



While Inflation and Growth estimates for March 2017 have been revised downward in the said RBI policy of 8<sup>th</sup> Feb, the policy stance has been changed from Accommodative to Neutral. This surprise change in stance has reversed the fixed income market scenario suddenly and drastically depicting hardening of yields which resulted CRASH in the G-sec prices in the range of ₹ 3 to ₹ 7 across various maturities. This crash in G-sec prices was so fast that the smaller banks like Urban Co-Operative Banks have found it very difficult to sell the securities by booking losses.

We as a Federation also observed that since 8th February onwards, there was high depreciation in the G-Sec (Short and Long Papers) by reduction of prices by even around ₹ 7 in some cases, with increase in yield of 55 basis points. This is a serious matter and will adversely affect on valuation of securities on 31<sup>st</sup> March 2017, since if the stock is liquidated, will cause heavy loss to the banks. If it is continued in the portfolio, high provisioning has to be marked particularly for the year March 2017. As you are aware that during 2016-17, the demonetization drive has left all the bankers not only increasing the cost of funds but there is also no buyer for the loan products.

Besides, increase in NPA has been miserably induced by demonetization causing high pressure on current year's profit, as huge amount of provisioning will also be required. We as a Federation therefore feel that there may be huge losses likely to be booked by the banks which may reduce their profitability to much extent while preparing the balance sheets of this year.

Under the circumstances, we request you to kindly look into the matter afresh at the earliest since the end of financial year i.e. March 31, 2017, is approaching fast and permit all Banks for the purpose of finding the support system which was implemented during the period 2004 and 2013 to shift all G-Sec. portfolio as amortization of losses by transferring the portfolio to Held to Maturity and write off the loss over the period to maturity of the bond. In this regard we also request you to give an appointment to the delegation of the Federation to discuss and resolve the issue at war footing.

Thanking you

Yours faithfully



(Sayali S. Bhoir)

Chief Executive & Secretary