AIBEA's Banking News

6, 7, 8 JANURY, 2021

NEWS BULLETIN FROM ALL INDIA BANK EMPLOYEES' ASSOCIATION

Exclusive: Doorstep Banking through Chinese-Owned Firms, Supported by Public Sector Banks Mining Biometrics and Financial Data in India

Sucheta Dalal,

7 January 2021MONEYLIE FOUNDTION

Suicides by at least seven people in Telengana that led to a crackdown by the Hyderabad police have shown how Chinese companies, operating through innocuous-sounding Indian technology firms, with layers of entities to hide their Chinese ownership, have been ripping off hapless Indians with usurious loans. These companies have reportedly disbursed Rs. 21,000 crore small-ticket transactions (as low as Rs2,000 to Rs10,000) for tenures as low as 5 to 7 days but carrying extremely high costs and interest. Unbanked Indians, desperate for funds without security, are easy targets of these apps, even as the cream earned is quickly transferred to overseas owners.

But app-based lenders may be just the tip of the iceberg. An even more dangerous issue may be government-sanctioned 'Doorstep Banking'.

Role of Public Sector Banks

As many as 12 public sector banks (PSBs), including State Bank of India, have started what is called 'Doorstep Banking' which has literally outsourced key bank services to two tech companies. What will soon be clear is there is either the background check was inadequate or somebody deliberately turned a blind eye to the Chinese ownership of one of these firms.

Before explaining what the worry is, let me start by saying that I received information from a whistleblower who dug up all the ownership details from publicly available sources. This was over eight days ago. I shared the information with the Reserve Bank of India (RBI) and sources in government agencies. RBI, I am informed, is looking into the issue after calling it worrying. The trail of layered companies shared below has been informally cross-checked by a government entity.

Doorstep Banking

For starters, Doorstep Banking is itself intriguing. While most PSB customers complain endlessly about poor service, and their employees complain about working without security or concern for their health during the pandemic, Doorstep Banking is thriving through outsourced banking to two companies. Doorstep Banking is the collaboration of 12 banks – State Bank of India, Bank of Baroda, Central Bank of India, Indian Bank, Punjab and Sind Bank, Bank of India, Bank of Maharashtra, Indian Overseas Bank, UCO Bank, Canara Bank, Union Bank and Punjab National Bank. The 12 call themselves a PSB Alliance.

They don't plan to do any of the work themselves. While India has been paying for the humongous bad loans of PSBs ever since bank nationalisation, this part of banking has been outsourced to two entities. Atyati Technologies Pvt Ltd and Integra Microsystems Pvt Ltd for 'last mile' connectivity. Both are tech companies that have sub-contracted operations to several other companies who will actually deal with the end customer. We have no idea how accountability and grievances will be addressed, when tech-savvy urban customers also struggle with these issues.

On the face of it, Doorstep Banking sounds wonderful. Offered under 'ease of banking' norms, it provides a host of services such as picking up and submission of cheques, pay-orders, etc, cheque books, 15G and 15H forms, I-T (income-tax) and GST (goods and services tax) *challans*, standing instruction requests, account statements, TDS Form 16, fixed deposits, etc.

 

We can clearly see how many people, especially senior citizens, will love the idea. Is there a cost? A downside? How is it working? Is your data safe? Who exactly is collecting your information and who supervises what happens to it? Remember, using Doorstep Banking requires an app to be downloaded and biometrics. The Hyderabad police have found that Chinese loan apps were accessing all the contacts of borrowers, which were used to harass them for repayment, that drove some to suicide.

Doorstep Banking is the brainchild of the Department of Financial Services and involves carving out multiple clusters across India, going down to the gram panchayat level for service-providers, according to a report in The Economic Times. It says 11 people bid initially, of which the two mentioned above were selected. Large companies, such as Infosys, stayed away, says the report.

Our whistleblower decided to check on the two Doorstep Banking providers. He quickly discovered that Atyati, which seems to be a simple

Bengaluru-based tech company, actually hides its true ownership behind multiple layers that eventually end up with a Chinese banking group.

If we are banning Chinese video apps and gaming apps, how much more important it is to ban loan apps and last-minute connectivity-providers, whose links, through multiple layered tax-haven companies, go all the way to a State-owned Chinese Bank?

