fund transfers of up to 5,000 (using the account number and IFSC code of the recipient). According to a source, the updated mobile banking platform is expected to be ready by month-end or early January.

Smart Moves

USSD CHANNEL is a messaging system that can be used by a phone user to reach out to his/her bank

TYPICAL TRANSACTIONS: balance enquiry, details of last five transactions, fund transfers of up to ₹5,000

NPCI WORKING on USSD platform to make it more user-friendly. Expected to be ready by month-end or early Jan

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/mobile-banking-platform-for-basic-feature-phones-in-works-telcos-told-to-support-tech/articleshow/55798371.cms>

Dated: 5 December, 2016

- **Cardmakers Order Books Swell On Government, RBI Push For Debit And Credit Cards:** The plastic cards industry, which for a long time was facing tough competition from mobile wallets and smart phone based payments, is experiencing a resurgence of sorts on the back of government's crackdown on black money. As the Reserve Bank of India along with the finance ministry encourage banks to go full throttle on disbursement of debit and credit cards along with terminalisation of merchant outlets to facilitate card

transactions, orders are pouring in from all sectors of the industry for fresh set of smart cards. While bigger banks are driving the major demand, even smaller cooperative banks such as Allahabad UP Grameen Bank, MP Rajya Sahakari Bank have placed orders for plastic cards. Allahabad UP Grameen Bank has asked for 1million cards to be supplied within the next 3 months. Another section that is driving demand for plastic cards is the prepaid cards industry and that is being driven mostly by prepaid payments instruments (PPI) license holders who also operate in the mobile wallet space. Companies such as ItzCash, Oxigen and Transerv are seeing a huge spike in demand for prepaid cards, mostly from corporate entities which want to pay their employees through pre-loaded cards. The plastic card industry had seen a surge in demand for debit cards over the past two years, driven mainly by the Pradhan Mantri Jan Dhan Yojana which not only mandated bank accounts for every Indian citizen but also tied up with National Payments Corporation of India for RuPay debit cards for those no-frills accounts. As per RBI data, while the average number of cards being added to the system hovered around the 50-million mark for the years between 2007 and 2014, 2014-15 and 2015-16 saw around 160 million and 111 million cards being added respectively mainly for the Jan Dhan accounts. This surge had made us ramp up production capacity by over 200% over the past two years and hence we are in a position to meet the increased demand for plastic cards in the system.

Even major banks such as State Bank of India are encouraging their corporate clients to pay their staff through prepaid cards instead of cash. SBI has received a request for more than 2.7 Lakhs such cards over the last month. Overall, the industry so far has more than 50 Lakhs of these prepaid cards that have already been sold in India.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/cardmakers-order-books-swell-on-government-rbi-push-for-debit-and-credit-cards/articleshow/55798305.cms>

Dated: 5 December, 2016

- **Harried Bankers Want To Shut Shop Till There's Enough Cash:** Bank employees want branches to be closed until the Reserve Bank of India (RBI) supplies sufficient quantities of currency notes as irate customers increasingly harass staffers and indulge in arson and physical assault amid a cash shortage following demonetization of high denomination notes last month. RBI should take a view to stop banking operations for 15 days till adequate money is available. Bank employees have a difficult time explaining to customers why they run out of cash and the RBI must divulge its strategy on handling the current crisis, ruling out any form of a strike because it would only add to the woes of the people. The Chennai-based AIBEA is the oldest and largest national trade union centre of bank employees in India. The government invalidated Rs 1,000 and Rs 500 currency notes on November 9, pulling out about 85% of the money in circulation by value. Accompanying curbs on cash withdrawals

from bank counters and ATMs have resulted in people waiting for hours to take money out of their accounts. Demand for currency notes has exceeded the supply of new notes, which have to be sent to over 2 Lakhs ATMs and 1.35 Lakhs bank branches across the country, especially during the first week of the month, when salaries are paid. Instances of bank staffers having been beaten up or locked up inside their branches for apparently no fault of theirs have surfaced from various parts of the country. The Punjab National Bank branch in Jamshedpur was ransacked as angry customers smashed glasses and injured a lady staffer. In Dhanbad, a bank branch was ransacked after the manager declared it had run out of cash. The AIBEA has written to finance minister and the Indian Bank Association seeking protection for staffers. There has been no action to our appeals to the finance minister, RBI and IBA. It wants the central bank to disclose the quantum of currency printed and distributed to all banks on a daily basis.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/harried-bankers-want-to-shut-shop-till-theres-enough-cash/articleshow/55798656.cms>

Dated: 5 December, 2016

- **Banking Services Will Go Digital: State Bank Of India:** Crediting demonetization for the biggest push towards digital banking, SBI envisions of the entire range of banking services going digital over the next few years. Demonetization is the biggest push. The biggest beneficiary is digital banking. SBI envision a bank

where end-to-end processes are provided through mobile banking. It will happen in 2-3 years. In terms of cost effectiveness nothing could match digital banking. While it costs the bank Rs 40 per transaction at a bank branch, Rs 9 at an ATM, at a customer service point Rs 12-13, it was only 50 paise through digital banking.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/banking-services-will-go-digital-state-bank-of-india/articleshow/55806973.cms>

Dated: 5 December, 2016

- **Banks Resort To Cash Rationing Amid Shortage, ATMs Run Dry:** The banks have continued to grapple with currency shortage forcing many branches to resort to cash rationing to meet customers' demand today as many recalibrated ATMs ran dry. Customers started lining up outside branches since wee hours at many places to withdraw their salaries for paying monthly bills and meeting other requirements. Much to their dismay, branches were able to offer only part of their requirement citing cash shortage. Despite recalibration of over 90% of 2.20 Lakhs ATMs across the country, cash vending machines are still running out of cash nearly a month after demonetization.

According to bankers, the salary rush would continue for another 7-10 days. Salary and pension rush would be there for the next 5-7 days, adding that rationing at branch level is being done to cater to cash needs of the larger number of customers. Some banks are disbursing only Rs 2,000 per person while those having better cash availability are offering Rs 10,000-12,000

per withdrawal against specified limit of Rs 24,000. Many banks made 'SOS calls' to RBI for additional cash for the first week of December to meet the initial rush of people, already fatigued standing in queues to exchange/deposit old notes and make limited withdrawals over the past three weeks after the demonetization was announced on November 8. Meanwhile, bank unions are demanding that RBI should take steps to supply adequate cash to all banks and details of notes supplied to banks "should be announced publicly by RBI on a daily basis". All ATMs should be made functional immediately and protection should be given to bank employees and officers from the public pressure.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/banks-resort-to-cash-rationing-amid-shortage-atms-run-dry/articleshow/55819593.cms>

Dated: 5 December, 2016

- **Cap On Charge-Free ATM Withdrawals A Policy Decision, RBI To High Court:** The RBI has informed the Delhi High Court that the cap on free-of-charge withdrawals from ATMs by banking customers was a "policy decision" and the court should not interfere in it. The Reserve Bank of India (RBI) counsel also raised the issue of "maintainability" of the petition which has sought directions to allow banking customers to make unlimited number of transactions free of any charges on their own bank ATMs. The bench, would hear the matter on April 12 next year as the main counsel for the petitioner. As per RBI's new guidelines, bank customers

in six metros- Delhi, Mumbai, Chennai, Kolkata, Hyderabad and Bengaluru are allowed to withdraw money free of charge only five times a month from their ATMs and every transaction beyond this limit will be charged Rs 20 per use. As per the RBI counsel during the hearing, besides the five free transactions from one's own bank ATM, customers can avail three free withdrawals from ATMs of other banks. The RBI had earlier told the bench that the ATM facility was made available with a view to reduce "cash usage and increase electronic transactions in the country. India's central banking institution, which controls the monetary policy of the rupee, had opposed the PIL saying it is "not maintainable and is liable to be dismissed, as RBI has not violated any laws of the land. In her PIL, Aggarwal had claimed that the guidelines were issued at the behest of a few banks and IBA (Indian Banks Association) which had approached RBI seeking changes in the extant instructions regarding free transactions at other banks' Automatic Teller Machines (ATMs). It has alleged that levying charges was highly "arbitrary and unjustified" besides being "discriminatory and against good banking practices and reforms and a backward move. In almost all modern economies of the world, there is no cap on the number of transactions one can make on own bank ATM and unlimited number of transactions remain free of charge on their own bank ATMs.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/cap-on-charge-free-atm-withdrawals-a-policy-decision-rbi-to-high-court/articleshow/55813802.cms>

Dated: 5 December, 2016

- **Weak Bank Support May Drive Farmers To Web Of Traders, Private Moneylenders:**

The Rabi sowing season may be progressing well, but it looks like farmers are teetering on the edge of a massive debt trap created by traders and private money lenders. The rural economy is in a shambles, say farmer leaders and rural economy experts, who feel that the declining farm credit from institutionalized players and restrictions on the operations of cooperative banks may throw farmers at the mercy of private moneylenders. The dependence of (farmers handling) agricultural commodities on the informal sector credit is huge and the system is crumbling day by day. A disaster is in the making by May/June, which may soon lead to a rural revolt. Although the rabi sowing figures look good, farmers have borrowed most of the inputs required for sowing operations, for which they will end up paying an indirect interest rate, paid in the form of higher prices. The stranglehold of moneylenders and traders is going to increase. The agricultural credit scenario will worsen in the short term and possibly also in the medium term. Private money lenders have reported a decline in business due to cash crunch. Many farmers are not willing to accept cheque payment for their kharif harvest fearing that if they deposit the cheque in the bank then the bank will take back the loan amount. As they have not sold their produce, they are unable to release their mortgaged properties.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/weak-bank-support-may->

drive-farmers-to-web-of-traders-private-moneylenders/articleshow/55823258.cms

Dated: 6 December, 2016

- **Bad Loan Targets Collateral Damage Amid Cash Crunch:**

Banks are so busy trying to cope with the cash crunch caused by demonetization that the critical task of going after bad loans is falling by the wayside. Not only that, lenders are worried that the concomitant slump in asset values means that collateral is depreciating, making things worse. Earnings in December quarter could therefore look even worse than they've been in the past few quarters, not due to a rise in defaults but because decisions are pending on debt restructuring and the conversion of loans into equity. Balance sheets have suffered ever since the Reserve Bank of India last year started pushing banks to recognize bad loans, provision for them and set their house in order. Lenders have to decide on debt recasts to the tune of more than Rs 1 Lakh Cr. including those of Essar Steel, Bhushan Steel, ABG Shipyard and scores of others as officials struggle to meet customers' need for cash. The lack of cash has led to a drop in demand, thereby causing the value of assets used as collateral to fall. After Prime Minister has announced the scrapping of Rs 500 and Rs 1,000 notes on November 8, bankers cancelled meetings with large borrowers to deal with the currency crisis. Almost 90% of employees at branches have been drafted for the exercise, with even top executives pulled in to coordinate. An added concern on recovery targets is that many employees at banks and borrowers

will be going on a year-end break in the second half of December. But now some banks are moving corporate banking officers back to their primary roles.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/bad-loan-targets-collateral-damage-amid-cash-crunch/articleshow/55823453.cms>

Dated: 6 December, 2016

- **Axis Bank Suspends 19 Employees For Exchanging Currency Illegally:** The country's 3rd largest private sector lender Axis Bank has suspended nineteen employees across India for allegedly involved in corrupt practices in exchanging currency post demonetization. The bank has hired KPMG to conduct a forensic audit to strengthen its processes. Currently 25 of KPMG's auditors along with Axis Bank's senior team is in Delhi investigating the Kashmere Gate branch where some staff were supposed to have indulged in corruption. The team will also conduct live checks on transactions. The case was first detected by the Delhi Police after it intercepted three people with cash of about Rs 3.70 Cr. in old notes, in front of the Axis Bank branch last month, and the ED took cognizance of the police FIR to slap money laundering charges against the accused.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/axis-bank-suspends-19-employees-for-involving-in-corrupt-practises-while-exchanging-currency/articleshow/55843287.cms>

Dated: 7 December, 2016

- **Income Tax Department To Use Analytics To Look For Discrepancies In Bank Accounts:** For the first time, the income-tax department will use big data analytical

tools to go through personal bank deposits to segregate black money holders from genuine tax-payers. While the government has used big data analytical tools for corporate tax reporting in some cases in the past, this is the first time that it will use analytics on such a large scale to sieve through personal taxes. It's practically impossible for tax officials to go through all the data obtained from banks and compare it with other tax-related data. Analytics is being used to look at discrepancies. This would then be scrutinized by experienced tax officials. It is expected that the tax department would collate and compare data from corporate tax and personal tax as well. Big data analytical tools will compare the tax returns of individuals, tax paid by companies owned by some people and other tax-related data with data collected from banks on how much money was deposited by individuals. If discrepancies are observed, these analytical tools will raise red flags. Tax officers could then issue notices to individuals based on this after December 31. According to the amendment, tax officers can now tax such deposits at 60% (plus cess) as against 30% earlier. The new tax law is applicable from April 1, this year. Industry trackers say that lack of mention of a threshold in the amendment to the Income Tax Act could mean everyone who deposited money in banks since April 1, 2016, may be questioned by the taxman.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/income-tax-department-to-use-analytics-to-look-for-discrepancies-in-bank-accounts/articleshow/55843344.cms>

Dated: 7 December, 2016

- **Digital Payment Providers At Great Hacking Risk, Need Upgraded Security:** With more and more people logging into e-wallets or m-wallets for daily payments, the target for hackers has increased exponentially, experts warn, suggesting that upgraded security is the only way to safeguard millions of first-time users and small and medium businesses from losing their hard-earned money. The government's demonetization drive and the resultant cash crunch have led to digital wallet firms witnessing an unprecedented rise in their usage and popularity with people using them for everything from buying groceries and vegetables to local travel. The country's largest m-wallet, Paytm, registered over seven million transactions worth Rs 1.2 billion in a day after the demonetization drive began as millions of consumers and merchants across the country started opting for mobile payments on its platform for the first time. Another mobile wallet major, MobiKwik, which launched MobiKwik 'Lite' late last month, registered over two million downloads within the first two days of the 'Lite' offer. Cyber experts emphasize that as the numbers swell, newer forms of vulnerabilities will be exposed in the payment gateways. Unarguably, with the digitisation drive comes the responsibility to safeguard against cyber pickpockets (cyber criminals) who will be on the prowl against unsuspecting consumers. Considering that cashless payments will become both a necessity and a huge convenience, it is imperative that security becomes embedded by design rather

than a bolt add-on from mobile-wallet payment firms. This essentially means that data security infrastructure along with customer-redressal mechanisms will have to be well thought of and the purview of IT laws for cyber crimes will have to be expanded to include mobile-wallet payment systems. The Payment Card Industry Data Security Standard (PCI DSS) is a proprietary information security standard for organizations that handle credit cards, while ISO 27001 is the international standard that describes best practice for an information security management system (ISMS). PayU India says it has invested Rs 50 Cr. for the protection of data shared on its platform. As the cash holdings in bank accounts have grown manifold, it is extremely important that we put the best security practices in place while investing efforts in educating people as they are gradually picking up pace on their cashless journey.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/digital-payment-providers-at-great-hacking-risk-need-upgraded-security-experts/articleshow/55849770.cms>

