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Fraud against bank is offence against society: Supreme Court

Economic Times / New Delhi / 14 Oct, 2013

Offences related to banking activities are not only confined to banks but have a harmful impact on their customers and society at large, the Supreme Court has said while asking courts not to show leniency to the accused in such cases. A bench of justices S J Mukhopadhaya and Ranjan Gogoi said such offences involve moral turpitude and the accused should not be let off after refunding the money taken from the bank fraudulently.

"The offences when committed in relation with banking activities including offences under Sections 420 (cheating), 471 (using forged document) have harmful effect on the public and threaten the well-being of the society. These offences fall under the category of offences involving moral turpitude committed by public servants while working in that capacity. "Prima facie, one may state that the bank as the victim in such cases but, in fact, the society in general, including customers of the bank is the sufferer," the bench said.

It set aside the Calcutta High Court order which had quashed the criminal proceedings against a bank employee and a private person after they refunded the amount to bank. "We set aside the impugned judgement and order dated March 31, 2010 passed by the high court and direct the trial court to proceed the matter in accordance with law and to conclude the trial expeditiously," the bench said.

In this case a person had obtained a loan of Rs 1.5 crore on the basis of forged documents with the aid of officers of Indian Overseas BankBSE 0.10 %. A complaint was registered against a senior manager of the bank along with other persons including the director of a company which had taken loan.

All the accused were prosecuted under various sections of IPC. During the pendency of the trial, they refunded the amount and later on moved the high court for quashing the proceedings against them. The high court allowed their plea and quashed the trial. The CBI then approached the apex court which set aside the high court order.

BJP questions RBI'S statement on opening up banking sector

By Express News Service - NEW DELHI 15th October 2013

The BJP on Monday questioned the Centre's move to open the Indian market to foreign banks without a "proper discussion" within the country.

The BJP said the **collapse of foreign banks in the US had led to the financial crisis** in 2008, and **allowing such banks to enter the country was akin to importing a financial crisis.**

The party was reacting to RBI Governor Raghuram Rajan's statement that a new policy of allowing big foreign banks to open branches in India would be announced in the next few weeks.

"Such a major policy change must first be discussed in the country. The RBI is not only going to open the Indian market to foreign banks but it is even contemplating allowing the foreign banks to take over small Indian banks. Such a major move should have been first debated here, taking into account the global experience," BJP spokesperson Prakash Javadekar said.

"**The decade-old experience of foreign banks in India is that they compete only with Indian banks in the creamy business segment. Their contribution as far as financial inclusion is concerned is very minimal and below the expectations**."

"The 2008 global financial crisis has raised a question mark over the viability as well the methodology adopted by foreign banks. Governments all over the world had to provide large bailout packages to these banks. Against this backdrop, India should not import a financial crisis," he added.

Asked if his party was against the entry of foreign banks, he said the BJP was opposed to the foreign banks being given permission to open shop in the country without a "proper" debate.

Javadekar said that when the NDA was in power, a proposal was mooted to allow private companies to open banks but it was shot down over “moral hazards”.

AIBEA opposes RBI governor's proposal

THE NEW INDIAN EXPRESS 17th October 2013

All India Bank Employees’ Association has marked their protest to RBI governor Raghuram Rajan’s statement on allowing foreign banks enter the nation. The RBI governor, in Washington, had said that he would soon come out with major reforms in the banking sector and allow foreign banks to enter India.

“We strongly oppose the RBI governor’s proposal. It is aimed at taking over our banks by foreign banks. These are against our country’s interest. AIBEA would launch agitation if the RBI would proceed with any such proposal,” said AIBEA general secretary C H Venkitachalam.

He pointed out that hundreds of banks have been closed in the US over the last few years but Indian banks have stood strong during the crisis. “Our public sector banks are functioning well and do not face such a crisis. The right thing to do is to nationalise all the foreign banks,” he said.

Non-banking finance companies gain big from ban on banks lending 0 per cent loans

Economic Times / 14 Oct, 2013

Nilesh Gupta, managing director at Mumbai's biggest retailer Vijay Sales, felt as if the roof was coming down when weeks before the festive season began, the Reserve Bank of India banned banks from offering 0 per cent lending for purchase of goods. To his delight, he realised in a couple of days that finance companies could fill the void created by banks' exit. Business is booming as usual during the Navratri and Diwali festival season and televisions and iPhones are flying off the shelf.

