QUICKLY

New face of kyat A man holds Myanmar's new 1,000 kyat banknotes with a portait of the late general Aung San, outside the Myanmar Economic Bank, in Naypyidaw, on Tuesday. The new version was issued to mark the country's 72nd anniversary of Independence Day AFP

Strike to hit banking services today

New Delhi, January 7

Banking services at public sector banks are likely to be hit on Wednesday due to a nationwide strike called by 10 central trade unions. Most lenders have already informed the stock exchanges about the strike and its impact on banking services. Various bank employee associations, including AIBEA, All-India Bank Officers' Association (AIBOA), BEFI, INBEF, INBOC and Bank Karmachari Sena Mahasangh (BKSM), have expressed willingness to participate in the strike. Banking services, such as deposit and withdrawal, cheque clearing and instrument issuance, are expected to be impacted due to the strike. However, services at private sector lenders are unlikely to be affected. PTI

Priority sector lending norms for banks under review, says RBI chief

Higher share of retail prices for farmers will help sustain demand: Shaktikanta Das

OUR BUREAU

Mumbai, January 7

The Reserve Bank of India (RBI) is reviewing the priority sector lending (PSL) norms for banks, keeping in view the changing needs of the economy and to make them more inclusive, according to Governor Shaktikanta Das.

PSL includes loans given by banks to sectors such as agriculture, micro, small and medium enterprises (MSMEs), export credit, education, housing, social infrastructure and renewable energy.

"Through priority sector lending norms for commercial banks, we aim to support farm and non-farm sector activities that are sources of livelihood for a large cross-section of population," the Governor said in his opening remarks at the third Suresh Tendulkar Memorial Lecture by Tharman Shanmugaratnam, Senior Minister, Republic of Singapore.

Scan & Share

Agri reforms

In the area of agricultural market reforms, Das said there is consensus that the improvement in the supply chain could become a major channel for promoting inclusive growth, as this can increase the share of farmers in retail prices paid by the consumers.

A survey conducted by the RBI in 2018 that covered farmers, traders and retailers in 85 mandis, spread across 16 States, found that the difference between retail prices that consumers pay and mandi prices that farmers receive (margins or mark-ups) varies across crops and centres. The average share of farmers in retail prices of major primary food items varies between 28 per cent to 78 per cent. It is lower for perishables and higher for non-perishable items.

Reserve Bank of India Governor Shaktikanta Das

The Governor said: "Higher share of retail prices going to farmers augurs well for the rural economy, which, in turn, could help sustain domestic demand. Initiatives towards wider rural roads network, better communication facilities for faster exchange of information, and easier access to micro credit will contribute to better price realisation for the farmers."

Ways to boost farm income

He observed that this ongoing process needs to be sustained, alongside further agricultural market reforms. Prioritising food-processing industries in the policy agenda, encouraging direct sale of farm produce by farmers to consumers, strengthening e-NAM (national agriculture market) for better price discovery, and promoting storage facilities near producing centres will boost farm income and rural employment opportunities.

Das said the RBI has also taken various measures to increase the level of penetration of banking services to the unserved and underserved areas. Recently, the National Strategy for Financial Inclusion (2019-24), prepared by the RBI, was approved by the Financial Stability and Development Council (FSDC).

It sets forth the vision and key objectives of financial inclusion policies in India and aims to provide access to formal and affordable financial services, broaden and deepen financial inclusion, and promote financial literacy and consumer protection.

Fusion raises ₹500 crore

OUR BUREAU

New Delhi, January 7

Fusion Microfinance has raised equity capital of ₹500 crore from a new round of funding, led by a Warburg Pincus-affiliate and Creation Investments, both of whom are existing investors in the NBFC-MFI.

While the Warburg Pincus-affiliate has pumped in ₹360 crore, the remaining ₹140 crore has come from Creation Investments.

Devesh Sachdev, CEO and Founder, Fusion Microfinance, said: "The follow-up investment by Warburg Pincus and Creation Investment reflects their faith in Fusion's ability to harness rural India's incredible growth story.

"Fusion has been among the faster growing companies in the sector over the last few years and is committed to maintaining a steady and sustainable pace at a much larger scale in the next 3 to 5 years. Building forth on a strong operating platform and strategic initiatives, we are well placed to become a valued company in the financial inclusion space."

