October 2013
AIRRBOF News Letter
Sky is not the limit, we cover it...
The Voice of All India RRB Officers' Federation
Vol - XX SILIGURI No. 10

EDITORIAL

DOLLAR CRISIS – RBI HELPLESSNESS

The country is now facing downward trend in the economic growth resulted in the estimated GDP at 5%, with the speculation that under the given circumstances the value of rupee is eroding on day to day basis, breaching Rs. 64/- Government and RBI is now facing the uphill task of arresting any further downward movement through piecemeal measures. The Government of India has named Mr. Raghuram Govind Rajan, as the new Governor of Reserve Bank of India who is known for his liberal approach in the financial sector. Mr. Raghuram Rajan was graduated in electrical engineering from IIT-Delhi, MBA from IIM-A and Ph. D from Massachusetts Institute of Technology (MIT). He was Professor of Finance, Graduate School of Business, in University of Chicago.

He was IMF's youngest Economic Counsellor and Director of Research and became Chief Economist. He was appointed Honorary Economic Advisor to the Prime Minister of India on 3rd November, 2008. He also chaired Financial Sector Reforms Committee during 2007. With his past experience, especially when groomed under the influence of the Western economies, his appointment has been hailed as one of the best things that could happen under the present crisis in particular when the Government and the RBI are on loggerheads as regards the credit policy of the RBI is concerned. While, the ministry of Finance wants more liberal approach in the matter of liquidity, the interest rate etc., the RBI is used to tread in its time tested approach of conservatism as regards the credit policy and interest rates are concerned to contain the inflationary trend in the market.

The Banking Industry has undergone a series of changes as dictated by Basel and other international agencies in the name of financial reforms. This was with a view to open up the resources that are mopped up by the Indian Banking system for exposure to the free market including the equity and other markets. However, the banks who have a sound foundation of having braved all these changes while maintaining its responsibility towards the nation in ensuring the banking facilities to the poorer section of the society and also in the backward areas by maintaining its commitment towards the priority sector etc. The Banks' can take legitimate pride in ensuring the generation of employment at the grass root level, commensurate with the growing population of the country. It is not the total resources that were mobilized matters, but it was the economic activity that was sparked off by the banking system, allowing the self employment to grow in large volumes. The Banks' not only sustained but also withstood the ill effects of the US economic crisis for the simple reason that it had broad based its operations and disbursement of resources which only protects the base of the banks. The RBI maintained its rigid posture in framing lending policies, the classification of assets, meeting the capital adequacy ratio etc., so that the banks would not be subjected to severe pressure even in the face of volatile interest rate regime forcing the RBI to continuously monitor Repo and reverse Repo in order to regulate the fund flow in the economy.

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The current dollar crisis attributed to the domestic consumption of yellow metal, oil bill etc., and its attempt to bring restrictions in these areas with a view to regulate the value of rupee has failed to click. The Government is now in total confusion for the simple reason, that the current exchange rate would mean, the import bill going up. The export may not bring solace for the simple reason the total contribution from the export in comparison with the global trade and commerce is very negligible. The increase in cost of production where the import component is high, the technology import becoming costlier, thereby forcing the Indian manufacturers to curtail the production and the lesser use of labour force may also result in the large scale layoffs resulting in the industrial relations strains in the manufacturing sector. The Stock Market have reacted sharply and has touched the index figure of 2008 bringing back the old memories where the people of the country have lost huge monies in the stock market.

The Government is unable to inject strong measures in the economy including maintaining austerity in the Government spending, keeping in view the next General Elections. Hence the RBI will have a tough time in balancing the current foreign exchange crisis, ultimately affecting the Indian Banking system as well. Hence, the RBI and the Government should put their heads together and workout appropriate strategy suitable to the Indian condition, rather blindingly following the prescription of the western countries who are waiting to capture the Indian market in the name of liberal FDI in the country.

ENRICH YOUR KNOWLEDGE

WHAT IS AN OPTION?

