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Banking News

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NEWS BULLETIN from **ALL INDIA BANK EMPLOYEES' ASSOCIATION**

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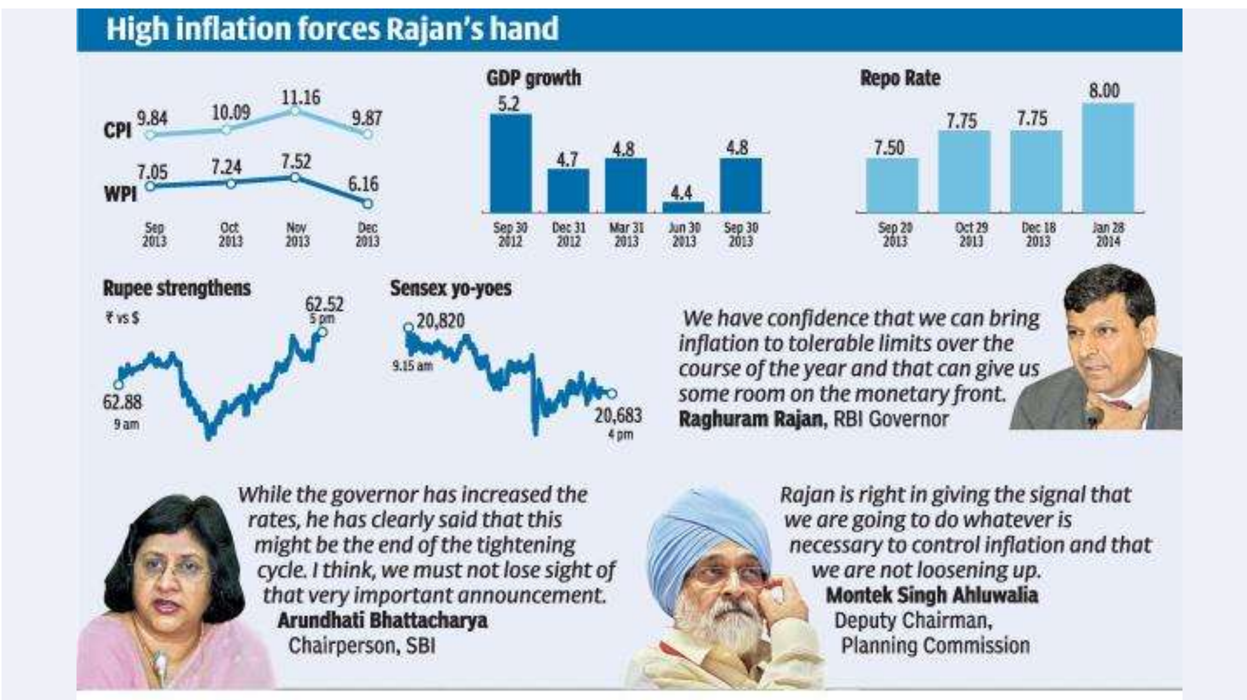
'Owlish' RBI hikes repo rate by 25 bps on inflation worry

OUR BUREAU MUMBAI, JANUARY 28:



Move to set economy firmly on dis-inflationary path, says Raghuram Rajan

The Reserve Bank of India sprang a surprise on Tuesday by increasing the interest rate banks pay to borrow short-term funds to 8 per cent from 7.75 per cent.

Despite the economic slowdown getting increasingly worrisome, the central bank chose to increase interest rates to tame rising prices.

RBI Governor Raghuram Rajan emphasised that the best way to create sustainable growth was by bringing down inflation.

"Elevated levels of inflation erode household budgets and constrict the purchasing power of consumers. This, in turn, discourages investment and weakens growth…" Rajan said in his interaction with the media, after announcing the third-quarter review of monetary policy.

To a specific question as to why the policy stance is hawkish while its guidance dovish, Rajan said his deputy, Urjit Patel, referred to the central bank as being neither a hawk nor a dove but an 'owl', signifying wisdom and alertness, when it comes to monetary policy formulation.

Bankers, economists and market players were expecting the RBI to maintain the status quo in view of the significant decline in inflation in December and the weak state of the economy.