Dated: 7 December, 2016

- **SBI Chief Wants RBI To Seek Parliament Nod To Pay Banks On CRR:** State Bank has demanded the RBI seek Parliamentary nod to pay interest on the incremental CRR for the fortnight in which the lenders were asked to park excess funds with the central bank. While hailing the move to withdraw the incremental CRR, the RBI should actively consider the idea in order to compensate banks that have done yeoman service in

making the demonetization drive a huge success. CRR is the mandatory amount that banks have to park with the RBI but there is no interest paid on that amount. On November 26, RBI had announced an incremental cash reserve ratio (CRR) of 100% of the increase in Net Demand And Time Liabilities (NDTL) of scheduled banks between September 16 and November 11 effective the fortnight beginning November 26. This worked out to be around Rs 3 trillion. The move was intended to absorb a part of the large increase in liquidity in the system following the withdrawal of old high-value Rs 500 and Rs 1,000 notes. Though the measure was a temporary one, it put an additional burden on the banks as around Rs 3 trillion of the fresh deposits went to the RBI and for which there was no interest payment.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/sbi-chief-wants-rbi-to-seek-parliament-nod-to-pay-banks-on-crr/articleshow/55860450.cms>

Dated: 7 December, 2016

• **Demonetization: Inflows In Jan Dhan Accounts Fall After Public Warning:**

Following the Income Tax Department's warning on not allowing misuse of Jan Dhan accounts for laundering black money post- demonetization, inflows into such accounts have come down significantly. As per Union Finance Ministry, there has been a continuous fall in deposits in last couple of weeks, after an initial surge in deposits after the demonetization of high-value currency on November 8. Since the time the government has alerted people

not to allow their accounts, particularly Jan Dhan accounts, to be used by others for the purpose of converting their black money, there has been a considerable decrease in the inflow of funds in Jan Dhan accounts. The average per account deposit in Jan Dhan accounts is Rs 13,113 for this entire period from November 8 to December 2, which is not alarming, given the need to bring all cash to banks. Total amounts deposited during November 8-15 were Rs 20,206 Cr. while during November 16-22 people deposited Rs 11,347 Cr. in such accounts. This further fell to Rs 4,867 Cr. during November 23-30. Total daily deposit in Jan Dhan accounts was Rs 410 Cr. on December 1 and Rs 389 Cr. on December 2. The Income Tax Department has identified the local clusters and bank branches where the inflow of Jan Dhan deposits have been more than normal, in order to investigate money deposits in Jan Dhan accounts which belonged to somebody else.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/demonetisation-inflows-in-jan-dhan-accounts-fall-after-public-warning/articleshow/55865010.cms>

Dated: 8 December, 2016

• **Banks May Take Rs 1000 Cr. Hit On Card Fee Waiver:**

Bankers are fearful of incurring extra losses if the government pushes them to extend the waiver of merchant discount rate on card transactions beyond December 31. Such a move would increase their losses. They estimate a loss of Rs 1,000 Cr. for banks due to the waiver of MDR on debit card transactions till December 31. Merchant Discount Rate

that is the cost paid by the merchants to banks for card transactions. As of now major banks and payment companies have waived MDR till December 30 which is also the last day for accepting old Rs 500 and Rs 1,000 denomination notes at bank branches. Some bankers want the Indian Banks Association to take up the issue with the government. The government feels that why should a merchant pay a part of the money he receives through card transactions to banks, hence in order to boost digital payments they need to waive the fees off. Therefore, they are hoping that the industry lobby body Indian Banks' Association could take up the issue with the government. Justifying MDR, bankers say that there is a cost associated with the maintenance of the card acceptance and payments infrastructure and MDR is a major source of revenue for these payment companies. As of now the Reserve Bank of India has capped MDR for debit card transactions at 1% for any payments beyond Rs 2,000 and that at 0.75% for anything below Rs 2,000, rates for credit card transactions have not been capped and get charged as per arrangements between banks and the merchant outlet.

USSD allows people to transact through feature phones while Unified Payments Interface allows people to make payments through their smartphones with internet connections.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/banks-may-take-rs-1000-Cr-hit-on-card-fee-waiver/articleshow/55883684.cms>

Dated: 9 December, 2016

- **SBI Associate Bank To Offer VRS Before Merger With SBI:** State Bank of India (SBI) associate banks have started preparations to unveil voluntary Retirement Schemes (VRS) for their employees before the proposed merger with the parent bank. State Bank of Hyderabad (SBH) board has approved the VRS while other associate banks will place the scheme before their boards in the next few days, according to two senior SBI group officials. The VRS in associate banks would help SBI curb in staff cost escalation after the merger. SBI's staff expense was Rs 6,853 Cr. in the September quarter, rising 11.60 % Year-On-Year. SBI's pension obligation is estimated to be around Rs 3,500 Cr. This would rise once associate bank employees come under SBI fold. SBI has nearly 2.02 Lakhs employees while its associate banks have a cumulative headcount of 70,000. SBH, the largest among all the five associate banks, has around 18,000 employees. State Bank of Patiala has around 15,000. A good chunk are likely to go for VRS as there has been apprehensions across levels about their pecking order under the State Bank of India. Some senior officials have also raised voices against the proposed merger.



Raising Red-flag

- Merchant Discount Rate (MDR) is the cost paid by merchants to banks for card transactions
- Charges on debit transactions have been waived till Dec 31
- The govt may compensate banks for any revenue loss, says a senior banker
- Some bankers want IBA to take up the issue with the govt
- Industry sources say the govt feels that MDR prevents merchants from going digital
- Bankers say card transactions can't be free due to cost associated with the maintenance of terminals

The government approved the merger in August while the exercise is likely to be over by March 2017. The integration of IT platform a key aspect to SBI's merger with associate banks State Bank of Bikaner & Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala and State Bank of Travancore is in the final stages. As on September 30, associate banks cumulatively have Rs 5,21,344 Cr. of deposits and Rs 3,92,436 Cr. in advances. This will get added to SBI's Rs 18,58,999 Cr. of deposits and Rs 14,81,832 Cr. of advances, making the group's total business nearly 5 times of ICICI Bank's business of Rs 9,03,371 Cr.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/sbi-associate-bank-to-offer-vs-before-merger-with-sbi/articleshow/55888135.cms>

Dated: 9 December, 2016

- **Almost 85% ATMs Recalibrated For New Notes Till November 30:** Almost 85% of country's cash dispensing machines had been recalibrated to fit the new notes till November 30 and the government has also advised banks to set up micro ATMs in rural areas to meet the cash need post demonetization. As on September 30, 2016 there were 2,11,594 ATMs of banks and 14,324 white label ATMs working across the country. There are 1,79,614 ATMs which have been recalibrated till November 30, 2016. The government has advised banks to deploy micro ATMs in rural areas in all sub-service areas across the country, around 1,14,036 micro ATMs have already been deployed as on December 2, 2016. The scheduled commercial banks,

excluding Regional Rural Banks, do not need the RBI permission to install ATMs at branches and extension counters. The scheduled commercial banks can also install off-site ATMs without permission of the RBI subject to certain conditions, he added. Besides, non-bank entities incorporated in India are also allowed to set up, own and operate ATMs that are known as White Label ATMs (WLAs). The rates paid for printing of banknotes by different presses are different. The reasons for these differences are that the cost of production varies due to many factors including the age of machines, capacity of plant, level of automation and manpower employed. However, the pricing is reviewed periodically by the RBI and the prices for the supply of banknotes are paid on the basis of cost plus approach, return on investment and return on capital.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/almost-85-atms-recalibrated-for-new-notes-till-november-30-government/articleshow/55893987.cms>

Dated: 9 December, 2016

- **Post Note-Ban, Borrowers Return Rs 66,000 Cr.:** Borrowers returned Rs 65,680 Cr. to banks in the fortnight following demonetization, even as bank deposits surged by Rs 4.02 Lakhs Cr. As a result, bank credit growth in the first eight months of FY17 (until November 25) is almost flat at Rs 426 Cr. As customers deposited old notes and borrowers used their cash stash to repay loans, banks were forced to pump in funds into government securities. The total investment in government bonds

during the fortnight ended November 25 amounted to Rs 3,45,820 Cr. According to data released by the RBI in its weekly statistical supplement, contrary to belief, a large amount of money was parked in fixed deposits. Of the Rs 4.02 Lakhs Cr. increase in deposits, Rs 2.89 Lakhs Cr. was the increase in time deposits and Rs 1.13 Lakhs Cr. went into current and savings accounts. While aggregate deposits have grown 12.80%, bank credit has risen by only 0.60% in FY17. While the increase in deposits and subsequent increase in bond valuations was seen as a strong positive for banks, the broad numbers indicate that bank margins will see a strong compression. This is because while banks are earning less than 6.50% in government bonds and around 11% on loans, they are paying between 4% and 7% on their FDs.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/post-note-ban-borrowers-return-rs-66000-Cr./articleshow/55907203.cms>

Dated: 9 December, 2016

- **Finance Ministry Asks Banks To Keep Tight Watch On Cash Deposits:** The finance ministry has written to all banks to keep a tight watch on cash deposits as seizure of large hauls of old and new currency notes and gold continues, suggesting connivance of banks in money laundering. It has directed state-run banks and the Indian Bankers Association to ensure that deposits of new and old currency notes are properly reflected in the customers' counterfoils and bank records. There have been concerns that deposits in new or valid currency may have be shown as

deposits in the demonetized Rs 500 and Rs 1000 notes and the legal currency diverted for laundering. In raids across the country, authorities have found stash of old currency and, more worryingly, new currency notes running into Cr. As of December 6, authorities have seized more than Rs 130 Cr. in cash and jewellery. Apart from these, about Rs 2,000 Cr. of undisclosed income has been admitted by taxpayers. Banks have to take urgent action based on the letter and report back by December 16 on compliance.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/almost-85-atms-recalibrated-for-new-notes-till-november-30-government/articleshow/55893987.cms>

Dated: 9 December, 2016

- **BoB In Talks To Buy Central Bank's Housing Finance Arm:** Looking to strengthen its position in the home loan segment, Bank of Baroda is in talks to buy a majority stake in Cent Bank Home Finance (CBHFL), the housing finance subsidiary of Central Bank of India. Central Bank holds 64% stake in CBHFL, while HUDCO, UTI and National Housing Bank are the other promoters. According to sources, BoB has appointed SBI Capital Markets, while Central Bank has engaged a couple of merchant bankers including IDBI Capital as advisors. Both, Bank of Baroda as well as Central Bank did not respond to calls and text messages. CBHFL was incorporated as Apna Ghar Vitta Nigam and was subsequently renamed as Cent Bank Home Finance. It began operations in June 1991. Investment bankers say Central Bank could get Rs 250

Cr. for its 64 % stake in CBHFL. The deal is part of Central Bank’s attempt to shore up its bleeding balance-sheet, which has been mauled by mounting bad loans since the past few years. The cash-strapped government had earlier this year asked its banks to sell noncore assets to beef up core capital. At the recent first tranche of capital infusion, the government had given Rs 1,729 Cr. to Central Bank.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/bob-in-talks-to-buy-central-banks-housing-finance-arm/articleshow/55922911.cms>

Dated: 11 December, 2016

- Digital Payments Soar By Up To 300% After Demonetisation:** The government’s demonetization move, and the subsequent cash crunch, has led to a surge in digital payments. According to the government data, the number of daily transactions through e-wallet services such as Oxigen, Paytm and MobiKwik has shot up from 17 Lakhs recorded on November 8 when demonetization was announced to 63 Lakhs as on December 7 (a growth of 271%). In terms of value, the surge has been 267%, from Rs 52 Cr. daily to Rs 191 Cr. now. Transactions through RuPay Cards (e-commerce and point-of-sale) were up 316% at 16 Lakhs daily (3.85 Lakhs on November 8), while in terms of value the growth has been 503% at Rs 236 Cr. (Rs 39 Cr.). The government, however, did not provide a break-up of transactions conducted in urban and rural/semi-urban areas. The government and digital payment companies expect the trend to stay strong, at least till easy availability of cash. Service

tax has been waived on digital transactions for purchases up to Rs 2,000, while charges on transactions through feature phones have also been cut. The wallet companies expect growth to remain strong. Of the estimated annual personal consumer consumption of \$1.3 trillion in India, 90-94% is currently paid by cash, while digital is around \$70 billion. The digital payment options are rapidly coming up across many essential services, which will give a fillip for setting up a cashless economy. Wallets are being installed at highways, gas stations, essential service points, and at a large number of retail stations.

