MARKET WATCH

	16-02-2018	% CHANGE
Sensex	34,011	-0.84
US Dollar	64.21	-0.47
Gold	31,820	0.54
Brent oil	64.76	1.66

NIFTY 50

	PRICE	CHANGE
Adani Ports	405.45	-6.25
Ambuja Cements	257.05	3.65
Asian Paints	1143.85	8.40
Aurobindo Pharma	589.30	-3.25
Axis Bank	537.85	-5.85
Bajaj Auto	3103.90	-39.60
Bajaj Finance	1675.25	-1.80
Bharti Airtel	419.70	-9.25
Bosch	19553.60	51.15
BPCL	465.70	-9.35
Cipla	611.10	5.25
Coal India	303.50	-4.60
Dr Reddys Lab	2213.55	17.75
Eicher Motors	27328.15	-1012.30
GAIL (India)	468.30	-7.60
HCL Tech	937.10	-2.60
HDFC	1815.50	-14.00
HDFC Bank	1878.60	-3.30
Hero MotoCorp	3494.20	-33.05
Hindalco	247.65	-3.85
HPCL	386.95	-3.95
Hind Unilever	1352.10	-6.05
Indiabulls HFL	1272.35	-39.95
ICICI Bank	321.05	-7.60
IndusInd Bank	1658.90	-27.25
Bharti Infratel	327.55	-3.50
Infosys	1128.05	13.60
Indian OilCorp	375.05	-1.75
ITC	266.45	-1.65
Kotak Bank	1050.20	8.05
L&T	1328.40	-21.95
Lupin	825.10	2.80
M&M	743.75	-5.60
Maurti Suzuki	8836.95	-183.30
NTPC	162.80	-0.40
ONGC	186.90	-1.40
PowerGrid Corp	195.55	-2.35
Reliance Ind	921.30	-14.35
State Bank	271.65	-7.05
Sun Pharma	575.25	-0.50
Tata Motors	370.75	-5.05
Tata Steel	689.75	-10.80
TCS	2933.05	7.20
Tech Mahindra	584.35	-21.30
UltraTech Cement	4166.35	-21.50
UPL	703.60	-12.50
Vedanta	319.75	-4.65
Wipro	291.00	-1.50
YES Bank	311.80	-8.00
Zee Entertainment	569.60	-1.30

EXCHANGE RATES

Indicative direct rates in rupees a unit except yen at 4 p.m. on February 16

CURRENCY	TT BUY	TT SELL
US Dollar	64.01	64.33
Euro	79.86	80.26
British Pound	89.96	90.41
Japanese Yen (100)	60.25	60.56
Chinese Yuan	10.08	10.16
Swiss Franc	69.29	69.64
Singapore Dollar	48.86	49.11
Canadian Dollar	51.25	51.51
Malaysian Ringitt	16.43	16.54

Source:Indian Bank

BULLION RATES CHENNAI

February 16 rates in rupees with previous rates in parentheses

Retail Silver (1g)	41.9	(41.8)
22 ct gold (1 g)	2928	(2925)

'SBI's exposure in PNB fraud is $212 million'

Bank has no 'exposure' to Nirav Modi, says Rajnish Kumar

K. BHARAT KUMAR
KOCHI

State Bank Group Chairman Rajnish Kumar speaks during a press conference in Kochi on Friday. • PTI

State Bank of India (SBI) has an exposure of $212 million linked to the fraud at Punjab National Bank (PNB), SBI Chairman Rajnish Kumar said, adding that the exposure was mainly to PNB and that he did not see any liabilities accruing to SBI as a consequence of the fraud.

"We do not have exposure to (Nirav) Modi. My exposure is to PNB," Mr. Kumar told mediapersons before inaugurating the Global NRI Center at Kochi on Friday. "We are not worried... the regulator is there, judicial system is there... there is also a categorical statement by the MD of PNB, that all bona-fide transactions, they will honour. This is something which will get sorted out between the banks."

PNB, India's second-largest bank, was defrauded of ₹11,500 crore through letters of undertaking (LoUs) in a scam whose dimensions are still unfolding.

'No lapse'

Speaking after the press meet, Mr. Kumar said of the SBI group's $212 million exposure – relating to the LoU transactions initiated on behalf of firms controlled by Nirav Modi – $90 million was made through SBI's Mauritius subsidiary. "There has been absolutely no slip up or lapse from our side. We have followed standard operating procedure." He added that the bank was "100% confident" of recovering the amount.

Mr. Kumar separately said SBI had "a small exposure to Gitanjali Gems," without giving any details on the nature or extent of that exposure.

The SBI chief observed that risk management in banks was a continuous process. "We have to keep updating it. Operational risk is unknown, while credit risk is a calculated risk. In operational risk, what hits and when, is unpredictable. The question is what to do when every level of security is breached.

"We have to constantly review, upgrade, look for gaps in processes, compliance standards, effectiveness of audit systems... banking is a complex business; volumes are large. Risk culture, compliance culture all need to be good," Mr. Kumar said.