Following the RBI's rate action, banks may up deposit rates a tad, mostly at the short-end. Simultaneously, to protect their margins, they may nudge the spread they charge over the base rate (the minimum lending rate below which banks cannot lend) upwards for select segments.

Equity market players took the rate hike decision in their stride, with the benchmark BSE Sensex closing the day just 0.12 per cent (or 23.94 points) lower at 20,683.51 over the previous close.

The rupee closed 60 paise stronger at 62.50/dollar against the previous close of 63.10 on expectation that the rate hike would attract foreign exchange inflows.

Since taking charge of the RBI last September, Rajan has upped the repo rate (the rate at which banks borrow short-term funds from the central bank) thrice by 25 basis points each. One basis point is equal to one-hundredth of a percentage point.

The RBI maintained the status quo in its mid-quarter review of the monetary policy last month.

The Governor observed that the RBI's baseline inflation projections for the October-December 2013 period indicate that over the ensuing 12-month horizon, and with an unchanged policy stance, there are upside risks to the central forecast of 8 per cent.

Hence, an increase in the policy rate is needed to set the economy securely on the recommended dis-inflationary path (CPI inflation below 8 per cent by January 2015 and below 6 per cent by January 2016, as suggested by the Urjit Patel committee).

The RBI said that further policy tightening in the near term is not anticipated at this juncture if the dis-inflationary process evolves according to the baseline projection.

GDP projection

In its third-quarter review of macroeconomic and monetary developments document, which was released along with the policy, the RBI has assessed that growth in 2013-14 is likely to fall somewhat short of its earlier projection of 5 per cent.

However, a moderate recovery (5-6 per cent growth) is likely in the next fiscal year with support from rural demand, a pick-up in exports and improved investment demand.

Lloyds Banking Group to Cut More Than 1,000 Jobs

By CHAD BRAY, LONDON – NEWYORK TIMES 28TH JAN 2014

Olivia Harris/ReutersThe Lloyds Banking Group said in June 2011 that it would eliminate as many as 15,000 jobs by the end of 2014.

The Lloyds Banking Group said on Tuesday that it would eliminate an additional 1,080 jobs as part of a restructuring plan first it began in 2011.

The bank, which was bailed out by the British government during the financial crisis, said in June 2011 that it would eliminate as many as 15,000 jobs by the end of this year. Lloyds said at the time that the jobs cuts would save as much as 1.5 billion pounds, or about $2.5 billion, annually by the end of 2014. The bank currently has about 90,000 employees.

"Lloyds Banking Group is committed to working through these changes with employees in a careful and sensitive way," the bank said. "All affected employees have been briefed by their line manager today."

The jobs cuts will be spread across the bank's retail, risk, operations and commercial banking divisions. The bank also plans to outsource another 310 jobs.

"The group's policy is always to use natural turnover and to redeploy people wherever possible to retain their expertise and knowledge within the group," the bank said. "Where it is necessary for employees to leave the company, it will look to achieve this by offering voluntary redundancy. Compulsory redundancies will always be a last resort."

Lloyds received a £17 billion bailout in 2008, and the British government still owns about a third of the bank.

Since it was bailed out, the bank has sold noncore businesses to streamline its offerings and has focused its lending efforts on its home market, Britain.

The bank has returned to profitability, reporting earnings of £1.5 billion in the third quarter.

Unions blast Barclays over speculation of imminent cut in branches

Barclays is also poised to axe 400 investment bank jobs on top of the 1700 it announced a year ago in a bid to slash costs

NICK GOODWAY , MARIA TADEO, Wednesday 29 January 2014

Trade unions and consumer groups have reacted angrily to reports that Barclays could close up to a quarter of its 1600 branches over the next few years.

Dominic Hook, national officer for the Unite union, said: "Barclays must not embark on this reckless rush to close branches and fill others with machines instead of staff. There will be a significant cost to customer service in Barclays. Unite has called on Barclays to halt their closure plan."

Barclays has issued a statement saying it has no intention to make a "significant reduction" of its branch network, after reports suggested it would replace 400 sites by smaller outlets inside Asda supermarkets, alongside its full year results in two weeks time.

The lender admitted that "there will be fewer traditional branches" but insisted that its network is still an important of its banking service.