Facts about Atyati

1. Bengaluru-based Atyati Technologies Private Ltd says it has already reached 31,000 Indian villages through its sub-contractors. It is a profitable company registered in 2006 is controlled by M/s Geosansar Advisors Private Limited, a loss–making company which shows offices in Hyderabad and Mumbai. And, yet, it says it provides financial literacy and has ties with 16 banks. Rajan Mittal, who is on Atyati's board, is shown as key director in Geosansar Advisors which, in turn, is owned by M/s Geosansar Mauritius Limited, which owns 98.39% shareholding in Atyati as per the latter's balance sheet.

[400400] Disclosures - Directors report

Details of shareholding of promoters [Table] ..(1)

Unless otherwise specified, all monetary values are in INR

Promoters [Axis]	1		02	
	01/04/2019 to 31/03/2020	31/03/2019	01/04/2019 to 31/03/2020	31/03/2019
Total number of shares held at end of period	[shares] 1,10,79,802	[shares] 1,10,76,802	[shares] 1,000	[shares] 4,000
Percentage of total shares held at end of period	98.39%	99.96%	0.10%	0.04%
Percentage of change in shares held during year	-1.57%		-0.03%	
Details of shareholding of promoters [Abstract]				
Details of shareholding of promoters [LineItems]				
Shareholder's name	Geosansar Mauritius Limited		Geosansar Advisors Private Limited (Nominee of Geosansar Mauritius Limited)	
Total number of shares held at end of period	[shares] 1,10,79,802	[shares] 1,10,76,802	[shares] 1,000	[shares] 4,000
Percentage of total shares held at end of period	98.39%	99.96%	0.10%	0.04%
Percentage of shares pledged/encumbered to total shares at end of period	30.00%	30.00%	0.00%	0.00%
Percentage of change in shares held during year	-1.57%		-0.03%	
Total number of shares held at end of period	[shares] 1,10,79,802	[shares] 1,10,76,802	[shares] 1,000	[shares] 4,000
Percentage of total shares held at end of period	98.39%	99.96%	0.10%	0.04%
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Particulars of holding, subsidiary and associate companies [Table] ..(1)

Unless otherwise specified, all monetary values are in INR

Particulars of companies [Axis]	1
	01/04/2019 to 31/03/2020
Particulars of holding, subsidiary and associate companies [Abstract]	
Particulars of holding, subsidiary and associate companies [LineItems]	
Name of company	GEOSANSAR MAURITIUS LIMITED
Address of company	C/o AAA Global Services Ltd., 1st Floor, The Exchange, 18 Cybercity, Ebene, Mauritius
Country of incorporation of company	MAURITIUS
GLN of company	078814
Type of company	Holding Company
Percentage of shares held	98.40%
Applicable section	2(46)

2. M/s Geosansar Mauritius Limited is, in turn, owned by one M/s Metdist Limited and M/s Metdist Trading Limited. On the face of it, the Metdist group belongs to the famous metal trader, the late Lord Bagri's family and Apurv Bagri and Usha Bagri, who are citizens of Cyprus. But there are more layers to be unravelled. An India Ratings report of May 2019 on Atyati, confirms that Geosansar Mauritius is an investment vehicle wholly-owned by Metdist Ltd UK. It further says that Geosansar acquired Atyati only in September 2016 from Genpact India Ptct Ltd.

COMPANY PROFILE

Incorporated on 29 March 2006, Bengaluru-based ATPL provides mobility-based multi-application platform named GANASEVA. GANASEVA is a banking software, which allows people to perform banking transactions using multiple devices such as mobile phones, netbooks, tablets, thermal printers, pin pad devices, cards and biometric scanners. The company is a subsidiary of Geosansar Mauritius Ltd, an investment vehicle wholly-owned by Medist Ltd UK. Geosansar Mauritius acquired ATPL from Genpact India Pvt Ltd in September 2016. From FY20, the company will enter into agri, and micro, small and medium enterprises lending.

3.Coming back to Atiyati Technologies, its board includes PR Prabhu, Rajan Mittal, Dinesh Mittal, Prasad G Desai and Uday Singh Singhi as directors. Of these, Mr Singhi is the president & chief executive officer (CEO) of Metdist Ltd. Rajan Mittal, as we saw, is on Geosansar's board, while Dinesh Mittal is an IAS officer who has been on the RBI board as well as those of LIC, SBI, etc.