Now, New India Co-op Bank to convert into SFB

K RAM KUMAR

Mumbai, January 7

Close on the heels of the Uttar Pradesh-based Shivalik Mercantile Co-operative Bank taking the lead among urban co-operative banks to convert into a Small Finance Bank, Mumbai-based New India Co-operative Bank, too, is planning to go down that road.

New India Co-operative Bank (NICB) has sent a notice to its members informing them that a special general body meeting would be held on January 18 to approve amendment to the by-laws; to transit NICB into a Small Finance Bank (SFB) as per the RBI's scheme (for voluntary transition of a urban co-operative bank into an SFB); and to authorise the board of directors to take steps for facilitating the smooth transition process.

Further, the meeting will also identify and approve the promoters as envisaged by the RBI. NICB began operations in 1968 as the Bombay Labour Co-operative Bank (founded by the late George Fernandes, socialist stalwart, trade unionist and union minister, and noted criminal lawyer and trade unionist Ranjit Bhanu).

The bank has 31 branches spread across Maharashtra and Gujarat. As of March-end 2019, the bank had deposits and advances aggregating ₹26,44.41 crore (₹2,547.09 crore as of March-end 2018) and ₹1,339.02 crore (₹1,167.73 crore), respectively. It reported a net profit of ₹8.01 crore in FY2019 against ₹7.60 crore in FY2018.

With two multi-state Urban Co-operative Banks (UCBs) initiating steps to convert into a SFB, larger UCBs such as Saraswat Co-operative Bank, SVC Co-operative Bank, Bharat Co-operative Bank, Abhyudaya Co-operative Bank and Thane Janata Sahakari Bank, are also expected to weigh the possibility of converting into an SFB.

Universal bank character

With the RBI aligning the priority sector lending norms for UCBs with that for SFBs and paring their limits on exposure to single and group borrowers/ parties and large exposures, the UCBs will lose their universal bank character and become narrow banks, say co-operative banking experts.

As per the RBI's scheme on voluntary transition of UCB into an SFB, UCBs with a minimum net worth of ₹50 crore and maintaining capital to risk (weighted) assets ratio of 9 per cent and above, are eligible to apply for voluntary transition to SFB under this scheme.

The minimum net worth of the proposed SFB should be ₹100 crore from the date of commencement of business.

Liquidation: IBBI shuts backdoor entry for 'ineligible' promoters

OUR BUREAU

New Delhi, January 7

Insolvency regulator IBBI has now stipulated that a secured creditor cannot sell the assets of a company undergoing liquidation process to any person barred from submitting an insolvency resolution plan. An amendment to this effect has been made to the current liquidation regulations of the Insolvency and Bankruptcy Board of India (IBBI).

Also, a person, who is not eligible under the code to submit a resolution plan for insolvency resolution of the corporate debtor, cannot be a party in any manner to a compromise or arrangement of the corporate debtor under section 230 of the Companies Act, 2013.

IBBI has also now said that a secured creditor will have to contribute its share towards insolvency resolution and liquidation process costs and workmen dues within 90 days of the liquidation commencement date, an official release said.

Mehul Bheda, Partner, Dhruva Advisors LLP, said: "The amendments are introduced to bring liquidation on par with the resolution process. The restrictions placed on the promoters under Section 29A of the code are now equally applicable to liquidation.

"This means that no promoter, who is barred from the resolution process, can make a backdoor entry by buying the assets of the company under liquidation or even participating in a scheme of arrangement under Section 230. This is a logical amendment and reinforces the objective of the code to debar certain categories of promoters from taking back control of their companies." Vidisha Krishan, Partner, MV Kini & Co said the new amendments closes several minor gaps. The most prominent one being the cases where secured creditors had not relinquished their security into liquidation where the excess amounts recovered have to be reverted into liquidation, she said.

Manoj Kumar, Partner, Corporate Professionals, said IBBI has ring-fenced the possibilities of backdoor acquisition of company or assets by ineligible promoters.

Rupee regains 11 paise vs $ as oil prices ease

PRESS TRUST OF INDIA

Mumbai, January 7

The Indian rupee, on Tuesday, reclaimed some lost ground, rising 11 paise to close at 71.82 against the US dollar, as receding fears of a larger conflict in West Asia helped crude oil prices ease.

Besides, a rebound in the domestic equity markets also supported the rupee. At the interbank foreign exchange, the rupee opened on a positive note at 71.73 against the US currency.

During the session, the domestic currency stayed strong and swung between a low of 71.87 and a high of 71.68. It finally closed at 71.82, showing a gain of 11 paise over its previous closing.

