

Banks miss RBI deadlines on ATM security, logistics

RAGHU MOHAN
New Delhi, 25 December

The Reserve Bank of India's (RBI's) and Ministry of Home Affairs' (MHA's) circulars pertaining to the security features of automated teller machines (ATMs) and business logistics have gone unheeded.

These circulars, issued between April 2018 and August 2019, concern issues ranging from Windows 7 software upgrades at ATMs, anti-skimming card-readers to enhanced security details to be complied with by cash-in-transit firms.

Banks are now set to miss the Windows 7 software upgrade deadline of January 2020, even as complaints received by the banking ombudsman on ATM and debit-card transactions rose to 36,539 in 2018-19 (FY19), from 24,672 in 2017-18, according to the RBI's Report on Trend and Progress of Banking in India (FY19).

Non-adherence to the regulatory diktats is a reflection of the turmoil in the ATM business. It started with the central bank's white-label ATM policy, which allowed non-banks to come in a big way, given that a lot of banks were not willing to go deep into rural areas. "The interchange fee

SIMPLY STUCK



- RBI wanted anti-skimming card readers
- Windows 7 upgrade (extended warranty allowed, but has to be bought)
- Banks still not fully Europay, Mastercard, Visa-compliant
- Nearly 50% of the 221,579 ATMs don't have a one-time combination lock
- Mandatory grouting of ATMs to wall, pillar or floor not completed
- Cassette-swapping not rolled as it costs anywhere between ₹40,000 and ₹80,000 per ATM
- Cash logistics companies yet to comply with high-security light commercial vehicles

then was pegged at ₹18, but it went down to ₹15 and impacted the whole business model," says an industry source. Repeated lobbying attempts to hike the interchange to ₹18 have not borne fruit.

The central bank in its cir-

cular of June 21, 2018, had called for banks' attention to their non-adherence of the standards set by it despite repeated confidential advisories of March 6 and November 1, 2017.

"The slow progress on the

part of banks in addressing these issues has been viewed seriously by the RBI. The vulnerability arising from the banks' ATMs operating on unsupported version of operating system and non-implementation of other security measures, could potentially affect the interests of the banks' customers adversely, apart from such occurrences, if any, impinging on the image of the bank".

An earlier circular issued on April 12, 2018, on lockable cassettes in ATMs instead of open-cash replenishment has also not been fully complied with. Banks had sought the intervention of the Ministry of Finance, given the costs involved, which has been estimated to be around ₹6,000 crore for the industry. By 2020-21, 60 per cent of ATMs were to be serviced through cassette swapping, but this deadline is also set to be missed.

Another pain-point is the central bank's circular of April 6, 2018, asking cash logistics companies to maintain a minimum fleet size of 300 — owned or leased — comprising specifically fabricated light commercial vehicles. The MHA notification on August 8, 2018, reiterated the conditions set forth in the RBI circular. The deadline for this expired a year ago.

Bad loans bought by ARCs rise 17.4%

ABHIJIT LELE
Mumbai, 25 December

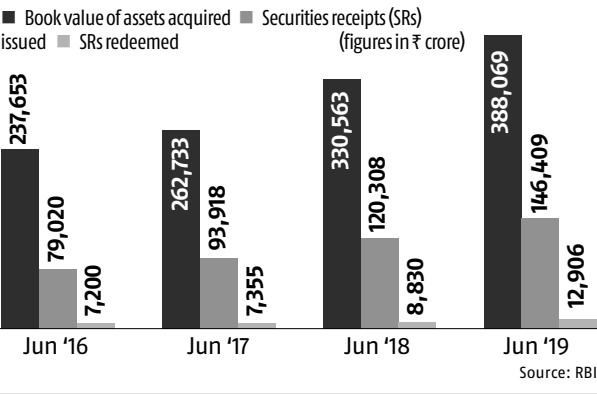
The total of loans classified as non-performing by lenders and acquired by asset reconstruction companies (ARCs) rose 17.4 per cent to ₹3.8 trillion in the 12 months ended June 2019.

However, the amount they bought of such non-performing assets (NPAs) in the 12-month period was less, at ₹57,506 crore, from the ₹67,830 crore they acquired in the previous such one-year period.

According to the Reserve Bank of India (RBI) data, security receipts (SRs) redeemed by ARCs jumped to ₹12,906 crore as on June 2019, from ₹8,830 crore in June 2018.