4. So we now come to the Metdist Ltd of UK, which in fact is domiciled in Cyrpus and belongs to the late Lord Bagri's family. Here is a clip from Company House data on the ownership. It shows Apurv Bagri and Usha Bagri among the promoters. From the Metdist group, we transition to the Chinese connection – through a company called CCBI Global Markets Ltd.

METDIST LIMITED - Officers (free information from Companies House) 23/12/20, 4:14 PM

Companies House

Companies House does not verify the accuracy of the information filed (http://resources.companieshouse.gov.uk/serviceInformation.shtml#compInfo)

METDIST LIMITED

Company number **00973341**

- Officers
- Persons with significant control (https://beta.companieshouse.gov.uk/company/00973341/persons-with-significant-control)

Filter officers

Current officers

Apply filter

13 officers / 7 resignations

BAGRI, Apurv, The Honourable Mr

Correspondence address **One, Fleet Place, London, England, EC4M 7WS**

Role Active **Director**

Date of birth **November 1959**

Nationality **Cypriot**

Country of residence **United Arab Emirates**

Occupation **Business Executive**

BAGRI, Lady Usha

Correspondence address **One, Fleet Place, London, England, EC4M 7WS**

Role Active **Director**

Date of birth **January 1939**

Appointed on **1 September 2017**

Nationality **Cypriot**

5. What is now CCBI Global Markets (UK) Limited was known earlier as M/s Metdist Trading Limited and is part of M/s Metdist group, 25% of whose shares were held with M/s Minmetco Limited --Apurv Bagri's company. CCB International (holdings) Ltd of Hong Kong acquired a 75% shareholding in Metdist, according to a report in Euromoney and the name was changed to CCBI Metdist Global Commodities (UK) Ltd.

Metdist Trading Ltd will sell 75% stake to China Construction Bank

China Construction Bank Corp (CCB) is to buy a 75% stake in London Metal Exchange ring dealer Metdist Trading Ltd and will create the first company majority owned by a Chinese bank to trade on the exchange's open outcry floor.

On completion, Metdist Trading will be renamed CCBI Metdist Global Commodities (UK) Ltd and will move to CCB's new London headquarters in Old Broad Street, where a 7,000 sq ft trading floor has been reserved for the business.

CCBI Metdist's ceo will be metals industry veteran Nigel Dentoom, currently an adviser to the Metdist Trading board and formerly a senior adviser to Hong Kong Exchanges & Clearing (HKEx) for its acquisition of the LME.

6.CCBI Metdist Global Commodities (UK) Ltd's name was changed to CCB Globak Markets (UK) Ltd in July 2020. It is, ultimately, owned by the Chinese State-owned, China Construction Bank.

CCBI GLOBAL MARKETS (UK) LIMITED

Company number **01459469**

Registered office address
111 Old Broad Street, London, England, EC2N 1AP

Company status
Active

Company type
Private limited Company

Incorporated on
6 November 1979

Accounts

Next accounts made up to **31 December 2020**
due by **30 September 2021**

Last accounts made up to **31 December 2019**

Confirmation statement

Next statement date **7 December 2021**
due by **21 December 2021**

Last statement dated **7 December 2020**

Nature of business (SIC)

- 46900 - Non-specialised wholesale trade

Previous company names

Name	Period
CCBI METDIST GLOBAL COMMODITIES (UK) LIMITED	06 Apr 2016 - 29 Jul 2020
METDIST TRADING LIMITED	31 Dec 1981 - 06 Apr 2016
BOXNEAR LIMITED	06 Nov 1979 - 31 Dec 1981

Here are some questions. First, foreign direct investment (FDI) in financial services is allowed only to the extent of 74%; but, Atyati, with former IAS officers on board, is 100%-owned by a foreign company in a tax haven. Indian banks have asked their employees and others to download the Doorstep Banking app which is biometric-based. This means that data of every last Indian as well as their biometrics (along with those of bank employees) will be accessible to a chain of companies going from Mauritius, to China and, eventually, to a Chinese State-owned bank. Who is responsible and accountable?

[Note: Moneylife has written to Atyati for its comments and will incorporate them, if we receive them. That email has also been copied to the finance minister, finance secretary, RBI and the Enforcement Directorate. Responses from any of them will be incorporated when received.]