The rupee had slipped 13 paise to 71.93 against the greenback on Monday. The dollar index, which gauges the greenback's strength against a basket of six currencies, rose 0.12 per cent to 96.78.

Brent futures, the global oil benchmark, fell 0.62 per cent to $68.48 per barrel. Investors have been selling riskier assets and rushing to safe haven assets amid the US-Iran tensions in the last few days after an American drone strike killed top Iranian general Qasem Soleimani last week

BoM reduces lending rates

OUR BUREAU

Mumbai, January 7

Bank of Maharashtra (BoM) has reduced its marginal cost of funds-based lending rates (MCLR) across various tenors by up to 45 basis points with effect from January 7.

Following the cut, the public sector bank's benchmark one-year MCLR is now at 8.25 per cent (down from 8.40 per cent). MCLR is an internal benchmark of banks to which loans are linked. The MCLR for other tenors are: overnight (7.60 per cent against the earlier 8.05 per cent one month (7.70 per cent), against 8.15 per cent) and three months (7.75 per cent against 8.20 per cent).

"The reduction in MCLR is aimed at supporting economic growth and industrial development and at ensuring rate transmission," the bank said.

Kotak Investment halts bid for Altico Capital

BLOOMBERG

January 7

The race to find a rescuer for a struggling non-banking financial company at the centre of an industry crisis has narrowed.

Altico Capital India is one of the latest caught up in the nation's NBFC crisis that started in 2018, and has been courting suitors. One of them, Kotak Investment Advisors, will not make a binding bid for Altico by a January 15 deadline, said people familiar with the matter.

Non-banking financiers play a crucial role in funding everything from condominium construction to purchases of personal goods such as cars and phones.

Real-estate focussed Altico's restructuring and sale process come as the broader NBFC crisis drags on, hurting the property sector and the economy.

The lender's troubles have been piling up since it started defaulting in September. Cerberus Capital Management and SSG Capital Management are now the only remaining external bidders, highlighting dwindling interest in Mumbai-based Altico, which is grappling with soaring bad loans.

Gets adverse feedback

Kotak halted work on a binding bid for Altico after getting adverse feedback from creditors, the people said, asking not to be identified because the information is private.

Mumbai-based Kotak's indicative offer hinged on a purchase of either part or all of Altico's loan portfolio, one of the people said.

A low cash infusion and a high fee structure caused the pushback, the second person said. A Kotak spokesman did not respond to a request for comment, while an Altico spokesman declined to comment. Cerberus Capital and SSG Capital are now competing with an Altico shareholder-sponsored group to take over the shadow lender after two other firms pulled out. A SSG Capital spokesman declined to comment, while Cerberus did not immediately reply to an e-mail sent outside of US office hours seeking comment.

Rare debt recast among NBFCs may see 49% haircut

BLOOMBERG

January 7

Creditors to a struggling NBFC, once controlled by former billionaires Shivinder Singh and Malvinder Singh, are finalising a rare debt recast in the sector by writing off almost half of the company's loans, people familiar with the matter said.

Lenders to Religare Finvest, including State Bank of India, have agreed to take a 49 per cent haircut on its $808-million debt, the people said, asking not to be identified as the information is not public. The restructuring may be implemented as early as the end of January, they said.

Any debt restructuring at Religare Finvest, which is being bought by TCG Advisory Services, would be the first among peers since the credit market squeeze started in 2018.

It could also be considered as an early sign of a winding down of that crisis.

The sector's fate is still far from certain. Other delinquent shadow lenders, including Reliance Home Finance, are struggling to rework their debt. Mortgage financier Dewan Housing Finance Corporation is facing bankruptcy.

Financial irregularities

Religare Finvest, which had faced allegations of financial irregularities under the previous owners, had been under the Reserve Bank's so-called corrective action plan since January 2018.

That status restricts the financier from making new loans. Banks will implement the debt recast after TCG injects fresh equity into Religare Finvest.

Citi investment bank to hire 2,500 coders this year

ICG plans to add the programmers in locations from New York to Chennai

BLOOMBERG

January 7

Citigroup plans to recruit 2,500 programmers this year for the unit that houses its traders and investment bankers, bulking up on coders and data scientists as technology reshapes the business.

Roughly three-quarters of the company's trade orders last year were electronic, according to Stuart Riley, the global head of operations and technology for the bank's Institutional Clients Group. The ICG arm will add programmers in locations from New York to Chennai.

"The hires reflect what we are building in technology and why we are focussed on making salespeople and traders more effective at servicing our clients," said Riley. "Technology is augmenting what humans do by making better use of data."