This is payout to the investors in the SRs, says the

ARCs' PERFORMANCE AT GLANCE



report on *Trend and progress on banking in India 2018-19*, issued on Tuesday. Unredeemed SRs rose to ₹114,615 crore in June, from ₹98,118 crore a year ago.

As cases referred for recovery through legal mechanisms shot up, clean-

ing up of balance sheets via sale of stressed assets to ARCs decelerated on a year-on-year basis, and declined as a proportion to gross NPAs at the beginning of 2018-19.

However, the acquisition cost of ARCs as a proportion

to the book value of assets increased further, indicating banks had to incur less of write-offs on account of these sales.

The share of subscriptions by banks to SRs issued by ARCs declined to 69.5 per cent by end-June, from 79.8 per cent a year ago. This was in line with the agenda to reduce their investments in SRs and to diversify the investor base in these, says the RBI.

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RECOVERY OF STRESSED ASSETS IMPROVED marginally IN FY19 DRIVEN BY IBC, SAYS RESERVE BANK

In 2018-19 (FY19), the recovery of stressed assets increased marginally, mainly driven by resolutions under the Insolvency and Bankruptcy Code (IBC). Cases referred for recovery under various mechanisms grew over 27% in volume and tripled in value during the year, leading to a pile-up of bankruptcy proceedings. In FY19, around ₹8.15 trillion worth of stressed assets were involved in the recovery process, up more than 200% from ₹2.70 trillion in 2017-18. The amount involved under IBC was ₹1.66 trillion and more than ₹70,819 crore was recovered, with a recovery rate of 42.5%. However, recovery rates yielded by major resolution mechanisms (except Lok Adalats) declined in FY19, especially through the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest mechanism. SUBRATA PANDA

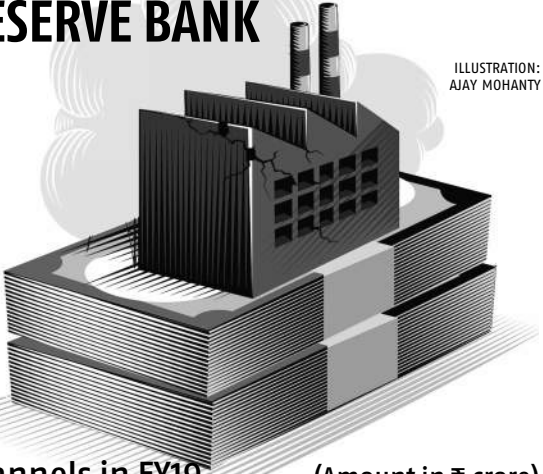


ILLUSTRATION: AJAY MOHANTY

NPAs of SCBs recovered through various channels in FY19 (Amount in ₹ crore)

	2017-18				2018-19			
	No. of cases referred	Amount involved	Amount recovered	Amt recovered as % of amt involved	No. of cases referred	Amount involved	Amount recovered	Amt recovered as % of amt involved
Lok Adalats	3,317,897	45,728	1,811	4.0	4,080,947	53,506	2,816	5.3
DRTs	29,345	1,33,095	7,235	5.4	52,175	3,06,499	10,574	3.5
SARFAESI Act	91,330	81,879	26,380	32.0	248,312	2,89,073	41,876	14.5
IBC	704*	9,929	4,926	49.6	1,135*	1,66,600	70,819	42.5
Total	3,439,276	2,70,631	40,352	14.9	4,382,569	8,15,678	1,26,085	15.5

DRTs: Debt recovery tribunals; SARFAESI Act: Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002
*Cases admitted by National Company Law Tribunals; SCBs: Scheduled Commercial Banks Sources: Offsite returns, RBI, Insolvency and Bankruptcy Board of India

Free BharatNet WiFi to all villages till March’ 20

WiFi services being provided through BharatNet in villages across India will be free of charge till March 2020, Telecom and Information Technology Minister Ravi Shankar Prasad (pictured) said on Wednesday.

"We have already connected 130,000 gram panchayats through BharatNet optical fibre network... Our

target is to take this to 250,000 gram panchayats. To promote utilisation of BharatNet services, we will provide WiFi free in all villages connected through BharatNet till March 2020," the minister said.

Currently, 48,000 villages connected under the BharatNet project have WiFi access.

The minister said all common service centres (CSCs) will offer banking services. As such, CSCs act as access points for delivery of digital services and the number of these centres has increased from about 60,000 in 2014 to 360,000 currently.

Haryana itself has 11,000 CSCs offering an array of 650 services.

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