Option is a contract that gives holder (or buyer) the right, but not the obligation, to buy or sell an asset at or before some particular data at predetermined price (called strike price). This asset which could be financial or a real asset, is called the "underlying" asset. The holder can exercise the option to either buy or sell an asset any time before or on a particular date. Or he can choose not to exercise the right he enjoys and the option then expires.

What are the different types of options?
There are two types of options – call option and put option. A call option allows an investor to buy an asset while a put option allows the options holder to sell an asset according to the agreed terms. In the financial markets there are specialized entities that "write" options that investors buy. These options are standardized contracts and are traded on the stock exchanges. The price at which an option is acquired is called a premium.

How are options used?
They are used either to hedge risks or to speculate. An investor who owns shares of company XYZ can buy an option to sell the shares of the company at a particular price if he believes the shares are headed down. This way he would have protected his

investment. This way he would have protected his investment. His cost would be the premium paid. Alternatively, one can also use options to speculate. If an investor believes the price of an asset will rise, he can just buy an option instead do buying an asset. If the price rises, he can pocket the profit. Thus, in this case, a small amount can be leveraged to bet on large amounts.

What is a real option?

Real options are the same as traditional ones but the underlying asset on which the option is written is a real asset rather than a financial asset. These are largely used by companies in structuring corporate deals, allowing them to manage their investment better. These are not allowed for listed companies right now.

Some examples of real options are:

Timing option: Allow a company to delay investment decisions.
Expansion option: Allow a company to invest further if the investment can create value.
Abandonment option: Allow the company to abandon a project (is similar to a put option).
Flexibility option: Give management choices regarding the operational aspects of a people.

Source – Officers' Voice, August, 2013.

STANDARDIZATION AND ENHANCEMENT OF SECURITYFEATURES IN CHEQUE FORMS MIGRATING TO CTS 2010 STANDARDS

As per extant guidelines, the timeline for withdrawal of residual non-CTS-2010 standard cheques was extended up to July 31, 2013 subject to a review in June 2013. Since there is still a large volume of non-CTS-2010 format cheques being presented in image-based clearing, RBI has decided to put in place the following arrangements for clearing of residual non-CTS-2010 standard cheques:

(a) Separate clearing session will be introduced in the three CTS centers (Mumbai, Chennai and New Delhi) for clearing of such residual non-CTS 2010 instruments (including PDC and EMI cheques) with effect from January 1, 2014. This separate clearing session will initially operate thrice a week (Monday, Wednesday and Friday) up to April 30, 2014. Thereafter, the frequency of such separate sessions will be reduced to twice a week up to October 31, 2014 (Monday and Friday) and further to weekly once (every Monday) from November 1, 2014 onwards. If the identified day for clearing non-CTS-2010 instruments falls on a holiday under the Negotiable Instruments Act, 1881, presentation session on such occasions will be conducted on the previous working day. Operational instructions in this regard will be issued separately by the CTS centers.

(b) Upon the commencement of special session for non-CTS-2010 standard instruments, drawee banks will return the non-CTS-2010 instruments, if any, presented in the regular CTS clearing, under the reason code '37-Present in proper zone'. Such returned instruments will have to be represented by the collecting bank in the immediate next special clearing session for non-CTS-2010 instruments.

(c) Banks may educate and notify their customers of the likely delay in realisation of non-CTS-2010 standard instruments in view of proposed arrangement for clearing of such instruments at less frequent intervals. Banks' Cheque Collection Policies (CCPs) may also be modified suitably to reflect this change. They shall also put in place appropriate arrangement for handling customer complaints, if any, arising out of this new arrangement.

(d) Banks can continue to present such non-CTS-2010 instruments in Express Cheque Clearing System (ECCS) centres and MICR CPCs till such time the CPCs are in operation.

(e) During the transition period (i.e. up to December 31, 2013), the existing clearing arrangements will continue and all cheque issuing banks are advised to make efforts to withdraw the non-CTS-2010 Standard Cheques in circulation.