Global banks are investing billions in a race to apply technologies that make front-office staff more efficient and keep clients trading. Goldman Sachs Group and JPMorgan Chase & Co are among other firms that are hiring as computer specialists change the face of trading floors across Wall Street.

JPMorgan spends $11 billion on technology every year, while New York-based Citigroup budgets roughly $8.5 billion, or about 20 per cent of total expenses. Bank of America Corp has said it spends approximately $10 billion on technology, with about $3 billion of that going to new projects.

Citigroup has started reaping the benefits of those investments in recent years, saying they will help save as much as $600 million in 2020. The bank, which already has 23,000 technology specialists in its ICG business globally, said the new roles will be in London, New York, Shanghai, Toronto, Dublin, Tel Aviv, Pune, Chennai, and Tampa, Florida.

Banks are investing billions in a race to apply technologies that make front-office staff more efficient and keep clients trading

Tech giants are already waging a battle for talent in Citigroup's hometown. Facebook said it is planning to hire more than 3,000 people over the next three to five years in New York City, while Amazon.com announced plans to lease space in Manhattan that will house 1,500 workers.

Python push

Citigroup has been shrinking its workforce, with the number of employees slipping to 199,000 at the end of the third quarter, an 18 per cent drop from five years earlier.

More recently, the firm has been cutting jobs in its trading unit as it attempts to meet long-sought efficiency targets.

Citigroup's new recruits will work on projects including solutions in equities and fixed income, according to Riley.

The bank has already used its tech teams to automate news, analytics, pricing and trade ideas for salespeople by drawing on their message exchanges with clients, he said.

About two years ago, the bank had 30 spaces for a Python coding class and was inundated with requests, according to Riley. It now has 1,600 front-office staff trained in the computer language.

The delineation between traders and technologists in markets is disappearing, he said.

Greenwich Associates said in a study that data scientists will take up more seats and accumulate more clout on trading desks this year.

"One could argue that most, if not all, of the markets evolution over the past decade has come because of access to data and the ability to put it to work," said Kevin McPartland, head of research in Greenwich Associates market structure and technology, in the study. So it should come as no surprise that experts in that field are taking over.

Race for Singapore digital bank licences gathers pace

BLOOMBERG

January 7

Singapore has received strong interest in its effort to open up the banking industry to fresh competition after 21 groups made bids for digital licences, the financial regulator said.

A diverse group lodged applications, including e-commerce, technology and telecommunications companies, the Monetary Authority of Singapore said in a statement on Tuesday, without identifying the parties. Seven were for digital full-bank licences, and 14 were for wholesale permits, it said.

Some bidders see the city-state as a gateway to the rest of South-East Asia, where the digital lending market is expected to quadruple over the next five years.

Neighbouring Malaysia said last month its working on a framework for virtual banks.

Firms, including Jack Ma's Ant Financial, Grab Holdings and Razer are among companies that have registered their interest with the MAS, which plans to announce winners in June. The successful groups are expected to start business by mid-2021, going up against established local and global names, including DBS Group Holdings and Citigroup.

The MAS said last June it plans to issue as many as five new digital bank licences to non-banks to strengthen competition. The UK and Hong Kong are among major economies that have already issued similar permits, creating a new generation of rivals for traditional lenders.

"The number of interested parties is high given the limited availability of the Singapore permits," said Varun Mittal, an associate partner with the consultancy firm EY in Singapore, comparing the numbers to Hong Kong, which awarded eight licences last year from 33 applications.

"Once new players get a foothold in Singapore, they can demonstrate a track record to other regulators in South-East Asia when those markets open up to digital banks," said Mittal.

Muthoot Fin MD injured in attack

OUR BUREAU

Kochi, January 7

George Alexander Muthoot, Managing Director, Muthoot Finance, sustained injuries in a stone-pelting incident on Tuesday morning while travelling by car to the head office.

He was admitted to a hospital after the incident. Sources said his condition is stable.

A protester had thrown a boulder at his vehicle, smashing the window panes and injuring him.

A section of workers was on an indefinite strike since January 2 following the termination of around 120 employees.

These workers, under CITU, have launched a protest against the closing down of branches and termination and transfer of employees.

"We strongly condemn the deplorable attack on our Managing Director by the CITU with the *mala fide* intention of terrorising the employees and putting pressure on the management to yield to their unjustifiable demands," Muthoot Finance management said in a statement here.