E-MONEY GAINS CURRENCY				
Transactions/Day	Nov 8	Dec 7	% Growth (Dec 7/Nov 8)	
RuPay Cards (eComm + POS)	Number (Lakhs)	3.85	16	316
	Value (Cr)	39.17	236	503
e-Wallets	Number(Lakhs)	17	63	271
	Value (Cr)	52	191	267
UPI	Number	3,721	48,238	1,196
	Value (Cr)	1.93	15	677
USSD	Number	97	1,263	1,202
	Value (Lakhs)	1	14	1,300
		Oct Avg	Nov Avg	
PoS	Number(Lakhs)	50.2	98.1	95
	Value (Cr)	1,221	1,751	43

Source: Ministry of Electronics and Information Technology

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/digital-payments-soar-by-up-to-300-after-demonetisation/articleshow/55908208.cms>

Dated: 10 December, 2016

- SBI To Launch Rs 25,000 Limit Credit Card Soon:** To tap opportunities arising out of limited cash supply, SBI Cards will soon launch a credit card with a cap of Rs 25,000 for those at the lower strata of the society, who have the capacity to pay but don’t have cards. After government’s decision to ban old banknotes of Rs 500 and Rs 1,000, SBI Cards has been witnessing a

surge in card usage and expects to add 20-25% more customers. Since this move (demonetization), there is surge in the usage of cards both in terms of number of transactions and volume. Our plan was to grow by 900,000 to 100,000 cards in one year but with this change, it will be extra by at least 20-25% new set of customers. The company has simplified card acquisition process and is planning to reduce the income cut-off criteria for giving credit cards to potential customers. Even Jan-Dhan account holders can be potential customers. SBI Cards is also in the process of speeding up customer acquisition process by reducing the delivery period so that more and more people are added to the network. The company will also deploy more people on the field who will be present in all prominent markets and malls so that if anyone wants a card, the team can talk to such people, accept their application, document and quicken the period of processing and delivery. The kind of people who use credit cards are already using cards, but may be, they spend 20% by card and 80% by cash. That component will shift. Now, they will spend 90% on card and 10% in cash.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/sbi-to-launch-rs-25000-limit-credit-card-soon/articleshow/55923893.cms>

Dated: 11 December, 2016

- **Banks Must Keep Deposits Record Of Scrapped, Valid Notes (Government):** To avoid any malpractices, the government today asked all public sector banks to strictly maintain record of deposits made

through both old Rs 500/ 1,000 notes and other valid currencies. Though most banks providing correct information to the customers yet to ensure that it is done in 100 % of cases without fail, all the bank branches in the country be alerted to reflect correctly the cash deposit in old and new currency and inform the customers about the same. The Ministry also asked banks to educate the public, by displaying a prominent sign (including in the local language) in their respective branches requesting their customers to fill up deposit slips clearly indicating old and new currency and the denomination of the notes. According to the RBI, nearly Rs 12 Lakhs Cr. out of Rs 15.40 Lakhs Cr. of old high denomination currency notes have come back to banking system since Prime Minister scrapped the legal tender of Rs 500/ 1000 notes from mid-night of November 8 to fight the menace of black money. The Ministry also appreciated the role played by the banks post-demonetization especially when the old currency was accepted and till November 24, when exchange of old currency to specified limit was also permitted.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/banks-must-keep-deposits-record-of-scrapped-valid-notes-government/articleshow/55929031.cms>

Dated: 11 December, 2016

- **Airtel May Expand Payments Bank Pilot To 3 Southern States:** Airtel is looking to extend its payments bank pilot project to Andhra Pradesh, Telangana and Karnataka in the next couple of weeks, to test out

the services before a pan-India roll out. The company is planning around 20,000 Airtel outlets as banking points in Andhra and Telangana, and 15,000 in Karnataka, on Sunday Over one Lakhs customers have already opened savings account with Airtel Payments Bank in less than two weeks of the first payments bank pilot going live in Rajasthan., Close to 70% of these accounts have been opened in rural areas, the company added. Airtel has launched India's first ever payment bank through the pilot in Rajasthan. Airtel Payments Bank, a subsidiary of the country's leading mobile phone operator Bharti Airtel rolled out pilot services across 10,000 Airtel retail outlets in Rajasthan in November. It facilitates cashless purchases of goods and services through mobile phones, giving an impetus to the digital payments ecosystem amid the cash crunch affected by demonetization. The payments bank offers basic banking services to customers by leveraging Airtel's retail network. It offers highest annual interest rate of 7.25% and an insurance of Rs 1 Lakhs per account.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/airtel-may-expand-payments-bank-pilot-to-3-southern-states/articleshow/55930727.cms>

Dated: 12 December, 2016

- **Your Neighbourhood ATM May Turn Into A Hacker's Paradise:** The next time you queue up at the ATM for cash an experience that has become increasingly onerous since demonetization it's not just the long wait that should worry you. There's a high probability the cash dispenser runs on

software Microsoft stopped supporting more than two years back, thus making it vulnerable to hackers. Card details could be stolen as they indeed were earlier this year even as you fret about what to do with the solitary Rs 2,000 note the machine dispenses, if you're lucky. About 70% of the 202,000 ATM machines in India run on Windows XP, for which Microsoft stopped offering security updates, patches and technical support in April 2014. Resilience of the ATMs is low as Windows XP is no longer supported by Microsoft. That means there are no bug fixes, no patches and ATMs are not upgraded to cope with vulnerabilities. Almost 75% of ATMs in India use unsupported Windows XP. It was revealed in October that 3.2 million Indian debit cards were compromised in one of the largest breaches of financial data in the country. An investigation into the matter is ongoing but the leak may have originated in the use of the cards at the ATMs of a particular bank that had its backend system hacked. Most ATMs in India are not owned by banks but by payment technology and service providers like Financial Software and Systems (FSS) and FIS Global. These companies in turn buy the machines from global giants NCR and Diebold. Chennai-based FSS manages 40,000 ATMs on behalf of 34 banks, including ICICI Bank, HDFC Bank and State Bank of India. NCR is the largest provider of ATMs in the country with a 47% market share. Majority of the ATM deployments in India happened in the last four years while the ATM refresh cycle is seven to 10 years.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/your-neighborhood-atm-may-turn-into-a-hackers-paradise/articleshow/55930006.cms>

Dated: 12 December, 2016

- **RBI Asks Banks To Maintain Records Of New Currency:** The Reserve Bank has directed banks to keep record of new bank notes in view of seizures by Income Tax Department and other law enforcement agencies of large quantities of high denomination notes. It has been felt necessary to put in place an appropriate reporting system to keep track of issuance of these banknotes by the currency chests. In view of the above, the banks are advised to maintain, at the currency chest level and at link branches level, a daily record of issuances showing the serial numbers of Rs 500 and above received from RBI as remittance and issuance to their own branches, branches of other banks and post offices, branch wise and denomination wise on daily basis. The daily record of issuances should be signed by joint custodians and the branch manager at the end of the day.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-asks-banks-to-maintain-records-of-new-currency/articleshow/55946397.cms>

Dated: 12 December, 2016

- **RBI's Net Dollar Sales In October At \$418 Million:** The Reserve Bank of India's net dollar sales in the spot market amounted to \$ 418 million in October according to data released by the Reserve Bank of India in its monthly bulletin. The central bank intervened largely to meet dollar demand for FCNR (B) redemptions. The central bank bought \$9.54 billion and sold \$9.97

billion, resulting in a net dollar sale of \$418 million in October. The Reserve Bank has been a net buyer of dollars this fiscal (FY-17) Cumulative spot dollar purchases in April-October'16 amounted to \$10.3 billion. The Reserve Bank also intervened in the forward markets and made forward purchases worth \$742 million in October. Its outstanding forward purchases amounted to \$5.6 billion as of end October 16. Much of the dollar sales during the month was to meet redemption pressure of FCNR (B) deposits. It may be recalled that RBI had raised over \$ 20 billion during September-November 2013 to calm the rupee and raise dollar funds. These were due for redemption in October-November this year which was to create a significant pressure on dollar demand. However, Reserve Bank managed the redemption without much pressure on the currency as it had stocked dollars from both spot as well as forward markets.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/rbis-net-dollar-sales-in-october-at-418-million/articleshow/55943666.cms>

Dated: 12 December, 2016

- **RBI Denies Rumours On Axis Bank:** The Reserve Bank of India has clarified that it has not initiated any action to cancel the banking license of Axis Bank in the wake of certain allegations about some serious irregularities in transactions relating to deposit/ exchange of Specified Bank Notes in a few branches of the bank. The clarification comes in the background of rumors in a segment of the media that the bank was likely to lose its banking license.

Source: https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=38865

Dated: 12 December, 2016

- **Demonetization, RBI Seeks Details Of Fake Currency From Banks:** To ascertain the amount of counterfeit currency, the Reserve Bank has asked all banks to send details of all fake notes detected during exchange and deposits of defunct old high-value notes post demonetization. Banks are required to send details of fake currencies in three different dates, the first of which is December 16. In continuation by the same, the banks are advised to send branch-wise report on detection of counterfeit notes. For counterfeit notes detected between November 10 to December 9, banks need to furnish the report in a specified sheet prescribed by the RBI on December 16. For reporting period December 10-16, the details are to be sent on December 23; while for December 17-30 period, RBI has asked them to send report on January 6, 2017. The RBI has also asked banks to keep details on specified bank notes (SBNs) separately for analysis later on. Further, counterfeit notes detected in the SBNs received in exchange and deposits should be kept branch-wise, in a secured and segregated manner, so that further analysis, as necessary, can be conducted at a later stage. Though the RBI is publishing data on SBNs regarding the amount exchanged/deposited at banks and RBI counters on a regular basis, there is no data as to what percentage of it contains the counterfeit notes in SBNs.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/demonetisation-rbi-seeks-details-of-fake-currency-from-banks/>

[articleshow/55945259.cms](#)

Dated: 12 December, 2016

- **Airtel Payments Bank to charge 0.65% Cash Withdrawal Fee:** Airtel Payments Bank will charge 0.65% fee on cash withdrawals but will not levy any processing charge on digital transactions from January 2017 to encourage cashless payments. Airtel Payments Bank will not charge any processing fee from its customers and merchants partners for digital transactions. The benefit of no added/ hidden costs will encourage both merchants and customers alike to adopt cashless payments. It has rolled out pilot services across Rajasthan and has opened over 100,000 savings accounts in less than two weeks of commencing services. It plans to shortly extend its pilot services to Andhra Pradesh, Telangana and Karnataka. The bank is offering interest rate of 7.25% per annum on savings accounts. Airtel Payments Bank plans to develop a nationwide merchant ecosystem of over 3 million partners that will include small kirana stores, small shops and restaurants. These merchant partners will accept digital payments for goods and services from Airtel Payments Bank customers over mobile phones. Customers will be encouraged and incentivized to open savings accounts with Airtel Payments Bank and make convenient digital payments using their mobile phones across a wide merchant base, in addition to earning a healthy interest rate on savings deposits. Airtel Payments Bank will also offer incentives in the form of surprise gifts to customers who use digital/

cashless mode of payment. Every month, it will give away 100 minutes of free Airtel to Airtel mobile talk time to 100,000 of its customers (through a lucky draw), who use digital payments for transactions.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/airtel-payments-bank-to-charge-0-65-per-cent-cash-withdrawal-fee/articleshow/55966537.cms>

Dated: 13 December, 2016

- **Airtel Payments Bank Rolls Out Pilot Services In Andhra, Telangana:** Airtel Payments Bank has rolled out its pilot services in Andhra Pradesh and Telangana and aims to expand its presence across the country. This follows the pilot launch in Rajasthan, where over 100,000 customers opened savings accounts within two weeks of commencement of services, company executives claimed. Airtel Payments Bank, which is the first payments bank to go live in the country, aims at tapping into 233 million unbanked population by tying up with merchants and turning their neighborhood kirana stores into banking points. The smartphone application which can be installed by the customer and the merchant is made available in Telugu, apart from English and Hindi. Kotak Mahindra Bank holds 19.9% stake in Airtel Payments Bank, so there's already one bank involved.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/airtel-payments-bank-rolls-out-pilot-services-in-andhra-telangana/articleshow/55983490.cms>

Dated: 14 December, 2016

- **Complaints Rise The Most Against Private Banks:** The office of the banking ombudsman received 1.02 Lakhs consumer complaints

in FY-16, up 21% during the year. The Banking Ombudsman Scheme aims to provide a quick and cost-free resolution mechanism for complaints relating to deficiency of banking services of common bank customers who otherwise find it difficult or cost-prohibitive to approach any other forum such as courts. The maximum rise in complaints was against private sector banks, which rose 36.5%. Northern centers (Chandigarh & Delhi) witnessed sharpest rise in complaints. About a third, or 33.9%, of the complaints were for failure to meet fair practices codes by banks. Such complaints have been rising at a rapid pace over the past few years. Contrary to popular perception, credit cards and ATM related complaints have declined. The cost of handling complaints has reduced over the years from Rs 4,824 per complaint in FY14 to Rs 4,396 in FY16.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/complaints-rise-the-most-against-private-banks/articleshow/55969701.cms>

Dated: 14 December, 2016

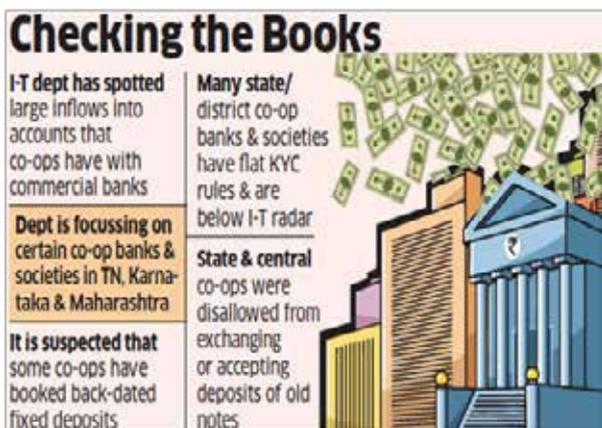
- **Backdated FDs May Be Behind Huge Deposits By Cooperative Banks, Suspect Taxmen:** The IT department is cautiously treading on a tricky political terrain: cooperative banks and credit societies. While scanning the numbers received from large banks, the tax office has spotted an unusual surge in deposits from state and district cooperative banks and societies into scheduled commercial banks where they have accounts. The department, according to a tax official, suspects that several banks and societies which were disallowed from

either exchanging or accepting the old 500/1,000 rupee notes as deposits may have booked back-dated fixed deposits by either shutting down or manipulating their computer systems. Indeed, a week after the 8/11 announcement of demonetization, 4 large banks three public sector and one private lender alerted the Reserve Bank of India about the sudden rise in the flow of deposits from cooperative banks located in and around eastern Maharashtra. Many cooperative banks follow a loose know-your-customer procedure and have no regular reporting system of high-valued customer deposits to the I-T department. For taxmen, tracing the fund source of bulk deposits of cooperative banks to individual accounts and thereafter identifying the beneficial owner could be a painstaking job. It can be even frustrating if the official account holders in cooperatives are farmers who are spared of income tax. There are 370 district credit cooperative societies and 1 Lakh credit cooperative societies with one of the biggest located in the Amravati region of Maharashtra, having more than 300 branches with 5,000 employees.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/back-dated-fds-may-be-behind-huge-deposits-by-cooperative-banks-suspect-taxmen/articleshow/55988959.cms>

Dated: 15 December, 2016

- Airtel Payment Bank Service Goes Live In Karnataka:** Karnataka becomes the fourth state after Rajasthan, Andhra Pradesh and Telangana to pilot Airtel Payment bank services. The announcement follows the successful roll out of the payment service in Rajasthan, where over 1,00,000 customers opened savings account within a fortnight of commencement of services. Payment bank services are special licenses issued by the RBI with the objective of financial inclusion. These banks can accept deposits up to Rs.1 Lakhs per account and offer interest for savings but are disallowed from issuing loans. Airtel is the first bank to go live with its services. In Karnataka, Airtel is rolling out pilot services across 12,000 Airtel retail outlets, known as 'banking points'. Customers can open bank accounts at any of these designated outlets using Aadhaar based biometric registration. The Aadhaar based e-KYC removes the hassle of physical documentation. Customers with scannable fingerprints can open bank accounts with airtel payment banks. Airtel has about 1, 00,000 retail recharge outlets in Karnataka of which 12,000 are now 'Banking points'. Of these, about 10,000 are in rural and suburban areas. To incentives the process of opening bank accounts, Airtel offers one minute of free mobile talk time for every rupee deposited (Capped at Rs.500). For instance, if a customer deposits Rs.500 in the bank account, he/



she would get 500 minutes of free talk time. But, this service is exclusively for airtel customers. The most lucrative incentive to open a savings account is the interest received on savings which is 7.25 % p.a and is distributed monthly. Airtel is partnering with 2, 00,000 Kirana stores across Karnataka – tailoring shop, grocery stores and the like – to facilitate cashless payments. Since the entire system is cashless, customers can check their accounts balance, transfer money and access other services using Airtel money app (if they have a smartphone) or through USSD by dialing *400# (if they own a feature phone). In addition, customers can avail a personal accident insurance of 1 lakh by opening a savings account. For cash deposit and withdrawal, customers need to go to the nearby banking points and avail the service.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/airtel-payment-bank-service-goes-live-in-karnataka/articleshow/56006900.cms>