Impact of norms

Asked about the impact of recent RBI norms to accelerate the recognition of bad loans and initiation of insolvency proceedings, he said, "Guidelines have made it easier... there are two key elements to the new norms: whatever the bank feels is sustainable debt needs a rating; two, unless you get back 20% in payment, you can't upgrade the asset."

Mr. Kumar said, "It is important that there are adequate number of benches at the NCLT." A majority of insolvency cases, taken to the NCLT in the first list shared by the RBI, would likely see completion by the first quarter of FY19, he added.

Recognition of stressed loans at SBI was 'almost over', he said adding, "From next year onwards, 2018-19, we will enter into what I call the normal position. Normal for me is 2% or below on gross fresh slippages."

SBI would also look to monetise some of its non-banking assets by FY20. "FY20, we will go for IPO [of some assets], because we believe we can add lot more value before going for IPO. Three companies are prime candidates... SBI MF, SBI General, SBI Card."

The Global NRI Center will help SBI centralise NRI operations across the country. The centre will be a single-point of contact for all NRI banking services. To enhance the experience for its 33 lakh NRI customers, SBI introduced services including wealth management, SBI Intelligent Assist and a remittance facility for U.S.-based customers.

As of January, SBI had an NRI deposit base of ₹1.95 lakh crore.

(With inputs from G Krishnakumar. The writer was in Kochi at the invitation of SBI)

PNB fallout: focus back on 'KYE'

Proper background verification of staff need of the hour, say experts

MANOJIT SAHA
MUMBAI

The ₹11,500-crore fraud in the state-run Punjab National Bank (PNB) has brought back into focus the importance of Know Your Employee (KYE) norms for banks, according to risk assessment experts.

Firewall against frauds

As early as 2005, when banks were in the initial stages of adopting technology, the Reserve Bank of India (RBI) had highlighted the importance of banks enforcing KYE norms, which would act as a firewall against frauds committed in connivance with employees.

The latest scam at PNB involved the issuance of unauthorised Letters of Undertaking (LoUs) in favour of companies for availing buyers' credit, allegedly in connivance with a former employee and a serving employee.

RBI had stressed importance of KYE as early as 2005.

In September 2005, the RBI had cited cases of technological mishaps where financial losses had been induced by employees or ex-employees of banks, which had also damaged the lenders' reputations.

G. Padmanabhan, the then chief general manager of RBI, had urged the banking community to enforce KYE norms, not only prior to staff recruitment, but even more vigorously thereafter.

Background screening

Rahul Belwalkar, CEO, SecUR Credentials – a listed background screening company – said proper and systematic employee background verification is the need of the hour but the number of public sector units that opt for background checks is low in India because human resources practices have not evolved and there is a resistance to change.

"We also suspect that there is pushback from unions as well because of which HR policies haven't changed in a while. There has been a rise in number of private sector banks and NBFCs that are not only conducting background screening but are also doing regular credit checks on their employees while the day handle large amounts of clients' money," Mr. Belwalkar said.

The central vigilance commission (CVC) has also stressed the importance of KYE, observing that several frauds had been insider jobs or were perpetrated with the help of insiders.

"Know your employee is important in all industries, but more so for banks which deal with confidential personal data and money," said Tarun Bhatia, MD, Investigations And Disputes, Asia Pacific, Kroll, a risk consultancy.

ICAI to assess audit role in 'scam'

SPECIAL CORRESPONDENT
NEW DELHI

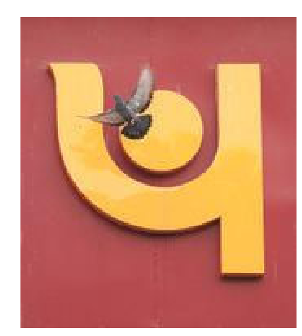
The Institute of Chartered Accountants of India (ICAI) had asked Punjab National Bank (PNB) as well as probe agencies, including the CBI, Enforcement Directorate (ED) and capital markets regulator SEBI to provide it with the details regarding the alleged ₹11,500 crore scam to ascertain whether there was professional misconduct/wrongdoings by auditors.

In a statement, the ICAI said it had set up a high-powered group to examine whether there were systemic issues. The group would also suggest remedial measures and improvements in the banking system to prevent the recurrence of such incidents.

PNB fraud, a failure of internal control: RBI

Denies directing PNB to pay its peers

SPECIAL CORRESPONDENT
MUMBAI



• REUTERS

The Reserve Bank of India (RBI) said the failure of internal controls was the main reason for the ₹11,500 crore fraud that occurred in Punjab National Bank (PNB).

'Operational risk'

The banking regulator, in its first reaction since the issue came to light on Wednesday, described the fraud as a case of operational risk arising out of delinquent behaviour by the bank's employees.

"The fraud in PNB is a case of operational risk arising on account of delinquent behaviour by one or more employees of the bank and failure of internal controls," the central bank said.

RBI said it was assessing the situation and would take appropriate supervisory action.

"RBI has already undertaken a supervisory assessment of control systems in PNB and will take appropriate supervisory action," it said. RBI denied directing PNB to pay other banks.