Loans worth Rs 8 lakh crore written off by Indian banks in the last decade

In its latest Trend and Progress report, the RBI said that the decline in gross NPAs in the banking system was largely aided by loan write-offs.

DINESH UNNIKRISHNAN

DECEMBER 31, 2020 / **MONEY CONTROL**

RBI

Indian banks wrote off loans worth around Rs 8,83,168 crore in the last ten years, a significant chunk of which came from government-owned banks, the latest data from the Reserve Bank of India shows.

Of this, public sector banks (PSBs) alone wrote off Rs 6,67,345 crore worth loans since 2010. This is about 76 percent of the total written-off loans in the decade, while private banks wrote off loans worth Rs 1,93,033 crore constituting about 21 percent of the total chunk. Foreign banks wrote off Rs 22,790 crore loans or 3 percent of the total write-off, the RBI data showed.

In the financial year 2019-2020 alone, banks wrote off a total of Rs 2,37,206 crore or about a quarter of the total loan write-offs in the last one decade. Of this, Rs 1,78 lakh crore was by PSBs and Rs53, 949 crore by private banks. These figures do not take into account the loans written off by small finance banks, which is a relatively smaller portion.

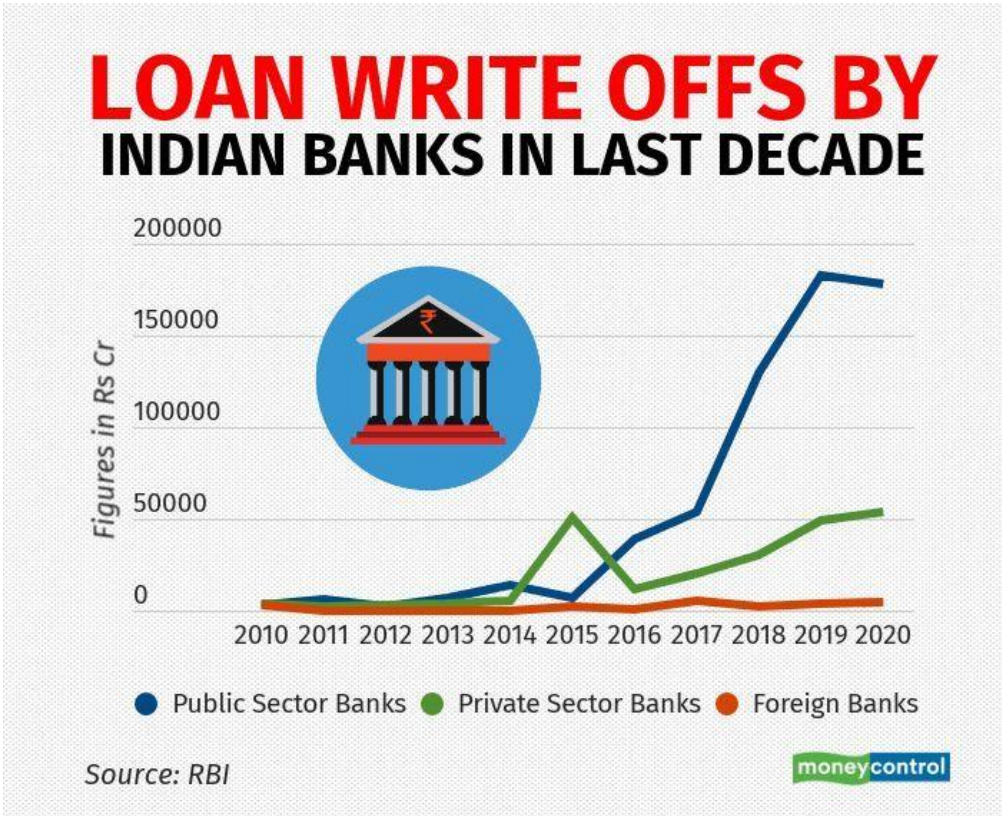
Individual banks

Among the banks, State Bank of India (SBI), the country's largest lender by assets, wrote off loans worth Rs 52,362 crore in FY20 becoming the largest contributor to the pie in FY20 followed by Indian Overseas Bank (Rs 16,406 crore), Bank of Baroda (Rs15,886 crore) and Uco Bank (Rs12,479 crore), the data showed.