Dated: 15 December, 2016

- **Raids At Branches Impacting Morale, Say Bankers; Efforts On To Reach Out To Staff:**

Fear of raids has been added to stress of long hours at work for India's bankers, and managements are taking a series of steps to keep morale up and squeeze opportunities for malfeasance. These include reaching out to bank employees manning frontdesks and line operations, and creating WhatsApp groups to warn employees about "unscrupulous operators" and point to the risks of falling for "small-time gains". Over the past few days,

law enforcement agencies have raided branches of various banks, unearthing unauthorized cash disbursements and fake accounts. Some employees have broken rules, banks face the risk of demoralisation across ranks because of the fear factor. As per State Bank of India Chairperson Smt. Arundhati Bhattacharya the vast majority of bank employees has responded to the situation by working extraordinarily hard, they have often worked far beyond the call of duty service is rendered with no thought for their personal safety & health. In any case, stringent action will be taken against wrongdoers, but their faults should not mar the efforts made by the banking system to tackle the situation arising out of demonetization. Axis Bank has appointed consulting firm KPMG for conducting due diligence and building more safeguards. The Morale is very low branch officials are being harassed by customers. Large banks have now began shuffling staff from front office to back office and corporate office. This will prevent malpractices and also result in some sanity because officials at branches were constantly working under pressure to serve customers. Fears and the impact of employee morale can get worse if the situation does not become normal soon. So far it (fear of raids) is not that widespread but there could be an impact if these raids continue. Bankers need to know their customers. It is true even in normal times. So if someone comes with a huge amount of deposits then questions have to be asked. If they have not been asked there is something wrong.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/raids-at-branches-impacting-morale-say-bankers-efforts-on-to-reach-out-to-staff/articleshow/56009083.cms>

Dated: 16 December, 2016

RBI To Lower Charges On Debit Card Transactions Of Up To Rs 2,000: As the government gives a major push for more people to adopt digital means for payments the Reserve Bank of India reduced merchant discount rates or price that is paid by merchants to banks for card payments below Rs 2000. It also instructed banks as well as prepaid payments instrument companies to not levy any charge on customers for transactions upto Rs 1,000 done through USSD, IMPS or UPI. USSD or unstructured supplementary service data is the *99# service which is hosted by the National Payments Corporation of India (NPCI) and is being promoted by the government for payments in rural areas as it does not need smartphones or internet connectivity. Further IMPS or Immediate Payment Service and UPI or Unified Payments Interface are other NPCI hosted services which is also being promoted by government for more peer to peer digital transactions. Both the set of instructions from the regulator would be applicable from January 1 of next year till March 31, since anyway these charges have been waived off till December end. For transactions up to Rs 1,000, MDR shall be capped at 0.25% of the transaction value and that above Rs 1,000 and upto Rs 2,000, MDR shall be capped at 0.5% of the transaction value.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-to-lower-charges-on-debit-card-transactions-of-up-to-rs-2000/articleshow/56021746.cms>

Dated: 16 December, 2016

RBI Orders Banks To Probe Unusual Cash Transactions: The Reserve Bank of India (RBI) has ordered banks to investigate instances of unusual patterns in cash management at branches and currency chests, a move aimed to prevent unauthorized exchange of scrapped notes for new notes. The banking regulator has asked banks to immediately bring to their notice any such malpractice found at their bank and also track the complete trail if cash movement is in large quantity. The development comes at a time when a number of bank branches and individuals were raided by Income Tax department and Cr. of new notes have been seized. There have been instances of bank staff having colluded with third party vendors for illegal exchange of scrapped notes for new notes. The seizure of new notes Rs 500 and Rs 2,000 in Lakhs and Cr. have happened despite a cap of Rs 24,000 on withdrawals per week. Already, shortage of cash at branches and ATMs has



Need for Internal Audit

- RBI has suspended **one** person from Bengaluru for unauthorised exchange of notes
- Axis Bank has suspended **24** people involved in illegal activities
- HDFC Bank has sacked **four** officials involved in unauthorised activities
- PSU banks has suspended an **27** officials post demonetisation

DEC 15 IT dept seized ₹10.8 crore, of which 8.8 new notes from a company locket at Bank of Maharashtra	DEC 15 IT dept raid Noida branch of Axis ₹60 crore deposited in 20 fake accounts	DEC 13 IT dept seized Rs 1.56 crore including 1.38 crore of new notes from cooperative bank in Jaipur
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disappointed bankers and such instances have further hurt their reputation the basis of which banks do business. On detection of any such pattern you should immediately press the internal audit resources to promptly investigate the matter further so as to arrest malpractices, if any observed in this respect of the cash management activities at the branches or at currency chest.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-orders-banks-to-probe-unusual-cash-transactions/articleshow/56009177.cms>

Dated: 16 December, 2016

- **Demonetization Leads To Farmers' Default On Loans; Bankers Respond With Lesser Lending:** Farmers are facing paucity of fresh crop loans as banks have reduced further advances due to fall in recovery of loans. Post demonetization the many farmers have defaulted on regular loan payback and most are set to lose interest subvention extended by banks to regular payers. Even though the RBI has extended loan repayment by 60 days but most banks have restricted further advances to farmers till recovery on old accounts. Demonetization adversely caught potato growers who were engaged in plantation of the tuber. The officials of commercial banks as well as cooperative banks maintained that the crop loan recovery and advances have been affected post demonetization. The loan recovery has dropped by 40 % than usual during this period. The further crop loaning has dropped by 70 %. The bank has facilitated 90 % off take of fertilizer to help farmers bail over the cash

crunch. Many farmers are worried that their crop loan accounts will incur penalty of 2.5 % for delay in payments. Usually farmers raise informal credit from aarthiyaas to tackle the delay in crop remuneration. This time even aarthiyas are facing cash crunch and thus farmers are not able to get credit. Demonetization has been a sad tale for farmers and labourers so far.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/demonetisation-leads-to-farmers-default-on-loans-bankers-respond-with-lesser-lending/articleshow/56022752.cms>

Dated: 16 December, 2016

- **ATMs Run By Private Non-Banking Entities Suffering As Banks Give Priority To Their Own Branches:** Operators of white label ATMs, or automatic teller machines owned and run by private non-banking entities, have reached out to the Reserve Bank of India to find a solution to their persistent problems with supply of cash. As banks are giving priority to their own branches and ATM network while managing a limited supply of cash, almost all the 14,000 white label ATMs (WLAs) are lying dysfunctional. As per Industry insiders 99% of WLAs have not even operated for a single day after November 8. These players have as much as 6,500 ATMs in rural areas and service approximately 30 million customers per month. These are the people who do not have access to digital modes of transaction and they depend on our ATM network for cash. We are trying to explain to the RBI the problems these people might be facing. Since WLAs are regulated entities they are allowed to draw cash only from banks and

not alternate sources like petrol pumps or organised retail outlets that usually deal in large amounts of currency notes, since there is a fear of counterfeit notes. But in these extraordinary times we might have to look for certain extra ordinary solutions atleast to ensure the rural economy is not severely affected. On an average they used to get around Rs 230 to 250 Cr. per day that supply has completely dried up as banks themselves are running on shorter supply of cash. Access to RBI chests might give them access to atleast 30% of that amount which would enable them to atleast run operations.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/atms-run-by-private-non-banking-entities-suffering-as-banks-give-priority-to-their-own-branches/ articleshow/56027156.cms>

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Dated: 16 December, 2016

- **Over Rs 9000 Cr. Deposited In District Co-Op Banks In 5 Days Post Demonetization:** Deposits totaling over Rs 9,000 Cr. were made in select District Central Cooperative Banks (DCCBs) across 17 states between November 10 and 15. The government's demonetization decision kicked in on November 9. Perennially ailing with accumulated losses and large non-performing assets, DCCBs suddenly mopped up over Rs 147 Cr. in the demonetized Rs 500 and Rs 1,000

notes. Once the flow of deposits into the politically controlled outfits was noticed, policymakers at North Block and the RBI barred DCCBs from accepting any more deposits of the scrapped notes. However, according to experts, the five-day window clearly proved enough for those with connections in DCCBs to convert their unaccounted for wealth into the new notes. For many years, DCCBs have been hunting grounds for politicians who open accounts in the name of farmers and use them for money laundering. Officials have particularly expressed surprise about the deposits of over Rs 1,800 Cr. in Kerala, where agriculture is on the brink of collapse. The DCCBs in Kerala mostly serve marginal farmers and small businesses. It is worth investigating how these loan-dependent depositors deposited Rs 1,810 Cr. in a matter of 5 days.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/over-rs-9000-Cr.-deposited-in-district-co-op-banks-in-5-days-post-demonetisation/articleshow/56046062.cms>

Dated: 18 December, 2016

- **Banks To Again Auction Kingfisher House, Villa At Lower Prices This Week:** Two plush properties belonging to troubled businessman Shri Vijay Mallya, Kingfisher House in the city and Kingfisher Villa in north Goa, will be re-auctioned this week by the 17 lender consortium at lower reserve prices compared to the failed previous three auctions. The reserve price for over 17,000 sq. ft. Kingfisher House near the airport will be auctioned at Rs 115 Cr. which is 15% lower than the failed

second auction held in August, when the minimum price to sell the asset was fixed at Rs 135 Cr. At the first auction of the erstwhile headquarters of Kingfisher Airlines in March, the lenders had kept the reserve price at Rs 150 Cr. The prime property, which has a built-up area of over 17,000 sq. ft. and is located in the plush Vile Parle area near the domestic terminal. The Kingfisher Villa at Condolim in north Goa will be put under the hammer on December 22 at a reserve price of Rs 81 Cr. which is 5% lower than the auction held in October, when the lenders had tried to sell the sea facing property at Rs 85.29 Cr. The villa was once used by Mallya to host lavish parties. Previous auctions of both these properties failed as none of the bidders came forward, citing higher reserve prices. Similarly, the lenders also could not find takers for the various Kingfisher brands which were given as collaterals for the loans worth over Rs 7,000 Cr. These brands had been valued at Rs 4,000 Cr. but later valuers appointed by the lenders found them to be worth under Rs 100 Cr. only. Also, the Service Tax Department too failed twice to get any bidders for the luxury jet in its possession. While Shri Mallya owes over Rs 850 Cr. to the department, the luxury jet was originally valued at over Rs 150 Cr.. Besides these two immovable assets, the lenders are once again auctioning the movable properties worth Rs 15.72 Lakhs, kept at the Kingfisher House on January 5. This asset includes 10 cars ranging from Toyota Camry & Innova, and Honda City & Civic among others, and will be auctioned

on an individual basis. All the properties are being auctioned by SBICap Trustee on behalf of the lenders.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/banks-to-again-auction-kingfisher-housevilla-at-lower-prices-this-week/articleshow/56047276.cms>

Dated: 18 December, 2016

- **Demonetization, Credit Card Volumes Up, But Transactions Drop:** While demonetization has driven up card usage, there has been a drop in the overall value of credit card transactions, say bankers. Credit card transactions are seen as a proxy for consumer confidence. Bankers are optimistic that values will pick up in the second half of December as consumers resume paying for fuel and airline tickets with cards. People who were earlier using debit cards only at ATMs are now paying with cards. Besides, existing debit and credit cardholders are making sub Rs 300 payments using cards. Card spend was also down on fuel and categories where old notes were allowed. Card usage for fuel will pick up as old notes are no longer accepted, and incentives for card payments will help. Since, it was big-ticket sales like consumer durables that got converted into EMIs, our EMI business is also down around 15%. According to sources at ICICI Bank, debit card transactions have picked up after demonetization but not to the extent witnessed by public sector banks. At the same time, the average value of credit card transaction in November dropped. Card transactions are now showing up for coffee payments as low as Rs 80. Card

transactions keep growing week after week but there is a sharp drop in values. The overall national trend of debit cards disproportionately driving the increase in the number of transactions is even more sharply noticeable in tier-2 and tier-3 towns.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/demonetisation-credit-card-volumes-up-but-transactions-drop/articleshow/56059924.cms>

Dated: 19 December, 2016

- **Axis Bank Suspends Some Suspicious Accounts After Being Hit By Irregularities By Its Employees:** Hit by irregularities by some of its employees, Axis Bank has taken “unprecedented step” of temporarily suspending some of the suspicious accounts and has a rigorous compliance procedure. The bank further has already filed Suspicious Transaction Reports (STRs) with the Financial Intelligence Unit (FIU-IND) about the potentially suspect accounts which were later probed by investigative agencies. The bank has also filed additional STRs with FIU proactively. Axis has rigorous compliance procedures and has also gone ahead and applied all our analytic capability to identify accounts that might have exhibited suspicious activity since demonetization. The bank has also taken the unprecedented step of temporarily suspending some of these accounts. The Enforcement Directorate arrested two Axis Bank managers here and seized 3 kg gold bars in connection with its money laundering probe in a racket of illegally converting old notes in connivance with

banking authorities. The agency's probe till now, after it registered a criminal complaint under the Prevention of Money Laundering Act (PMLA) on November 30, found that huge monies were transferred through RTGS transfers to some shell companies including a case where the Director of such a firm was a "petty laborer". The Income Tax department also conducted a survey at an Axis bank branch in Delhi in connection with its probe into possible tax evasion by way of illegal exchange of demonetized currency notes.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/axis-bank-suspends-some-suspicious-accounts-after-being-hit-by-irregularities-by-its-employees/articleshow/56064150.cms>

Dated: 19 December, 2016

- **Doha Bank Sets Ball Rolling To Start Subsidiary In India:** Qatar's Doha Bank will seek permission from its central bank to apply for a local subsidiary in India as it seeks to diversify into the world's fastest growing economy and fully tap the potential for remittances between the gulf state and India. Doha Bank has three branches in India currently. The two branches last year after acquiring HSBC Bank Oman's India business. The long term plan of the bank is to build a network in both Tier I and Tier II cities in India. Doha Bank has invested \$50 million in capital in India so far. So far, State Bank of Mauritius and Singapore's DBS Bank Ltd are the only two foreign banks that have publicly expressed willingness to open local units after RBI announced final guidelines for foreign

banks wanting to open subsidiaries in India in November 2013. Both these banks have applied to the central bank in 2015. RBI has promised to treat foreign banks opening local subsidiaries equally with local lenders, giving them the freedom to open branches and also later allow them to acquire local banks. Banks from the gulf see India as a lucrative market because of the high growth potential and more importantly because they can tap deposits through the remittance inflows between their home markets and India. Doha Bank for example helped transfer Rs 3,200 Cr. in remittances into India last year. Doha Bank's larger peer Qatar National Bank with \$195 billion in assets also gets a license to start operations in India earlier this year. Doha Bank is much smaller with \$23 billion in assets but has a head start with a \$1 billion credit line to Indian companies and Rs 500 Cr. of fund and non-fund exposure in India.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/doha-bank-sets-ball-rolling-to-start-subsidiary-in-india/articleshow/56065357.cms>

Dated: 19 December, 2016

- **Industry Asks RBI To Permit Iranian Banks Open Branches Here:** The Federation of Indian Export Organizations (FIEO) has asked the Reserve Bank of India to allow Iranian banks, some of which had applied to open branches here, almost five years ago. Five Iranian banks- Bank Pasargad, Saman Bank, Parsian Bank, Sarmayeh Bank and Eghtesad Novin Bank have applied to open branches in India but the process got delayed due to economic sanctions on Iran.