'May return to normalcy in 6 months'

SPECIAL CORRESPONDENT
MUMBAI

Fraud-hit Punjab National Bank (PNB) told analysts that it may take six months for normalcy to return, adding it has non-core assets that could be sold to strengthen capital.

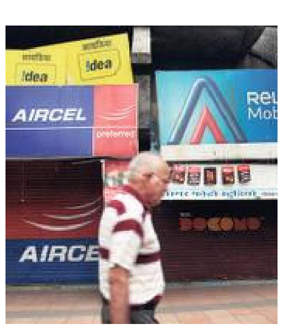
"They said within six months they will come out of this situation...I cannot say what they actually meant...whether in six months they will recover the money or get additional funds," an analyst, who was on a conference call with PNB's management, said on condition of anonymity.

PNB also said the exact liability from the fraud was yet to be ascertained but could be about ₹11,500 crore, the analyst said.

TRAI to fine 'predatory' tariff

Operators may attract up to ₹50 lakh in disincentive

SPECIAL CORRESPONDENT
NEW DELHI



The Telecom Regulatory Authority of India (TRAI) said a "financial disincentive" of up to ₹50 lakh for each service area can be imposed on a telco in case a tariff offered by the operator is found to be predatory.

In its new tariff order, aimed at ensuring transparency, non-discrimination and non-predation, TRAI said in the case of non-compliance with norms to report any new tariff to the regulator, the telco may be "liable to pay five thousand rupees, by way of financial disincentive for every day of delay subject to a maximum of ₹2 lakh as the Authority may by order direct."

TRAI added there was no need to impose restrictions on the number of promotional offers that an operator can provide to its subscribers. "Restrictions may not be in the interest of consumers, apart from possibly hindering competition. Promotional offers are reflection of maturity of competition at most of times and restricting them would amount to interference with market forces," it said.

For regular tariffs, TRAI decided to continue with the cap of 25 plans offered by a telco in each licensed service area at any given point of time. The regulations follow a controversy that started after Reliance Jio started operations with a 'welcome offer,' giving free voice and data to its subscribers for three months. It later extended the offer till March 31, 2017, naming it 'Happy New Year' offer. Bharti Airtel, Vodafone and Idea had alleged that Reliance Jio violated some tariff norms.

Display on website

TRAI said all segmented offers – either for retention or acquisition of new consumers – are to filed with the Authority and be displayed on the operator's website.

"...the issue brought out about the tariff plans offered to the individual customers/consumers and which are not filed with TRAI, is a cause of serious concern. Any justification with reference to such violation cannot be accepted," said the regulator.

MSCI urges bourses to share feed

ASHISH RUKHAIYAR
MUMBAI

MSCI Inc., a leading provider of research-based indices and analytics, wants Indian exchanges to reconsider their decision of not sharing market feed with foreign exchanges.

"... we believe that if the changes are put into effect, the result will be disruptive and harmful to international institutional investors in Indian equities whether accessing the market onshore or offshore," stated a release issued by MSCI.

On February 9, BSE, National Stock Exchange (NSE) and Metropolitan Stock Exchange (MSE), issued a joint statement saying they will not share market data feed with any foreign bourse where derivative contracts based on Indian indices are offered.

Reserve Bank data shows India's loan fraud problems extend far beyond PNB

'PSBs reported 8,670 cases totalling ₹612.6 billion in the last five financial years'

REUTERS
NEW DELHI/MUMBAI

Line of no control: The figures expose the magnitude of the problem in a banking sector already under pressure. • REUTERS

Investors may have been shocked when one of India's biggest banks disclosed a $1.77 billion fraud by a billionaire jeweller, but the central bank has recorded data that shows the problem runs far deeper and wider.

Reserve Bank of India (RBI) data, which a *Reuters* reporter obtained through a right-to-information request, shows state-run banks have reported 8,670 "loan fraud" cases totalling ₹612.6 billion ($9.58 billion) over the last five financial years up to March 31, 2017.

In India, loan frauds typically refer to cases where the borrower intentionally tries to deceive the lending bank and does not repay the loan.

The figures expose the magnitude of the problem in a banking sector already under pressure after years of poor lending practices.

Bad loans surged to a record peak of nearly $149 billion last year. Bank loan frauds have steadily increased as well, reaching ₹176.34 billion in the latest financial year from ₹63.57 billion in 2012-13, according to the data, which doesn't include the Punjab National Bank (PNB) case. PNB, India's second-largest state lender, said on Wednesday two junior officers at a single branch had illegally steered $1.77 billion in fraudulent loans to companies, most of them controlled by billionaire jeweller Nirav Modi.

It was India's biggest fraud ever. "This might be the tip of the iceberg or the middle, and that is the worry," said Pratibha Jain, partner at law firm Nishith Desai Associates, who advises on bankruptcy cases.

"The fact is we don't know what else is out there."

Bank disclosures

The RBI did not immediately respond to a request for comment. But in June 2017 the central bank, in its Financial Stability Report, called frauds in banks and financial institutions "one of the emerging risks to the financial sector".