Among private banks, the biggest loan write-off during the year was by ICICI Bank, which wrote off loans worth Rs 10,952 crore followed by Rs 10,169.27 crore by Axis Bank and HDFC Bank which wrote off Rs 8,254 crore, the data showed.

Are these figures alarming?

Loan write-off happens when efforts for resolution fails and hence increase in loan write-off should be seen as a sign of stress in the banking system. However, it is important that these figures need to be seen in context.



As a percentage of total advances in the banking system (around Rs 92.6 lakh crore as on March 2020), total written-off loans during the year stand at 2.56 percent. In the year before (when Rs 2,36,312 crore of loans were written off), this was 2.72 percent. This means as a percentage of the total outstanding loans in the banking system, yearly loan write-off figures have come down slightly.

Loan write-offs happen when banks feel chances of recovery from borrower account are almost nil. Lenders need to make provisions (money set aside to cover the losses) against such accounts. The provisioning can rise up to 100 percent of the loan fully goes bad. Hence, write-offs impact the profitability of banks.

" Loan write-offs went up last year because many expected recoveries didn't happen. This was due to the economic situation," said Sidhharth Purohit, an analyst at SMC Global securities.

"Even if the loan is written off, banks have to provide for the losses and hence loan write-offs do not come as a surprise to the markets, Purohit said. Also, some recoveries can happen from such accounts in future, Purohit said.

RBI caution

In its latest Trend and Progress report, the RBI said Scheduled Commercial Banks' (SCBs) gross non-performing assets (GNPA) ratio declined from 9.1 percent at end-March 2019 to 8.2 percent at end-March 2020 and further to 7.5 percent at end-September 2020. But the decline in gross NPAs in the banking system was largely aided by loan write-offs, the central bank said.

"The reduction in NPAs during the year was largely driven by write-offs. NPAs older than four years require 100 percent provisioning and, therefore, banks may prefer to write them off," the RBI said.

"In addition, banks voluntarily write off NPAs in order to clean up their balance-sheets, avail tax benefits and optimise the use of capital. At the same time, borrowers of written-off loans remain liable for repayment," the RBI said.

The modest GNPA ratio of 7.5 percent at end-September 2020 veils the strong undercurrent of slippage, the central bank said.

Further, large borrowal accounts or accounts where exposure is Rs 5 crore and above, constituted 79.8 percent of NPAs and 53.7 percent of total loans at end September 2020, the RBI said.

During 2019-20, PSBs' GNPA ratio as well as the ratio of restructured standard assets to total funded amounts emanating from larger borrowal accounts trended downwards. On the contrary, private sector banks experienced an increasing share of NPAs in respect of such accounts, the RBI said.

The share of SMA-0 (Special mention accounts) witnessed a sharp rise in September 2020. These accounts are those where principal or interest payment not overdue for more than 30 days but account showing signs of incipient stress.

This may be an initial sign of stress after lifting of moratorium on August 31, 2020, the RBI said. However, the share of other categories of SMAs, SMA-1 and SMA-2 remained at a relatively lower level, the RBI said. SMA accounts are accounts where repayment is overdue for 60-90 days, the RBI said.

RBI is accountable for its failures

In the last few years, multiple cases have exposed the weak links in RBI's supervision of private financial institutions. The regulator needs to be made answerable for its failures as well.

DINESH UNNIKRISHNAN

JANUARY 04, 2021 / **MONEY CONTROL**

The RBI is a well-respected regulator that has won praise for the way it has guided the Indian banking sector through multiple financial crises. Representational image

The Reserve Bank of India's handling of the failure of financial institutions has dominated the talk around the country's banking sector in recent years. While the regulator swung into action, albeit a bit late, to hammer out rescue deals for troubled Yes Bank and Lakshmi Vilas Bank (LVB), the resolution at Punjab and Maharashtra Cooperative Bank (PMC), a well-known multi-state cooperative bank in Maharashtra that plunged into a crisis in late 2019, is a pending task. The RBI also didn't see the trouble that was brewing at IL&FS and Dewan Housing.