At present, most of these banks conduct their transactions through UCO Bank. However, with the lifting of the sanctions, this can be expedited as Tehran is keen to normalize banking and trade relations with India. India and Iran have bilateral trade of \$9 billion which is expected to reach \$12 billion in two years with oil prices rising and sanctions going away. Moreover, the two sides are on course to signing a preferential trade agreement. India has been exporting automobile components, tools, motors and chemicals to Iran, along with Basmati rice, sugar and other agricultural commodities. Its main import from Iran is oil, which accounts for 70% of the total imports from the country. Apart from trade, let us increase investment in both countries. Iran can show interest in our food processing and machinery industry.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/industry-asks-rbi-to-permit-iranian-banks-open-branches-here/articleshow/56066848.cms>

Dated: 19 December, 2016

- **RBI Says Banks Cannot Decline Pre-2005 Notes:** Reserve Bank of India (RBI) has directed banks to accept pre-2005 currency notes after receiving complaints from the public. These notes have been gradually phased out by the central bank since January 2014. In a notification on June 30, RBI had a major portion of the pre-2005 bank note have been withdrawn from circulation. It had hence provided an exchange facility for these notes through its ten regional offices across the country. RBI clarified that except Rs 500 and Rs 1000 notes all other pre-2005 notes

continue to be legal tenders. Banks should accept deposits of pre-2005 banknotes in the denominations of Rs 500 and Rs 1000 but not reissue these. These notes can be exchanged at the Reserve Bank Offices only.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-says-banks-cannot-decline-pre-2005-notes/articleshow/56067188.cms>

Dated: 19 December, 2016

- **Currency Scrap, ED Seeks Details From 100 Co-Op Banks Across Country:** The ED has written to about 100 cooperative bank branches across the country seeking details about activities in their dormant accounts and other suspicious transactions as part of its anti-black money probe post demonstration. The agency has sought details from these banks after it got reports about suspicious activities of some huge transactions being reported from the bank accounts in these branches. The Enforcement Directorate is probing these cases for possible contravention of the Foreign Exchange Management Act (FEMA) and the Prevention of Money Laundering Act (PMLA). The agency had written to about 100 branches of cooperative banks in various states in the first stage of its probe. The information received on the activities of dormant accounts and others will be matched with the intelligence and FIU data that the agency has obtained.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/currency-scrap-ed-seeks-details-from-100-co-op-banks-across-country/articleshow/56071967.cms>

Dated: 19 December, 2016

- **Banks Could Gains Rs. 38 K Cr. Due To Drop In Bond Yields:** Indian banks could collectively gain a total of Rs 38,200 Cr. in the current fiscal year from potential treasury gains due to the sharp drop in government bond yields because of the momentous liquidity with banks after the withdrawal of high denominated currency notes. The Rs 38,200 Cr. worth of potential treasury gains are significantly large, considering the banking sector reported an Rs 23,600 Cr. profit for FY16 (Public Sector Banks (PSBs) reported INR 177 billion in loss). Banks have been awash with unprecedented liquidity after the government pulled out the high denomination Rs 500 and Rs 1000 notes from circulation on November 8. People have deposited Rs 12.44 Lakhs Cr. of old high denominated notes until December 10. The benchmark ten year bond yield has dropped to 6.48% after starting the fiscal year at 7.46% mainly because the Reserve Bank of India (RBI) has reduced its benchmark repo rate by 50 basis points to 6.25% from 6.75% in this period. It has reduced its rate by 175 basis points since January 2015. One basis point is 0.01% point. However the fall has been steep since the surplus liquidity due to the withdrawal of high denominated notes as the yield has dropped more than 30 basis points to 6.48% from 6.80% in the last one-and-a-half months. The gains from this drop will benefit public sector banks more since they are starved of capital. It will also increase demand for government and high-rated corporate bonds because of the tepid

credit demand currently. Banks are poised to benefit from the softening of yields, considering they are the largest holders of government bonds (about Rs 29 Lakhs Cr. as on 11 November 2016). Better placed private sector banks can use this windfall to improve their provision coverage ratios. Banks will also benefit from the Ujwal Discom Assurance Yojana (UDAY) bonds as the yields for these instruments which were given to banks as part of the restructured loans for state distribution companies (DISCOMS) have also fallen between 100 to 150 basis points. It is likely that mid-sized public sector banks will announce large gains on treasury because they have been burdened by the rise in Non Performing Loans.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/banks-could-gains-rs-38k-cr-due-to-drop-in-bond-yields/articleshow/56085148.cms>

Dated: 20 December, 2016

- **RBI To Issue New Rs 500 Note In New Series With Inset Letter R:** The Reserve Bank of India is issuing a new batch of Rs 500 notes in Mahatma Gandhi (New) series with the inset letter R in both the number panels. In continuation of issuing of Rs 500 denomination banknotes in Mahatma Gandhi (new) series which are currently legal tender, a new batch of banknotes with inset letter 'R' in both the number panels, bearing the signature of Dr. Urjit R Patel Governor, Reserve Bank of India, with the year of printing '2016' are being issued. The central bank in two separate notifications further will shortly issue Rs 50 denomination banknotes in the Mahatma

Gandhi Series-2005, with inset letter 'R' and 'L' in both the number panels. The new notes will bear the signature of Shri Urjit R Patel, the incumbent RBI Governor, and the year of printing '2016' printed on the reverse of the banknote. These banknotes (Rs 50 notes with insert letter L and R) have the ascending size of numerals in the number panels; the banknotes are similar to the banknotes of Rs 50 issued earlier in Mahatma Gandhi Series-2005. Meanwhile, the Central Bank today imposed stiff restrictions on depositing more than Rs 5,000 in the scrapped Rs 500 and Rs 1,000 notes, mandating that it can be deposited only once per account till December 30, that too after explaining to bank officials the reasons for not having done that so far.

Source: http://www.moneycontrol.com/news/current-affairs/rbi-to-issue-new-rs-500-notenew-seriesinset-letter-r_8136841.html

Dated: 20 December, 2016

- **Note Ban, Rs. 38,200 Cr. Bank Bonanza In H2 Via Treasury Gains:** The falling yields due to the liquidity flush post-demonetization is likely to deliver a Rs 38,200 Cr. bonanza to the bleeding banks through treasury gains. Softening of yields due to surplus liquidity could help the NPA-saddled banks register Rs 38,200 Cr. in potential treasury gains in the current financial year. This is a "significantly large" number considering the entire banking sector had posted a Rs 23,600 Cr. profit in 2015-16, while state-run lenders, which control over two-thirds of the system reported a Rs 17,700 Cr. loss. The development comes at a time when the banking sector is facing challenging

conditions and their profitability levels remain weak owing to continued pressure on asset quality and weak loan expansion. The gains can help the capital-starved banks buffer up their capital levels, while the well capitalised ones should focus on upping their provision coverage ratios, which have shown a declining trend recently. It can be noted that the glut of liquidity following the demonetization move, which has seen deposits of over Rs 12 trillion in the scrapped currency notes come into the system, positively impacted the yields. As per the rating outfit only Rs 15,400 Cr. has been raised through the newly-introduced addition tier-I bonds and the softening yields can help increase mutual funds' interest in the instrument, and in turn help shore up the core capital levels. A surge in deposits, due to currency recall exercise, will increase demand for Government and high-rated corporate bonds, and is likely to put downward pressure on yields under the current tepid credit demand scenario. The Ujwal Discom Assurance Yojana (UDAY) bonds will also add to the treasury gains, there is a difference between yields at the time of issuance and trading price of up to 1.50%.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/note-ban-rs-38200cr-bank-bonanza-in-h2-via-treasury-gains/articleshow/56086077.cms>

Dated: 20 December, 2016

- **Banks Stop Questioning Cash Depositors After Fresh RBI Directive:** Banks have begun accepting the junked Rs 500/1000 notes in KYC-compliant accounts without any questions following RBI's rollback of its

stiff conditions a day after customers were subjected to queries while depositing old currency. With hardly 10 days to go before the deadline ends for depositing the scrapped notes, banks continued to witness rush with tempers flaring occasionally as the RBI notification came during the banking hours, not before the start of the day. Banks were yesterday directed by the Reserve Bank of India to asks questions to customers depositing over Rs 5,000 as to why they had failed to deposit the old notes earlier. People crediting money to such accounts were subjected to questioning, on record, in the presence of at least two officials of the bank before receiving a satisfactory explanation. Under all-round attack, RBI today did a U-turn on customers depositing demonetized notes over Rs 5,000 till December 30 by making it clear that there will be no questions asked either in case of one-time or repeat deposits if the accounts are KYC-compliant. Banks in turn directed branches minutes after RBI issued the notification and bankers promptly started following it from the afternoon. The RBI turnaround came as Finance Minister assurance that there will be no questions asked to customers who would make one- time deposit above Rs 5,000 failed to persuade bank officials who insisted that there should be fresh circular from RBI so that customers will not be harassed. However, customers with non-KYC accounts will be subject to stiff conditions imposed by RBI on December 19 for deposit of junked notes.

Source: <http://economictimes.indiatimes.com/>

[industry/banking/finance/banking/banks-stop-questioning-depositors-after-fresh-rbi-directive/articleshow/56105457.cms](http://economictimes.indiatimes.com/industry/banking/finance/banking/banks-stop-questioning-depositors-after-fresh-rbi-directive/articleshow/56105457.cms)

Dated: 21 December, 2016

- **Bank Officers Hold Demonstration At RBI Offices Across India:** Members of All India Bank Officers' Confederation (AIBOC) today held demonstrations at various RBI offices, including Mint Road headquarters in Mumbai, demanding adequate cash availability to banks and complete withdrawal of deposit cap rules. Besides Delhi, demonstrations were held at various offices of RBI, including its head offices in Kolkata, Chennai, Bengaluru and Jaipur. Bank Officers are being subjected to the anger, anguish and wrath of customers or general public due to short supply of currency notes to the banks, particularly to Public Sector banks. KYC compliant account holders can deposits more than Rs 5,000 in old currency notes without being questioned by bank officials. RBI issued a notification directing banks to conduct due diligence of customers who wish to deposit more than Rs 5,000 in old currency till December 30.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/bank-officers-hold-demonstration-at-rbi-offices-across-india/articleshow/56105868.cms>

Dated: 21 December, 2016

- **Jan Dhan Deposits Fall Post Rs 75,000 Cr. Peak:** After peaking at nearly Rs 75,000 Cr. Jan Dhan deposits have started to decline even much before the deadline for depositing old Rs 500 and Rs 1,000 notes ends on December 30. The government had cancelled the legal tender status of

Rs 500 and Rs 1,000 notes on November 8, triggering a rush to deposit old currency into bank accounts. The total deposits in these accounts, many of them containing zero balance before that, rose to Rs 72,843 Cr. by November 23 from Rs 45,636 Cr. on November 9. According to the latest data inflows slowed down substantially after that and over the next two weeks, deposits rose less slowly to Rs 74,609 Cr. Subsequently, the trend has reversed and money has now begun to move out of these accounts on a net basis. As on December 14, the total deposits in these accounts were Rs 74,123 Cr. The Central Board of Direct Taxes had asked Jan Dhan account holders on December 4 for the first time to not allow misuse of their accounts that would have to become know your customer compliant after deposit of more than Rs 50,000 as also lose other benefits tied to these accounts. The income tax department had detected undisclosed moneys of approximately Rs 1.64 Cr. deposited by persons who have never filed returns of income being below the taxable limits, into their Jan Dhan accounts at Kolkata, Midnapore, Ara (Bihar), Kochi and Varanasi. Tax authorities seized Rs 40 Lakh from one such account in Bihar. As per the CBDT, undisclosed income so detected will be brought to tax as per the provisions of the Income Tax Act, 1961, apart from other actions depending upon the outcome of investigations.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/jan-dhan-deposits-fall-post-rs-75000-Cr.-peak/articleshow/56109975.cms>

Dated: 22 December, 2016

- **PSBs Set To Limit Electronic Fund Transfer Charge:** In another measure to promote digital payments, the government has directed state run banks not to charge fees for transactions settled on Immediate Payment Service (IMPS) and Unified Payments Interface (UPI) in excess of that levied for National Electronic Funds Transfer (NEFT) of over Rs 1,000. The ministry noted that the Reserve Bank of India (RBI) has recently rationalized customer charges for transactions up to Rs 1,000 settled on IMPS, UPI and USSD between January and March 2017. RBI has also rationalized the Merchant Discount Rate (MDR) for debit card transactions of up to Rs 2,000 for the same period. As per RBI norms, NEFT transfers of up to Rs 10,000 attract a fee of Rs 2.50, from Rs 10,000 to Rs 1 Lakhs the fee is Rs 5; from Rs 1 Lakhs to Rs 2 Lakhs it is Rs 15 and above Rs 2 Lakhs it is Rs 25. Service tax is charged in addition to this. The Unstructured Supplementary Service Data (USSD) transactions above Rs 1,000, a further discount of 50 paise on these rates will apply. USSD is mobile short code message and is used mainly for banking services on feature phones. USSD fee is Rs 1.50, which has been waived till December 30. IMPS is an inter-bank electronic instant mobile money transfer service. UPI app enables customers to make online as well as offline payments to merchants from their bank accounts, without typing card or net banking/wallet details and IFSC code.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/psbs-set-to-limit-electronic-fund-transfer-charge/articleshow/56110052.cms>

Dated: 22 December, 2016

- **Magma Fincorp Limited To Expand Its Operations In South India:** Magma Fincorp Limited, a leading Kolkata-based NBFC, is expanding its operations in South India. The company is targeting 20% growth in Kerala. It will focus on housing finance and Suvidha, used vehicle loans to achieve the numbers. The company is a major player in retail finance and has strong customer relationship in the state. The renewed focus on the rural and semi rural markets will come handy for the company and focus on tractor finance will continue. They have been able to build a strong team to deliver the numbers in tractor and affordable housing and expect to grow at over 20% in each of the products. Magma recorded Rs 168 Cr. disbursements in Kerala. The company has 12 branches across the state and two more branches would be opened soon. Magma manages a loan book of Rs 17796 Cr.. The company has 257 branches in 22 states. A non deposit taking non banking finance company. Magma provides a bouquet of financial products including financing of utility vehicles & cars, commercial vehicles, construction equipment, used commercial vehicles, tractors and SME Loans. It operates affordable housing finance and general insurance segments.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/magma-fincorp-limited-to-expand-its-operations-in-south-india/articleshow/56122973.cms>

Date: 22 December, 2016

- **For Rs 1 Have Rs 2,000 Home Delivered:** E-commerce company Snapdeal announced the launch of Cash at Home service which

allows users to order Rs 2,000 in cash and get it delivered at their doorstep. The launch of the cash on demand service is intended to further help our consumers tide over any cash crunch that they might face in addressing their daily needs. Snapdeal will be using the cash that it receives through cash on delivery to operate this facility. It will charge Rs1 as convenience fee which will need to be paid through Free Charge or through a debit card at the time of booking the order.