Consumers are almost unaffected, but the beneficiaries of the demand will be the non-banking finance companies, and banks have come out losers. "There was a slight worry initially, but the RBI ban is mostly for banks and credit cards," says Gupta of Vijay

Sales, which has been selling consumer durables for more than four decades in Mumbai.

The regulator feels consumers have been fooled by 0 per cent or discounted interest rate schemes into believing that bank funding comes for free and it wants them stopped. Consumer durable manufacturers make the 0 per cent facility available mostly on high-value products such as smart phones, LED televisions and premium home appliances. "We have a regulatory function and a consumer protection function," said Raghuram Rajan, the governor of RBI, in an interview to ET.

"Though 0 per cent financing looks very attractive, the costs are either back-ended as interest rates move up later on or hidden at the front-end. So, the point of that was basically to say, be transparent." Finance companies, which are also regulated by the central bank, are not yet banned from indulging in such a practice, leaving the doors wide open for companies such as Bajaj Finance and Shriram City Union. But the central bank's argument that customers may benefit does not seem to be true. Because at many retail outlets, complete payment by the buyer does not fetch him a discount.

"Manufacturers give discount only when the durable is financed by a bank or an NBFC and not when paid up front," said an executive at a finance company who did not want to be identified. "This will not benefit customers." The consumer durables market has been growing by 30-35 per cent on a year-on -year basis, data from the Reserve Bank of India shows. The total outstanding loan offered by banks, which have just about 10 per cent market share in consumer durables, was at Rs 9,400 crore as of August.

"I am not preventing you from giving 0 per cent loans, but if it is 0 per cent then it should truly be 0 per cent, bring it down to zero," says Rajan. "I am not setting interest rates. Do not hide it in the cost. Do not suddenly jack up the interest rates after one year and the fellow cannot repay. Do it in a way that is clean and transparent," he had said.

Small lenders gain as Raghuram Rajan hints at easier takeover by foreign banks

Financial Express / Mumbai / Oct 15 2013

Small and mid-sized private bank stocks were up 15-20% from the previous close, after Reserve Bank of India (RBI) Governor Raghuram Rajan suggested the policy framework for foreign banks would be liberalised in a manner that would allow them to take over smaller Indian banks.

"That is going to be a big opening because one could even contemplate taking over Indian banks, small Indian banks and so on," Rajan said at a gathering in Washington on Saturday, adding the final guidelines on the policy framework for foreign banks operating in India would be out in the next few weeks.

Banks like Karnataka Bank, Lakshmi Vilas Bank and Dhanalaxmi Bank led the rally on Monday in response to Rajan's comments as markets speculated on possible takeover candidates. South India-based banks such as Karnataka Bank and Lakshmi Vilas Bank that have a strong franchise in the Southern markets have always been seen as possible acquisition candidates. The two banks reported total advances worth Rs.25,244 crore and Rs 11,849 crore respectively, as on June 30. Karnataka Bank's market cap as on Monday stood at Rs 2,051.57 crore, while that of Lakshmi Vilas Bank was at Rs 759.43 crore.

In his comments, Rajan said foreign banks which choose to operate in India through the wholly-owned subsidiary model will receive "near national treatment" however, with riders. "Your country should allow the same to our own banks and secondly, you come through one route either you have a branch or you have a subsidiary; don't do both," he said.

The comments come in light of the discussion paper on foreign banks in India which RBI first issued in January 2011. The policy framework, however, has still not been finalised despite multiple rounds of deliberations. Among other things, the paper mooted the idea of allowing foreign banks to operate through a wholly-owned subsidiary model in India, which would give them treatment similar to domestic banks.

Meanwhile, foreign banks have been circumspect on the option of subsidiarisation as it would restrict their ability to repatriate capital from the Indian operations if required. The tax treatment suggested by the paper has also

UFBU's CALL : HOLD MASSIVE DEMONSTRATIONS IN ALL STATE CAPITALS AND MAJOR CENTRES ON 22ND OCT. 2013 DEMADNING EXPEDITIOUS WAGE REVISION SETTLEMENT

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