The fact remains that under the RBI's watch, four financial institutions met with a crisis situation in the last two years—IL&FS, Dewan Housing and Finance Corporation, LVB and Yes Bank. The reasons for crisis in each of these institutions were different but all of these companies were under the watch of the regulation and supervision of the RBI.

The regulator conducted periodical scrutiny of these companies just like all other regulated financial entities but didn't see what was coming. The signs of wrongdoings and financial regularities were detected, in almost all these cases, at the final stages. By then, it was too late.

Could the regulator have acted earlier?

There is a section of analysts and banking industry experts who believe that had the RBI acted earlier, the cost of bail-outs and financial loss to a certain category of investors would have been lower.

For instance, the Yes Bank bail-out helped to protect the interest of depositors and shareholders but resulted in massive wealth erosion for the additional Tier 1 bond-holders of the bank, as Rs8,400-crore worth AT1 bonds were written off as part of the reconstruction scheme. Similarly, in the LVB-DBS merger deal, the RBI could save depositors but the entire paid-up equity capital of the bank was written off. Who will compensate these investors?

One can argue these actions were as per rules and necessary to pull off major bank rescues but the problems at Yes and LVB didn't happen overnight.

In the case of Yes Bank, the signs of major regulatory rule violations were visible from 2017-18. It was an open secret in the banking industry that the bank promoter was riding a tiger, embracing risky corporate loans and engaging in rampant careless lending aiming for personal gains. Back in 2015, a prominent research house had published a report forecasting major asset-quality issues. Except the regulator, everyone else seemed to know the problem.

The recent developments at Kerala-based Dhanlaxmi Bank are even more intriguing. At the Annual General Meeting of the bank on September 30, 2020, a few prominent shareholders voted out CEO Sunil Gurbaxani, whose appointment was approved by the Reserve Bank of India for a three-year term. It was probably the first instance where an RBI-appointed CEO of a private bank was ousted by the shareholders. The RBI has now asked the bank to get the shareholders' approval first before taking the name of the next CEO to the regulator for the final approval. Clearly, the central bank is on the backfoot in this case.

The Dhanlaxmi case showed that RBI's appointments could be cancelled by the shareholders and the regulator was not above shareholders. There are no proven charges of wrongdoings against Gurbaxani. In multiple interviews, including to Moneycontrol, the former CEO has contested his sacking and has sought a probe into the manner and reasons leading to his ouster. The regulator has, to date, not clarified the case. It has simply asked the bank to get the name of the new CEO vetted by the shareholders first. This case sets a precedent for the appointment of CEOs in other private banks too.

RBI-Kotak episode is another case where the regulator was dragged to a compromise formula by a bank promoter. According to the RBI norms, Kotak had to pare promoter stake below 20 percent before December 31, 2018 from around 30 percent. In August 2018, the bank announced the completion of the perpetual noncumulative preference share issue (PNCPS), which it interpreted as cutting the promoter stake to 19.7 percent.

The bank claimed it was complying with the RBI's licensing norms but the regulator didn't buy it. The regulator said the preference share allotment route wasn't sufficient to meet the promoter dilution rule requirement. But the bank's legal argument was PNCPS was part of the paid-up capital.

With the impasse continuing and the deadline for stake dilution fast approaching, KMB finally decided to move the Bombay High Court.

In January, the RBI let KMB retain the 26 percent promoter stake with some riders.

The RBI let the promoters, Uday Kotak and family, retain a 26 percent stake but capped the voting rights at 15 percent by April. KMB withdrew the case and some interpreted this as a win for Uday Kotak. In June, Kotak sold 5.6 crore shares for more than Rs 6,900 crore in a block deal, bringing down his stake to 26.1 percent, inching closer to the RBI's stipulated level.

The RBI is a well-respected regulator that has won praise for the way it has guided the Indian banking sector through multiple financial crises. The central bank's timely response to the COVID-19 crisis is commendable. Yet, some of the above-mentioned instances and events raise a question mark on the RBI's role and response time on critical banking sector issues. The RBI is answerable to the government on its actions but in reality, there is no evaluation of the central bank's performance.

Weak regulation, which contributed to the collapse of institutions that resulted in huge losses to the investors who trusted the central bank, exposes the weak link in RBI's supervision. The events of 2020 are a reminder why the RBI needs to be more accountable and raises questions about its efficiency and ability to supervise financial institutions dealing with public money.