Source: <http://www.thehindubusinessline.com/money-and-banking/for-1-have-2000-homedelivered/article9440797.ece>

Date: 22 December, 2016

- **RBI Governor To Brief Parliamentary Panel:** RBI Governor Shri Urjit Patel will brief a parliamentary panel on issues concerning demonetization and its implications on the economy. The Standing Committee on Finance, which met under the chairmanship of Congress leader Shri M Veerappa Moily is briefed about demonetization by various experts. The experts are divided on the government's decision of cash recall. The panel sought to know from the experts their opinion on the existing cash to GDP and tax to GDP ratios. The committee has called Shri Urjit Patel to brief the members about the contours of demonetization and the efforts are being made by the central bank to ease cash crunch in the economy. The panel will lend an ear to bankers and Indian Banks' Association. The 31 member panel will question finance ministry officials and IT experts on demonetization and steps taken to promote digital

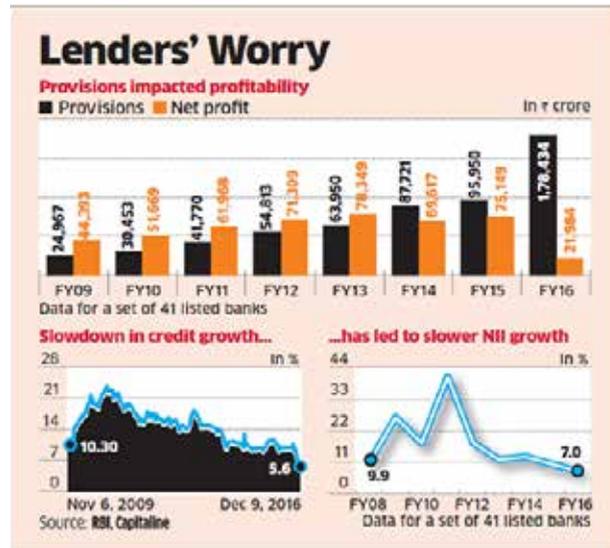
economy. The digital economy at present is 3 per cent and efforts are on to take it to 90 per cent. The decision to scrap old high value notes, people are thronging banks to deposit invalid currency and also get valid ones to meet their requirements. The RBI has set withdrawal limit of Rs. 24,000 per week for individuals, but due to the shortage of currency, many bank branches are compelled to ration it further. There has been a slew of changes in the regulations both by RBI and the government in the last six weeks, increasing hardships for both the public and bankers. The RBI rolled back its directive restricting deposits of demonetized notes of more than Rs. 5,000 in bank accounts till December 30, the latest in a series of revisions.

Source: <http://www.thehindubusinessline.com/money-and-banking/rbi-governor-to-brief-parliamentary-panel-on-jan-19/article9440116.ece>

Dated: 22 December, 2016

- Road Ahead For 2017, Focus On Cash Flows, Banks Need More Time To Tackle Other Issues:** The majority of bad asset recognition having materialized 2016 & expected to mark a peak of the banking industry's woes. The banks were putting their act together to face hurdles pertaining to higher provisions and slow loan demand. The demonetization focus may delay the time they need to overcome these obstacles. The withdrawal of old Rs 500 and Rs 1000 notes which is set to extract nearly 86% of the currency in circulation has resulted in a surge in deposits and a subsequent fall in bond yields which may help banks to earn higher treasury income.

The whole demonetization exercise has put bank employees and practices followed by the banks to the test. They work hard to assuage people's cash needs.



Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/road-ahead-for-2017-focus-on-cash-flows-banks-need-more-time-to-tackle-other-issues/articleshow/56173327.cms>

Dated: 26 December, 2016

- SBI, Other Banks May Cut Lending Rates In New Year:** The country's largest lender and a few other banks are expected to announce a cut in lending rates. People considering home and car purchases can look forward to cheaper rates due to the liquidity that's flooded the banking system with the deposit of old notes, especially since corporate loan demand remains weak. SBI couldn't be reached for comment. Cash withdrawal limits are expected to stay in place. At an Indian Banks Association meeting, the chief executives of some large banks explored the possibility of a cut in interest rates on loans following discussions with the finance ministry. Some

bankers believe such a move could revive sentiment amid the dip in consumption due to the currency shortage induced by demonetization. SBI has pegged its lending rate at 8.90% for a year among the lowest in the industry. The flip side to this is a possible reduction in the savings bank rate. There is no regulatory curb on the savings account rate, all state run banks and large private banks have currently set it at 4%. Post demonetization, number of customers have repaid their loans and many are refraining from borrowing. The demand for loans has disappeared but at the same time banks are flush with funds. RBI data show bank credit rose 1.2% to Rs 73 Lakhs Cr. in the year against a rise of 6.2% to Rs 69.6 Lakhs Cr. Deposits rose 13.6% to Rs 105.9 Lakhs Cr. compared with a 7% increase to Rs 91.8 Lakhs Cr. The ministry is in dialogue with banks on measures that can be taken to boost investment. Bankers expect withdrawal curbs to continue, perhaps with a relaxation in the limit. It will take a few months before the entire stock of old notes is replaced, this could be a strategy to encourage customers to switch to digital transactions by keeping a limit on currency in circulation. This seems to be have the desired effect. The queues at bank counters and cash dispensers haven't abated, electronic transactions.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/sbi-other-banks-may-cut-lending-rates-in-new-year/articleshow/56174339.cms>

Dated: 26 December, 2016

- **Demonetization: Restrictions On Cash Withdrawals Likely To Continue Beyond December 30:** Restrictions on withdrawal

of cash from banks and ATMs are likely to continue as currency printing presses and RBI have not been able to keep pace with the demand of new currency notes. The 50 day deadline for completion of demonetization process draws near. There is a growing consensus among bankers that the restrictions on withdrawal would continue, so as to maintain orderly working at the banks. Banks at many places are not in a position to disburse even the current limit of Rs 24,000 per week due to cash crunch and are rationing the valid currency depending on cash availability. If this limit is withdrawn for individual and businesses is unlikely then banks would be able to disburse the higher demand for valid currencies given the current cash position. The withdrawal limit would not be completely withdrawn. There is a possibility that it could be relaxed if the cash situation improves. Banks are struggling to meet the demand of individual customers it would be impossible to service MSME and big corporate which requires cash in large quantity.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/restrictions-on-cash-withdrawals-likely-to-continue-beyond-december-30/articleshow/56166822.cms>

Dated: 25 December, 2016

- **RBI Refuses To Disclose Deliberations Of Its Board On Demonetization:** The Reserve Bank of India has refused to allow access to minutes of meetings held to decide on the issue of demonetization of Rs 1,000 and Rs 500 notes announced by Prime Minister Shri Narendra Modi. The Section exempts disclosure of

information which would prejudicially affect the sovereignty and integrity of India. The security, strategic, scientific or economic interests of the State, relation with foreign State or lead to incitement of an offence. The confidentiality prior to the making of the demonetization decision is understandable, continued secrecy after the decision is implemented is difficult to understand when Cr.s of Indians & cash starved people have problems paying hospital charges when mothers delivered babies and bereaved families faced problems paying fees to cremate or bury their dead at cemeteries or crematoria.

Source: <http://www.thehindubusinessline.com/money-and-banking/rbi-refuses-to-disclose-deliberations-of-its-board-on-demonetisation/article9443338.ece>

Dated: 25 December, 2016

- **Bad Loan Recovery Slowed In 2016 At Rs 22,678 Core:** It is more noise than action when it comes to recovery of bad loans. When banks claimed that they were accelerating loan recovery, on the ground it actually slowed to Rs 22,678 Cr. at the end of fiscal year 2016 from Rs 30,792 Cr. a year earlier, according to central bank data. Public sector banks continued to lag behind private lenders in loan recoveries even as they were burdened with a high proportion of nonperforming assets. PSU banks could only recover Rs 19,757 Cr. last fiscal year against Rs 27,849 Cr. in fiscal 2015. The recoveries through the Sarfaesi Act, which allows banks to auction assets to recover loans, dropped 52%. While banks recovered over Rs 13,179 Cr. at the

end of financial year FY16, this number was Rs 25,600 Cr. the year before. On the other hand, recovery through Lok Adalats and debt recovery tribunals increased. Banks recovered Rs 6,365 Cr. against Rs 4,208 the previous year via the tribunal. Recoveries via Lok Adalats totaled Rs 3,224 Cr. in fiscal 2016, compared with Rs 984 Cr. the year before. Banks were saddled with more than Rs 6 lakh Cr. in bad loans. This has led to a virtual freeze in lending activity with credit growth in low single digits for several state-run banks. 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. Banks have reduced some stress by selling bad assets to asset reconstruction companies (ARCs). Bad loans worth Rs 72,626 Cr. were sold to 16 ARCs at the end of March 2016, compared with Rs 58,479 Cr. in the previous year.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/bad-loan-recovery-slowed-in-2016-at-rs-22678-core/articleshow/56260773.cms>

Dated: 30 December, 2016

- **Just 30 Percent Of ATMs Work As Banks Opt To Hand Out Cash:** More than two-thirds of ATMs continued to run dry across the country as banks chose to distribute cash to customers through branches rather than refill machines that could be accessed by

all debit card holders. According to CATMI, only 20% of 2.2L ATMs in the country are getting regularly loaded with cash, two months into demonetization. As against the Rs 7-8 lakh daily cash being loaded before demonetisation, banks are loading only Rs 2-3 lakh per ATM. High net worth individuals are able to walk into banks and withdraw as much as Rs 24,000, even as people stand in long queues outside ATMs. Banks will be able to service 10 customers at an ATM for the same money they service one customer at the bank. Compared to the average of 10 withdrawals that banks manage through tellers in an hour, ATMs are able to manage twice the number.

According to operators, among banks, SBI is the only one that has been consistently refilling ATMs while private banks are choosing to move most cash to their branches. ATMs are a more efficient way of dispensing currency. While on one hand bank staff are overworked and face stress due to long queues of people waiting to withdraw cash, most ATMs are running idle as there's no money.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/just-30-per-cent-of-atms-work-as-banks-opt-to-hand-out-cash/articleshow/56266358.cms>

Dated: 31 December, 2016



DEPARTMENT OF BANKING & FINANCIAL SERVICES

myloanassochem.com **MSME PORTAL**

“Facilitate Loan to Micro and Small Enterprises”

7th January 2017, Hotel Taj Deccan, Hyderabad

We are pleased to inform you that ASSOCHAM has launched Myloanassochem.com: MSME Portal on 7th January 2017, at Hotel Taj Deccan, Hyderabad with the objective of facilitating loan to Micro and small enterprises to improve facility for funding to MSME borrowers, tiny enterprises, start ups and women entrepreneurs towards the overall development of the Indian economy.

We have great pleasure to share with you Link of the Portal:

<http://www.myloanassochem.com/>

As the ASSOCHAM continuously seeks to better itself, your feedback valuable suggestions on Portal would be highly appreciated.



Top International Banking News

- **Fed raises Rates, Sees Faster Pace Of Increases In 2017:**

US Federal Reserve raised interest rates by a quarter point and signaled a faster pace of increases in 2017 as the Mr. Trump administration takes over with promises to boost growth through tax cuts, spending and deregulation. The rate increase, regarded as a virtual certainty by financial markets in the wake of a string of generally strong economic reports, raised the target federal funds rate 25 basis points to between 0.50% and 0.75%. Job gains have been solid in recent months and the unemployment rate has declined," noting that market-based measures of inflation compensation had moved up "considerably." More significant was a fresh batch of Fed policymaker forecasts that indicated the current once-a-year pace of rate increases will accelerate next year. The Fed's median outlook for rates rose to three quarter-point increases in 2017 from two as of September. That would be followed by another three increases in both 2018 and 2019 before the rate levels off at a long-run "normal" 3.0%. That normal level is slightly higher from three months ago, a sign that the Fed feels the economy is still gaining traction. The Fed continued to describe that pace as "gradual," keeping policy still slightly loose and supporting some further improvement in the job market. It

sees unemployment falling to 4.50% next year and remaining at that level, which is considered to be close to full employment.

Source: <http://economictimes.indiatimes.com/markets/stocks/news/janet-yellen-delivers-25-bps-rate-hike-5-key-takeaways-for-dalal-street/articleshow/55989476.cms>

Dated: 15 December, 2016

- **EU Lauds Nationalization Of Ukraine's Largest Bank:**

The European Union has praised Ukraine's leadership for its decision to nationalize the country's biggest bank, calling it a "bold and courageous" move and a key component of broader reforms that the West is pressing Kyiv to carry out. The government had decided to take 100% control of PrivatBank. The move follows months of rumors that the bank was troubled by bad debt. The statement by the cabinet of takeover would rescue both PrivatBank and Ukraine's "entire banking system." The move was also praised by the International Monetary Fund (IMF), which has loaned Ukraine billions to help prop up its battered economy. IMF chief Christine Lagarde called it "a major step forward in the authorities' efforts to rehabilitate the banking system and safeguard financial stability."

Source: <http://www.rferl.org/a/ukraine-nationalizes-privat-bank/28183273.html>

Dated: 19 December, 2016

- **Bank of Japan Holds Rates Steady As Expected:** The Bank of Japan (BOJ) left policy unchanged at the conclusion of its two-day policy meeting, as widely expected. The central bank maintained the negative 0.10% interest rate imposed on banks for some excess reserves, left the 10 year Japanese Government Bond (JGB) yield target at around zero, and kept annual rises in JGB holdings at 80 trillion yen (\$676.9 billion). The BOJ also upgraded its economic assessment, noting that the economy continued to recover moderately. It also revised up its view on exports and output. Indeed, a string of positive data recently has bolstered optimism on the world's third-largest economy. Large expenditure on public work projects, a part of August's

28.1 trillion yen fiscal stimulus package, is anticipated to support economic growth from the beginning of 2017 and in turn, prop up inflation, supported by a weaker currency. The central bank has made noticeable shifts in its policy stance in recent months. Going forward, the central bank's policy dynamic could change from easing to tapering as a weaker yen and fiscal stimulus fuel inflation expectations. The fact that the central bank owns large chunks of the bond market already may also limit its ability to intervene, and consequently push yields higher.