A spokesperson said: "We have consistently been clear that, over time, there will be fewer traditional branches as we move to provide banking services to customers where and when they find it most convenient.

"This will be driven by the needs of our customers and, therefore, there is not a target for a number of branches to be closed, nor a time frame for such action."

Barclays to close 400 branches - and replace them with smaller outlets in Asda supermarkets

Barclays also said the results, on 11 February, will include additional charges against costs of £220 million and and again against income of £110 million pounds in its investment bank, "relating to litigation and regulatory penalties."

Derek French, director of the Campaign for Community Banking, believes banks should seriously look at sharing branches.

He said: "It is not too late for government to step in and tell the industry they must have an independent and objective appraisal of branch sharing."

Barclays is also poised to get rid of another 400 investment bankers, on top of the 1700 it announced a year ago, as part of Jenkins' cost-cutting regime.

The news came as Deutsche Bank, which employs 8500 people in the UK, revealed it cut investment bankers' pay by 23 per cent last year from a total 1.3 billion (£1.07 billion) to 1 billion.

Speculation over Barclays' branches follows an announcement yesterday by Lloyds Banking Group of 1,080 job losses across its retail, risk, operations and commercial banking divisions, and plans to outsource more than 300 roles, as part of a continuing overhaul of the business.

Truce called on Co-op Central Bank cuts in Cyprus

Cyprus Mail

29 Jan 2014 By Elias Hazou

Talks will resume today between ETYK and the CCB

The Cooperative Central Bank (CCB) and the main bank employees union ETYK called a truce on Monday amid an escalating dispute on proposed pay cuts.

The CCB's new CEO Marios Clerides and ETYK boss Loizos Hadjicostis spoke on the phone early in the afternoon, agreeing to talk again on Tuesday.

"They agreed to come back with alternative proposals to see how the impasse can be overcome," ETYK official Christos Konomis told the Cyprus Mail.

The CCB wants to slash its payroll by 15 per cent to comply with its restructuring obligations, in place following its €1.5bn bailout.

Following a deal clinched recently, workers at cooperative credit institutions took a 3.0 per cent cut on salaries across the board. Their unions also agreed to additional tiered salary cuts ranging from 8.0 per cent to 25 per cent.

But neither agreement applies to employees of the CCB who are all members of ETYK, with which the CCB board had been holding separate talks.

Some 300 CCB employees are members of ETYK, as opposed to the some 2,700 staff in the broader cooperative sector who belong to other unions, mainly PEO and SEK.

After negotiations between the CCB and ETYK broke down last week, the former threatened to begin layoffs unilaterally.

The CCB management said it would ask each of the 300 employees to respond whether they individually accepted either the proposed pay cuts or a redundancy scheme.

Should the number of volunteers fall short of the targeted 100, the CCB threatened to proceed with forcing the redundancy scheme on enough employees to achieve its 15 per cent cost reduction target.

The move bypassed ETYK entirely, incurring the union's wrath.

On Monday, employees at the CCB were to be given 24 hours to respond or else the bank would go ahead with the unilateral redundancies. The CCB management held a meeting with staff yesterday to present the restructuring plan. But it became apparent that the employees, on instructions from their union, held fast and did not take the bait.

It's not clear whether the 24-hour ultimatum given to the employees and expiring today still stands, but Clerides and Hadjicostis will be making another effort to find common ground.

In a defiant circular meanwhile, the union called "raw blackmail" the CCB's threat of redundancies, adding that the move violates the code of industrial relations.

Even if the redundancies were enforced, ETYK said, they would be null and void.

"No decision taken with a gun to the head is valid," it added.

It further questioned the logic behind the threatened redundancies, noting that this issue was never raised before by anyone.

If anything, ETYK said, the CCB had been poised to hire more people, not fire them.

The union says it's not in principle opposed to the prospect of pay cuts for the 300 workers at the CCB. But they want the other side to take into account that the CCB employees have suffered an approximately 4.5 per cent loss in income over the last two years by giving up Cost of Living Allowance and salary increments for the years 2012 and 2013, contrary to the rest of the employees in the broader cooperative sector.