(f)The volume of instruments processed in the three CTS Centers in all clearing sessions will be monitored with respect to the non-CTS-2010 instruments presented by banks. RBI may consider levying penalty on drawee banks (and presenting banks where necessary) which violate the instructions issued under the Payment and Settlement Systems Act, 2007.

(g)All cheques issued by banks (including DDs / Pos issued by banks) shall onform to CTS-2010 standard.

(h) Banks shall not charge their savings bank account customers for issuance of CTS-2010 standard cheques when they are issued for the first time. However, banks may continue to follow their existing policy regarding cheque book issuance for additional issuance of cheques, in adherence to their accepted Fair Practices Code.

Source – Latest Banking & Financial Awareness, August, 2013.

EXCERPTS FROM AIRRBOF CIRCULARS

Circular # 28:2013 12th September 2013

AIRRBOF CASE FOR PENSION PARITY BEFORE SUPREME COURT OF INDIA – JUSTICE AT LAST SEEMS TO BE ON OUR SIDE

You are aware that SLP(C) No. 39288 of 2012 along with IA No. 2/2013 had been listed before Court No. 6 of Supreme Court of India, corum Justice A.K. Pattanaik and Justice J.S. Khehar as Item No. 22 on 11th September, 2013.

General Secretary, AIRRBOF along with three other Officers Bearers reached New Delhi. They along with our Advocate on Record Shri D.S. Chauhan & other Advocates held Conference with Senior Advocate Shri Jayant Bhusan on 10th September, 2013 evening. It is quite important to note that AIRRBOF filed counter affidavit on 3rd September, 2013 putting very logical arguments for granting of Pension Parity. The same was circulated to other parities also. The Counter Affidavit was send by mail to our Office Bearers.

The listed matter could not be heard by the bench on 11th September, 2013 as time ran out. Hence, the SLP(C) along with IA No. 2 have been listed as Item No. 16 on 12th September, 2013. Office Bearers of AIRRBOF also attended Court on that day. However, the Pension Case listed at Item No. 16 did not come up for want of time. Hearing only took place only upto Item No. 8.

It was informed by the Justice Pattanaik that the next two weeks he would be busy otherwise. Hence the Pension Case is likely to be listed thereafter, we have advised our Legal Firm to keep watch on the list to find out when it is likely to be listed.

Friends, the Pension Case is taking long time. So many dates for Court Case have been fixed. AIRRBOF is spending its full resources for the case. All our affiliates should come up to the occasion. **PLEASE CLEAR PENSION LEVY DUES IMMEDIATELY. WATCH OUR NEXT COMMUNICATION.**

Circular # 29:2013 16th September 2013

PROPOSED STRIKE CALL BY AIBEA & BEFI ON 25TH SEPTEMBER, 2013
AIBOC EXTENDS ITS FRATERNAL & MORAL SUPPORT

We reproduce hereunder the text of All India Bank Officers' Conference Circular No. 43, dated 3rd September, 2013.

QUOTE
We refer to our Circular No. 2013/30 dated 08/07/2013 giving details of UFBU meeting held on 4th July, 2013. During the deliberation on New Banks licensing policy the meeting expressed its concern over the favour being given to the corporate and business houses in the guise of new banks licensing policy. It was observed that many of them did not even have background of banking and finance and some of them were even defaulters of PSBs. It was resolved to take up the issue with the appropriate authorities demanding review of New Banks Licensing Policy. The constituents were unanimous that the time is not ripe for strike on the issue and decided to adopt other methods to stop move of the Government including writing to Ministry of Finance, taking out rallies, organizing demonstrations and educating public at large about the vagaries of Private Sector Banks on the basis of past experience.

The meeting also deplored the moves of the Government for merger of Banks as reported in the Newspapers, particularly those of Associate Banks with SBI. It was decided to oppose any such move. The meeting also highly deplored the manner in which the outsourcing of regular and perennial banking jobs is being resorted to unabatedly, ignoring the subsisting Settlements/Undertakings.