Source: http://www.moneycontrol.com/news/international-markets/bankjapan-holds-rates-steady-as-expected_8137541.html

Dated: 20 December, 2016

Top Banking Development

- **DCB Bank Launches Its Own Mobile Wallet**

Cippy: DCB Bank has launched its own mobile and tab based digital wallet Cippy Wallet app to encourage consumers to experience cash free purchases from the mobile phone for day-to-day needs. The app offers a 'Split-Bill' feature which allows any payment that is either paid using Cippy Wallet app or other modes such as card or cash can be easily split between groups with a single click on the mobile phone! Cippy enables cash free payments by using the mobile phone camera to scan the mVisa QR code at the retailer or service provider. The Cippy Wallet user can scan, select the amount to be paid and use their Cippy password to authorize payment. The digital payment is made to the bank account selected by the shop keeper or service provider while applying for mVisa QR code from their respective bank. Cippy Wallet app is user friendly wherein users login with their name, mobile number and email ID to load the Wallet through Debit, Credit Card or internet banking. Customers use Cippy Wallet to pay mobile or DTH bills or even recharge mobiles. Additionally users can send money or ask for money from anyone. Cippy shows immediate confirmations in the app and sends SMS alert for every transaction. Cippy Wallet enables customers to share the status of

a transaction with anyone via WhatsApp, SMS or e-mail.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/dcb-bank-launches-its-own-mobile-wallet-cippy/articleshow/55753492.cms>

Dated: 2 December, 2016

- **Common QR Code For Payments Soon:**

As part of a multi-pronged push towards cashless transactions, the government has asked RuPay, MasterCard and Visa to have a common Quick Response (QR) code-based payments solution to help shops across India accept electronic payments without a card swipe machine. Paytm, which has gone all-out to acquire merchants, also allows payments using a QR code. It is a closed-loop system. What it means is that only Paytm members can transact and money travels within its network. However, the government's interoperable QR code-based solution will allow payments through multiple gateways. The push for an interoperable QR code has come following a brainstorming session between major banks, payments companies and government officials. The interoperable QR code-based payments solution is being called India QR for now, and is targeted to be launched in January. Visa has been a pioneer in QR Code payments, having developed and launched mVisa in India in Bengaluru over a year ago. mVisa has now

been picked up in different markets across the world. Soon after Visa, Paytm launched its QR code app for offline merchants. MasterCard has just launched its solution-Masterpass QR service which debuted in Ratnakar Bank-partnered Ongo payment wallet. RuPay is expected to launch its own QR code solution shortly. This is the third front on which the government is pushing cashless payments.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/common-qr-code-for-payments-soon/articleshow/55805091.cms>

Dated: 5 December, 2016

- **Yes Bank Partners Ola To Set Up 30 Mobile ATMs In 10 Cities:** Yes Bank has partnered cab aggregator Ola to set up mobile ATMs across 30 locations in the country that will allow people to withdraw up to Rs 2,000 per card. The Point of Sale (PoS) enabled ATMs will be stationed in Ola cabs from where customers of any bank can withdraw the amount. The service will be available in over 30 locations across 10 cities including Mumbai, Delhi, Bangalore, Chennai, Pune, Kolkata, Chandigarh, Ahmedabad, Hyderabad and Jaipur. This partnership is being done with an aim to ease the process of cash withdrawals for citizens across the country and provide seamless service to the customers with additional mobile infrastructure powered by Ola. This is an important time for banking and mobility to come together and help people. Ola's fleet and technology strengths complement Yes Bank's service, and enable convenient cash withdrawals for people. Ola is also accepting various modes of cashless

payments. Yes Bank is fully committed to help realize Government's initiative to propel digital payments in India and move towards a 'less-cash' economy.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/yes-bank-partners-ola-to-set-up-30-mobile-atms-in-10-cities/articleshow/55812882.cms>

Dated: 5 December, 2016

- **Maharashtra To Roll Out Its Own M-Wallet:** Maharashtra is set to become the first state to have its own mobile wallet that will also allow users to transfer funds to or from other mobile wallets such as Paytm and Mobikwik. 'Mahawallet' is expected to be launched in the next 15 days. There are multiplicity of mobile wallets with no arrangement for transfer of funds. We are working on a switch like the one developed by National Payments Corporation of India (NPCI) where funds are transferred between different banks. Here, the wallet would also work as a switch where even though the person may not have the same wallet, he can transfer or receive funds through Mahawallet. The interoperability to transfer funds from one wallet to another through Mahawallet would be its key feature. The state government is in talks with various banks and the NPCI to work out the modalities of the wallet. Maharashtra finance minister is backing the launch of the wallet to push cashless transactions in the state after the demonetization of Rs 500 and Rs 1,000 notes.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/maharashtra-to-roll-out-its-own-m-wallet/articleshow/55843739.cms>

Dated: 7 December, 2016

- **Online Marketing Platform Mahila E-Haat Ties Up With India Post, SBI To Offer More Payment Option:** The Women and Child Development Ministry has tied up with India Post and State Bank of India to offer more payment options to buyers and simplify shipping of products bought from “Mahila E-haat”, an online marketing platform for women entrepreneurs. SBI users can avail multiple options for making payments such as draft, cheque, e-banking and e-wallet through “SBI Buddy” application. SBI customers abroad can make use of “SBI Global”. Also, one can take advantage of options like “general insurance” for insuring the item being couriered. The tie-up with India Post will help women selling products on the forum locate the nearest post office for shipping purposes. The entrepreneurs can also enter a vendor agreement with India Post, which will help them get a discount on bulk consignments. “Mahila E-haat”, launched in March, was set up for the socio-economic empowerment of women and sellers can register their products on the platform without having to pay any listing fee. Around 251 vendors have registered themselves with the forum. They have a network of nearly 1700 self-help groups that put up their products for sale.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/online-marketing-platform-mahila-e-haat-ties-up-with-india-post-sbi-to-offer-more-payment-option/articleshow/55852236.cms>

Dated: 7 December, 2016

- **100 Banks Join National Financial Switch Network As Direct Members:** National

Payments Corporation of India (NPCI) has 100 banks joined the National Financial Switch (NFS) network as direct members. NFS is the largest interoperable ATM network in the country and it manages more than 95% of the domestic interbank ATM transactions. The NFS network comprise of 745 members which include 100 direct members, 645 sub-members including Regional Rural Banks (RRBs) and White Label ATM operators (WLAOs). The network now has 2,30,000 ATMs. Direct members are those banks that directly participate in clearing and settlement with NPCI. Direct member bank can also act as a sponsor bank. NFS has emerged as one of the well-established ATM networks in the world. Its operational functions and services are at par with most of the global ATM networks. NFS has maintained high standards of application and network uptime. Besides, basic transactions like cash withdrawal and balance enquiry, other Value Added Services (VAS) offered at ATMs are interoperable cash deposit, PIN change, mini statement, mobile banking registration, card-to-card fund transfer, cheque book request and statement request to its members.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/100-banks-join-national-financial-switch-network-as-direct-members/articleshow/55854358.cms>

Dated: 7 December, 2016

- **Soon, Bots Will Assist You In Banking:** Silicon Valley-based artificial intelligence company Payjo is set to launch banking bots in India in collaboration with Yes

Bank and RBL. The company has signed deals with the two banks and is in talks with other public and private sector banks to launch banking bots or robots by early next year. These will be the top six banks in India by transaction value, and the launch will help greatly to ease the adoption of digital banking and creating more financial literacy in India. The company had earlier this year launched a recharge bot, which it garnered 30,000 users within three months for services such as recharge and balance reminders. The bot, which can be accessed in multiple languages, will be available over social messaging platforms such as Facebook Messenger, WhatsApp and Skype. The company is getting inquiries for this product from a number of US banks. The bot will operate as an intelligent financial assistant for an individual. For instance, if it sees that the person travels a lot for work, it may recommend specific travel cards the person could use.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/soon-bots-will-assist-you-in-banking/articleshow/55950006.cm>

Dated: 13 December, 2016

- **Yes Bank, Grofers Tie Up To Deliver Cash At Doorstep:** Extending facility to deliver cash at doorstep, Yes Bank has now tied-up with e-grocer Grofers allowing customers to get cash of up to Rs 2,000 when they order grocery online. Grofers, the on-demand e-commerce mobile and web application, is opening up a new avenue for people to get cash delivered at home, by partnering with Yes Bank. The cash delivery service open to all back account

holders has started across Mumbai, Gurgaon and Bengaluru. Other cities will be added to the list gradually. Customers who wish to order cash withdrawal will have to buy grocery of minimum of Rs 2,000 and pair it with a special code to get the money.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/yes-bank-grofers-tie-up-to-deliver-cash-at-doorstep/articleshow/55960900.cms>

Dated: 13 December, 2016

- **IDFC Bank Launches Aadhaar-Linked Cashless Merchant Solution:** IDFC Bank announced the nationwide launch of aadhaar linked cashless merchant solution that uses a retailer smart phone to enable digital payments. Aadhaar Pay, launched by the government has been developed by IDFC Bank in association with Unique Identification Authority of India and the National Payments Corporation of India. IDFC Aadhaar Pay will enable millions of merchants across the country to facilitate cashless purchases for customers in a cost effective and scalable way. It will enable citizens in the deepest corners of the country to participate in the digital movement even those who do not own a phone but want to pay digitally. People need to have a bank account and their aadhaar linked to it. There is no transaction fee for both merchants and customers. IDFC Aadhaar Pay will accelerate the pace of growth for cashless payments.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/idfc-bank-launches-aadhaar-linked-cashless-merchant-solution/articleshow/56170045.cms>

Dated: December 25, 2016

- **Bank of Maharashtra Adopts A Village In Sangli For Digital Transactions:** Pune based public sector lender Bank of Maharashtra, has helped to make the village of Malangaon, in Sangli district, Maharashtra, a completely cashless village. Post the announcement of withdrawal of 500 and 1000 currency notes and the push towards a cashless society financial inclusion became the need of the hour, and the bank officials with the help of the District collector and several government officials adopted the village. Located 3.5kms away from Shirdoh branch of the bank, the business correspondents did door to door campaigns across the village to enroll the people through Aadhaar linked bank accounts to enable them to make payments digitally instead of cash. The bank has conducted various educational initiatives in the village to ensure people got more aware of the various channels of digital payments Bank of Maharashtra has fully supported the government's push to a cashless society and our initiative of making Malangaon cashless from end to end is a testament to the fact. Aadhar linked bank accounts make it easy for everyone in the village to perform banking transactions by the simple use of their fingerprint. All businesses that were disrupted post demonetization because of their heavy dependence on cash have continued to be performed seamlessly because of an intensive education drive and the efforts of bank officials from the Shirdhon branch to bring everyone into the fold of new age, digital banking.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/bank-of-maharashtra-adopts-a-village-in-sangli-for-digital-transactions/articleshow/56200845.cms>

Dated: 27 December, 2016

- **ICICI Bank Launches Mobile App Eazypay:** Private sector lender ICICI Bank has launched mobile app 'Eazypay' that enables merchants, retailers and professionals to accept instant cashless payments on mobile phones from their customers through multiple digital modes. A first-of-its kind application, Eazypay offers customers the improved convenience of paying by using their mobile phone through Unified Payment Interface (UPI), any credit or debit card or Internet banking. Any current account holder of ICICI Bank can instantly download Eazypay app and start using it. A non-customer of ICICI Bank can also use the app after opening a current account with the bank. Currently, the app is available on smartphones with Android operating systems but soon it will be also available for smartphones using the iOS operating system. It is also possible to collect money for home delivery of goods/services, telesales and payment-on-delivery options by e-commerce companies where the buyer and the seller are not physically present at the same location. The seller can raise an invoice in the app by simply entering the amount, selecting the preferred mode of payment by the buyer along with the buyer's mobile number or Virtual Payment Address (VPA) for UPI based payments. Thereafter, upon getting a notification on SMS, the

buyer can simply enter his/her details to pay through credit or debit card or net banking or pockets. For payment using UPI, the buyer can pay either by scanning a Quick Response (QR) code displayed on the sellers phone or directly through their VPA. This secured app enables to transfer money collected directly to the current account of the merchants and professionals.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/icici-bank-launches-mobile-app-eazypay/articleshow/56199896.cms>

Dated: December 29, 2016

- **ICICI Bank Partners Twitter For Better Customer Experience:** Twitter and ICICI Bank announced a partnership that integrates a slew of digital customer care support features for the bank, benefiting millions of its customers with direct online response to their queries and feedback in real time. ICICI Bank is the first bank in India to implement the new features to its Twitter account @ICICIBank_Care for customer care. The latest customer care features from Twitter. The bank and their customers will find greater convenience in their digital engagement and stronger customer relationships as a result. The bank has activated the support indicator, introduced the message button and embedded deep links for moving a conversation from public to private thereby allowing customers to provide feedback on a service interaction. The features are available to businesses globally. Customer feedback can be implemented through our ecosystem

partners. Support indicators and the Message button can be activated on a new Customer support settings page on the Twitter Dashboard website.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/icici-bank-partners-twitter-for-better-customer-experience/articleshow/56227670.cms>

Dated: December 29, 2016

- **Prime Minister Shri Narendra Modi Launches UPI Based Mobile Payment App Called BHIM:** Urging people to make digital payments a "habit" to make the country a cashless economy, Prime Minister has launched a mobile app for the Unified Payment Interface (UPI). The application, which will be common across all banks and financial institutions, is called BHIM (Bharat Interface for Mobile). In his 40-minute speech at Talkatora Stadium in New Delhi during the inauguration of the DigiDhan Mela, Modi time and again evoked Dr Bhim Rao Ambedkar- father of the Indian Constitution and drew parallels between his contribution towards the upliftment of the downtrodden and the idea behind the BHIM mobile app. After it is launched, BHIM will not need a mobile phone, internet or even a feature phone. It will only need your thumb (impression). The country already had more than 100 Cr. Aadhaar holders with most of the adult population covered. The app will also work on feature phones through an upgraded USSD (Unstructured Supplementary Service Data) platform. The Centre planned to launch a stripped-down version of the UPI app to make it easier for

people to transact digitally either with or without an internet connection since the app would be linked to the USSD platform that was being upgraded for easier functioning. The BHIM app comes with basic features such as the ability to send or receive money, linking of accounts, saving profile of the user, changing the language, recording beneficiary details and providing balance enquiry. Banks

that currently have individual UPI apps can either endorse the common BHIM app or only allow their customers to use the in-house app which may be loaded with more features.

Source: <http://economictimes.indiatimes.com/news/economy/policy/pm-narendra-modi-launches-bhim-app/articleshow/56254333.cms>

Dated: 31 December, 2016

Top Banking Appointment

- **IDFC Bank Appoints Ms. Veena Mankar As Non-Executive Chairperson:** The board of directors of IDFC Bank has approved appointment of Ms. Veena Mankar as Non-Executive Chairperson, with effect from December 9, 2016, up to July 26, 2018. The appointment is subject to approval by the Reserve Bank of India. Ms. Mankar has been an independent director of IDFC Bank since July 27, 2015.