Should the CCB employees now accept an additional 15 per cent salary cut, the cumulative reductions would amount to 20 per cent, the union argued.

Also pending is a separate deal on the renewal of collective agreements for employees at commercial banks.

As of July 2013, Bank of Cyprus (BoC) workers have on average conceded around 15 per cent of their income, but employees in other banks have seen virtually no salary reduction.

The employers ideally want an agreement in place before the next paycheques are made out.

State bank employees wear black against govt’s rice scheme

30 January 2014 By MCOT, PATTAYA MAIL, **BANGKOK**,

Members of the Labour Union of Thailand's state-owned Government Savings Bank (GSB) have dressed themselves in black to voice their opposition against any decision allowing the caretaker government to borrow GSB funds to finance the controversial rice pledging scheme.

The bank's union met today with large numbers of its members dressed in black, while banners have also been put up throughout the GSB’s headquarters on Phahonyothin Road in oppose to lending money to the scheme.

Government Savings Bank union chairman Likhit Klinthanom said most employees disagreed with the ideas despite the government’s direct and indirect efforts in trying to borrow money to finance the programme’s funding.

Mr Likit warned that if the caretaker government tries to press ahead to secure the loans, union members would thoroughly scrutinise its move in order to protect customer savings.

According to Mr Likhit, the union has clearly voiced their opposition against the government’s ongoing attempt to pressure the GSB to loan money as payment for farmers who sold rice to the government’s stockpiles.

Union members nationwide will later submit an official letter to the Public Debt Management Office and the GSB Labour Union nationwide in a bid to pressure the government to call off its attempt.

Australia's Biggest Bank Limits Staff's Access to Chat Rooms

Jan. 29, 2014 10:30 p.m. ET MELBOURNE, Australia—

Australia's biggest bank has restricted the use of Internet chat rooms by its staff as regulators globally boost scrutiny of electronic communications that could be used to manipulate markets.

Commonwealth Bank of Australia, CBA.AU +0.04% the nation's largest by market value, said it had followed lenders in other countries by introducing measures to limit access to chat rooms, which traders at different banks sometimes use to communicate with each other.

Commonwealth Bank's main rivals in Australia are also considering restricting access to so-called multibank chat rooms—or at least discouraging their use. Elsewhere, Goldman Sachs Group Inc., Citigroup Inc., C +0.48% Deutsche Bank AG and several other investment banks have banned staff from accessing some of them.

The crackdown comes as regulators step up surveillance in an effort to detect potential interest-rate rigging and other types of market manipulation through the use of electronic communications and other means. Scrutiny of such activities worldwide has intensified since 2008, when regulators began probing suspected rigging of the London interbank offered rate, or Libor.

Investigations into other financial markets, triggered by the Libor scandal, are less advanced. The U.K.'s Financial Conduct Authority began probing currency trading last April in an investigation that has since expanded to include the practices of traders in the U.S., Switzerland and elsewhere.

In addition, several regulators have asked banks in their jurisdictions to search through thousands of messages between traders for any evidence of collusion. Last month, The Wall Street Journal reported that some banks had discovered chat room transcripts showing traders from different institutions working together to move markets in their favor.

Australia entered the spotlight earlier this week when the country's securities regulator censured BNP Paribas SA BNP.FR +0.48% after the French lender admitted that some of its staff based elsewhere had sought to influence the country's daily benchmark interbank lending rate.

An internal audit by the bank found no evidence that its Australian employees were influenced, nor of collusion with any another bank, and BNP Paribas has agreed with the Australian Securities and Investments Commission to tighten its controls to prevent future attempts at market manipulation.

ASIC said it regularly monitors chat rooms and social media for evidence of misconduct.

Australia & New Zealand Banking Group Ltd. ANZ.AU +0.27% said it was considering restricting the use of multibank chat rooms too, but had yet to make a final decision.National Australia Bank Ltd. NAB.AU -0.06% said its traders no longer participated in such chat rooms, despite there being no official policy forbidding them from doing so.

Westpac Banking Corp. WBC.AU -0.06% and investment bank Macquarie Group Ltd.MQG.AU -1.04% declined to comment. The Australian Bankers Association, an industry group, said policies on chat rooms were a matter for individual banks.

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