Source: <http://www.thehindubusinessline.com/money-and-banking/idfc-bank-appoints-veena-mankar-as-nonexecutive-chairperson/article9418361.ece>

Dated: 8 December, 2016

- **Shri VG Kannan Appointed CEO Of Indian Banks' Association:** Shri V.G. Kannan has taken charge as Chief Executive of the Indian Banks' Association (IBA). He succeeds Shri M V Tanksale who demitted office as Chief Executive on August 9, 2016 after being at the helm for three years. Shri Kannan had retired as Managing Director & Group Executive (Associates & Subsidiaries) of State Bank of India on July 31, 2016. IBA is a self-regulatory organization of banks. The 70-year old body has 237 members comprising Public Sector Banks, Private Sector Banks, Foreign Banks having offices in India, Co-Operative Banks, Regional Rural Banks, and All India Financial Institutions.

Source: <http://www.thehindubusinessline.com/money-and-banking/kannan-takes-charge-as-new-iba-chief/>

[article9426345.ece](#)

Dated: 14 December, 2016

- **Shri Viral Acharya Appointed As Deputy Governor Of RBI:** Shri Viral Acharya, like former RBI governor Shri Raghuram Rajan, comes from an academic background. Shri Viral Acharya has been appointed by the Government as the deputy governor of the Reserve Bank of India. He will be joining the ranks of Shri Vishwanathan, Shri S S Mundra, Shri R Gandhi as one of four deputy governors serving under RBI Governor Shri Urjit Patel. Shri Mundra and Shri Gandhi had served under former RBI governor Shri Raghuram Rajan, while Shri Vishwanathan was appointed during Shri Patel's tenure. Shri Acharya, like Rajan, comes from an academic background. Before his appointment to the RBI, he has been serving as CV Starr professor of economics at the New York University Stern School of Business since 2008. According to his profile on the NYU site, Shri Acharya's research interests lie in "the regulation of banks and financial institutions, corporate finance, credit risk and valuation of corporate debt, and asset pricing with a focus on the effects of liquidity risk.

Source: <http://indianexpress.com/article/business/viral-acharya-rbi-deputy-governor-appointment-4448456/>

Dated: 28 December, 2016

India's Foreign Trade (Merchandise)

- **Merchandise Trade:-**

- o **Exports (Including Re-Exports):** In consonance with the revival exhibited by exports in the last two months, during November, 2016 exports continue to show a positive growth of 2.29% in dollar terms (valued at US\$ 20009.58 million) and 4.63 per cent in Rupee terms (valued at 135316.19 Cr.) as compared to US\$ 19560.92 million (129331.11 Cr.) during November, 2015. Cumulative value of exports for the period April-November 2016-17 was US\$ 174922.78 million (1171733.68 Cr.) as against US\$ 174740.27 million (1127542.80 Cr.) registering a positive growth of 0.10 per cent in Dollar terms and positive growth of 3.92 per cent in Rupee terms over the same period last year. Non-petroleum exports in November 2016 were valued at US\$ 17602.33 million against US\$ 17232.25 million in November 2015, an increase of 2.1 %. Non-petroleum exports during April - November 2016-17 were valued at US\$ 155713.51 million as compared to US\$ 152923.93 million for the corresponding period in 2015, an increase of 1.8%. The growth in exports for USA (0.25%), Japan (9.81%) but China and EU exhibited negative growth of (-10.15%) and (-0.57%)

respectively for September 2016 over the corresponding period of previous year as per latest WTO statistics.

- o **Imports:** Imports during November 2016 were valued at US\$ 33018.45 million (223289.57 Cr.) which was 10.44 per cent higher in Dollar terms and 12.96 per cent higher in Rupee terms over the level of imports valued at US\$ 29896.41 million (197666.37) in November, 2015. Cumulative value of imports for the period April-November 2016-17 was US\$ 241101.60 million (1615510.92 Cr.) as against US\$ 263314.36 million (1698957.27 Cr.) registering a negative growth of 8.44 per cent in Dollar terms and 4.91 per cent in Rupee terms over the same period last year.
- o **Crude Oil And Non-Oil Imports:** Oil imports during November, 2016 were valued at US\$ 6837.76 million which was 5.89 percent higher than oil imports valued at US\$ 6457.37 million in November 2015. Oil imports during April-November, 2016-17 were valued at US\$ 53276.41 million which was 13.51 per cent lower than the oil imports of US\$ 61596.76 million in the corresponding period last year. Non-oil imports during November, 2016 were estimated at US\$ 26180.69 million which was 11.70 per cent higher than

non-oil imports of US\$ 23439.04 million in November, 2015. Non-oil imports during April-November 2016-17 were valued at US\$ 187825.19 million which was 6.89 per cent lower than the level of such imports valued at US\$ 201717.60 million in April-November, 2015-16.

- **Trade In Services:-**

- o **Exports (Receipts):** Exports during October 2016 were valued at US\$ 13113 Million (87526.26 Cr.) registering a negative growth of 4.79 per cent in dollar terms as compared to positive growth of 2.93 per cent during September 2016 (as per RBI's Press Release for the respective months).
- o **Imports (Payments):** Imports during October 2016 were valued at US\$ 7680 Million (51262.23 Cr.) registering a negative growth of 7.51 per cent in dollar terms as compared to positive growth of 3.10 per cent during September 2016 (as per RBI's Press Release for the respective months).

- **Trade Balance:-**

- o **Merchandise:** The trade deficit for April-November, 2016-17 was estimated at US\$ 66178.82 million which was 25.28% lower than the deficit of US\$ 88574.09 million during April-November, 2015-16.
- o **Services:** As per RBI's Press Release dated 15th December 2016, the trade balance in Services (i.e. net export of Services) for October, 2016 was estimated at US\$ 5433 million. The net

export of services for April- October, 2016-17 was estimated at US\$ 37791 million which is lower than net export of services of US\$ 40373 million during April- October, 2015-16. (The data for April-October 2015-16 and 2016-17 has been derived by adding April-October 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- November 2016-17 is estimated at US\$ 28387.82 million which is 41.11 percent lower in Dollar terms than the level of US\$ 48201.09 million during April-November 2015-16. (Services data pertains to April-October 2016-17 as October 2016 is the latest data available as per RBI's Press Release dated 15th December 2016).

MERCHANDISE TRADE

Exports & Imports (US \$ Million)		
	November	April-November
Exports (Including Re-Exports)		
2015-16	19560.92	174740.27
2016-17	20009.58	174922.78
% Growth 2016-17/ 2015-16	2.29	0.10
Imports		
2015-16	29896.41	263314.36
2016-17	33018.45	241101.60
% Growth 2016-17/ 2015-16	10.44	-8.44
Trade Balance		
2015-16	-10335.49	-88574.09
2016-17	-13008.87	-66178.82
Exports & Imports : (Rs. Crore)		
	November	April-November
Exports (Including Re-Exports)		
2015-16	129331.11	1127542.80
2016-17	135316.19	1171733.68
% Growth 2016-17/ 2015-16	4.63	3.92
Imports		
2015-16	197666.37	1698957.27
2016-17	223289.57	1615510.92
% Growth 2016-17/ 2015-16	12.96	-4.91
Trade Balance		
2015-16	-68335.26	-571414.47
2016-17	-87973.38	-443777.24

SERVICES TRADE

Exports & Imports (Services) : (US \$ Million)	
	October 2016-17
Exports (Receipts)	13113.00
Imports (Payments)	7680.00
Trade Balance	5433.00
Exports & Imports (Services) (Cr.)	
	October 2016-17
Exports (receipts)	87526.26
Imports (Payments)	51262.23
Trade Balance	36264.03

Top RBI Circulars

Circular Number	Date of Issue	Department	Meant For
RBI/2016-2017/205 DCM (Plg) No.2170 /10.27.00/2016-17	31.12.2016	Department of Currency Management	Facility for exchange of Specified Bank Notes (SBNs) during Grace Period – Verification of KYC and Account details
RBI/2016-2017/204 DCM (Plg) No. 2142/10.27.00/2016-17	30.12.2016	Department of Currency Management	Cash withdrawal from ATMs – Enhancement of daily limits
RBI/2016-2017/200 FIDD.MSME & NFS. BC.No.20/06.02.31/2016-17	29.12.2016	Financial Inclusion and Development Department	Sanction of Additional Working Capital Limits to Micro and Small Enterprises (MSEs)
RBI/2016-2017/199 FMRD.DIRD.12/14.01.011/2016-17	29.12.2016	Financial Markets Regulation Department	Introduction of Interest Rate Options in India
RBI/2016-2017/198 DBR.No.BP. BC.49/21.04.048/2016-17	28.12.2016	Department of Banking Regulation	Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances
RBI/2016-2017/197 A.P. (DIR Series) Circular No.23	27.12.2016	Financial Markets Regulation Department	Purchase and sale of securities other than shares or convertible debentures of an Indian company by a person resident outside India
RBI/2016-2017/192 DGBA.GAD. No.1478/15.01.001/2016-17	22.12.2016	Department of Government and Bank Accounts	Special Deposit Scheme 1975 – Payment of interest for the calendar year 2016
RBI/2016-2017/190 Ref. No. IDMD/1497/08.02.032/ 2016-17	19.12.2016	Internal Debt Management Department	Auction of Government of India Dated Securities
RBI/2016-2017/181 DCM (Plg) No. 1712/10.27.00/2016-17	13.12.2016	Department of Currency Management	Preservation of CCTV recordings

Circular Number	Date of Issue	Department	Meant For
RBI/2016-2017/180 DCM (Plg) No. 1683/10.27.00/2016-17	12.12.2016	Department of Currency Management	Distribution of Mahatma Gandhi (New) Series Banknotes – Records
RBI/2016-2017/179 DCM (Plg) No. 1679/10.27.00/2016-17	12.12.2016	Department of Currency Management	Detection of counterfeit notes in Specified Bank Notes (SBNs) - Reporting
RBI/2016-2017/178 DPSS.CO.OSD. No.1485/06.08.005/2016-17	09.12.2016	Department of Payment and Settlement Systems	Security and Risk Mitigation measure - Technical Audit of Prepaid Payment Instrument issuers
RBI/2016-2017/177 DBR.AML.BC.47/14.01.01/2016-17	08.12.2016	Department of Banking Regulation	Amendment to Master Direction on Know Your Customer
RBI/2016-2017/174 DBR.No.Ret. BC.46/12.01.001/2016-17	07.12.2016	Department of Banking Regulation	Reserve Bank of India Act, 1934 – Section 42(1A) Withdrawal of the Incremental CRR
RBI/2016-2017/173 DBR.AML. BC.No.44/14.01.001/2016-17	06.12.2016	Department of Banking Regulation	Requirement of customer due diligence and need for maintenance of records
RBI/2016-2017/170 DPSS.CO.PD No.1421/02.14.003/2016-17	02.12.2016	Department of Payment and Settlement Systems	Aadhaar-based Authentication for Card Present Transactions
RBI/2016-2017/168 DBR.BP.BC. No.42/08.12.014/2016-17	01.12.2016	Department of Banking Regulation	Financing of Infrastructure – 'Definition of 'Infrastructure Lending'
RBI/2016-2017/167 DBR.No.BP. BC.43/21.01.003/2016-17	01.12.2016	Department of Banking Regulation	Large Exposure Framework

Top Expert Reports

- **Rising NPAs To Put Pressure On Bank Ratings In 2017 (Fitch):** As Per Fitch Report, Banks in China and India will continue to remain under pressure next year due to mounting bad loans, even though earnings and capital buffers are strong enough to withstand any serious threat, though earnings and capital buffers are generally strong enough to withstand these trends, we expect viability ratings to remain under pressure in China and India. In the 2017 outlook on Asia-Pacific banks, most of Asia-Pacific's banks are facing a cyclical deterioration in asset quality in 2017, as a challenging economic environment continues to put pressure on borrowers. Noting that there has been a rapid build-up of private sector debt both corporate as well as households in a number of APAC economies since 2009, the resultant vulnerabilities will continue to be tested in 2017. Other challenges that banks face include very low, or negative, interest rates and the rapid development of disruptive financial technology, it noted. Noting that more downside risks have risen over the last year for the region, though the Chinese economy has stabilized, rapid credit growth is posing a rising threat to basic economic and financial stability. Another pain point could be Donald Trump's win in the US presidential election which has already led to spike in interest rates, and a stronger dollar. Rising dollar

will hurt APAC exporters and make it more difficult for borrowers to service dollar-denominated debts it warned adding Donald Trump's proposed protectionist policies could disrupt trade, particularly damaging emerging-Asian economies. These difficult and uncertain operating environments are likely to translate into further asset-quality deterioration in 2017. But it expects bank capital levels to generally improve despite negative sectoral trends, due to regulatory pressure and slow credit growth. Though recapitalization and absorption buffers across are generally comfortable across the region, with notable exceptions of China and India.

Source: <http://economictimes.indiatimes.com/industry/banking/finance/banking/rising-npas-to-put-pressure-on-bank-ratings-in-2017-fitch/articleshow/55877216.cms>

Dated: 8 December, 2016

- **Cash Crunch To Normalize By February 2017 (Ecowrap):** Around 75% of the total value of scrapped notes is expected to be back in the system by January-end and complete normalcy is likely in next two months, says a report. Given the current phase of 'frantic printing', 50% and 75% of the total value of extinguished notes can be supplied by the end of December and January 2017, respectively. By the end of February, 78-88% of the currency could be back in the system under the best case

scenario in terms of an optimal currency distribution (more small denomination notes), it seems within next 2 months things would be pretty close to normal. It, however, states like Uttar Pradesh, Bihar Madhya Pradesh, Maharashtra, Andhra Pradesh, West Bengal, Punjab,

Haryana and Gujarat, which are major agriculture-oriented cash dependent states, may face more issues during this cash crunch period. As per the research report, post demonetization, there has been a 7% jump in small denomination currency share in overall currency. It would enable money more as a medium of exchange and thereby getting accounted

rather than as a store of value, this in turn would engineer a decisive behavioral shift in people preferences over time. Sector-wise, agriculture is extremely cash sensitive and this segment can migrate only in a gradual manner to electronic modes. The Government and the RBI should look carefully at the cumulative withdrawal (a proxy for cash requirement) to cumulative deposits ratio across states and wherever it may be low, they could re-orient the currency supply in such states.

Source: <http://economictimes.indiatimes.com/news/economy/finance/cash-crunch-to-normalise-by-february-2017-report/articleshow/56064012.cms>

Dated: 19 December, 2016

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Chandan Kumar chandan.kumar@assocham.com +91-9910167130	Rajesh Kr. Singh rajesh.singh@assocham.com +91-9990702689	Vivek Tiwari vivek.tiwari@assocham.com +91-8130849452
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Roopam Bhatt roopam.bhatt@assocham.com +91-9205265397	Kushagra Joshi kushagra.joshi@assocham.com +91-9411922291	Saurabh Singh saurabh.singh@assocham.com +91-9868981404
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