We have been informed that AIBEA and BEFI have decided to go on strike on 25th September, 2013 against merger of Associate Banks with State Bank of India. As a constituent of UFBU and responsible organization, we extend our fraternal and moral support to striking comrades of two constituents of UFBU. We request all our affiliates to extend all possible support in this regard.

AISBOF DECIDES MASSIVE MEMBERS MEETING AND DHARNAON THE ANNIVERSARY OF START OF VICTIMIZATION BY THE MANAGEMENT IN FRONT OF JANTAR MANTAR

You are aware that the Management of SBI since last one year has been attacking the Trade Union rights of the Officers' fraternity by resorting to all unfair means. The leaders were charge sheeted for peaceful demonstration on 28th August, 2012. The office bearers of the affiliates were victimized by transferring them all over the Country and were continuously harassed. The issue was discussed in the Executive Committee Meeting of Confederation held on 2nd April, 2013 and 28th June, 2013. However, no concrete decision could be taken. The memorandum submitted to the Hon'ble Finance Minister of India on 06/08/2013, by nine member delegation of UFBU, including the undersigned, also included the issue of Industrial Relations in SBI. Finance Minister assured to look into the matter. With no change observed in the attitude of the management, AISBOF has decided the programme to protest against victimization of leaders of its Federation by holding massive members meeting and Dharna in front of Jantar Mantar on 8th September 2013 between 11.30 am and 5.00 pm.

On the call of the General Secretary of the All India State Bank Officers' Federation, the undersigned shall also be attending the Dharna and address the gathering. We request all our affiliates to advise their Units in Delhi and NCR to mobilize their membership for being present at Jantar mantar to extend all support to our agitating comrades of AISBOF and make the Dharna a great success.

UNQUOTE

BANKING NEWS:

DIRECT BENEFIT TRANSFER (DBT) SCHEME

With a view to facilitate seamless rollout of Aadhaar based direct benefit transfer of Government benefits including LPG subsidy, RBI has advised banks to follow the instructions given below:

(a) Take steps to complete account opening and seeding Aadhaar number in all the DBT districts.

(b) Closely monitor the progress in seeding of Aadhaar number in bank accounts of beneficiaries.

(c) Put in place a system to provide acknowledgement to the beneficiary of seeding request and also send confirmation of seeding of Aadhaar number.

(d) Form DBT Implementation Co-ordination Committee, along with State Government department concerned, at district level and review the seeding of Aadhaar number in bank accounts.

(e) ensure that district and village wise names and other details of business correspondents (BCs) engaged/other arrangements made by the bank is displayed on the SLBC website.

(f) Set up a Complaint Grievance Redressal mechanism in each bank and nominate a Complaint Redressal Officer in each district, to redress the grievances related to 'seeding of Aadhaar number in bank accounts'.

Source – Latest Banking & Financial Awareness, August, 2013.

COUNTERFEIT NOTES

Authority to Impound Counterfeit Notes: The Counterfeit Notes can be impounded by- (i) All branches of Public Sector Banks; (ii) All branches of Private Sector Banks and Foreign Banks; (iii) All branches of Co-operative Banks & Regional Rural Banks; (iv) All Treasuries and Sub-Treasuries; (v) Issue Offices of Reserve Bank of India.

Detection of counterfeit notes: Detection of counterfeit notes should be at the back office / currency chest only. Banknotes when tendered over the counters may be checked for arithmetical accuracy and other deficiencies like whether there are mutilated notes, and appropriate credit passed on to the account or value in exchange given. Thereafter the notes should be passed over to the back office / currency chest, as the case may be, for detailed verification and authentication through machines. The banknotes categorized as suspect during machine processing should be subjected to manual verification for checking their authenticity.

In no case, the counterfeit notes should be returned to the tenderer or destroyed by the bank branches / treasuries. Failure of the banks to impound counterfeit notes detected at their end will be construed as willful involvement of the bank concerned, in circulating counterfeit notes and penalty will be imposed for violation of Directive issued by the Reserve Bank.

Impounding of counterfeit notes: The notes identified as counterfeit should be kept separately with proper impounding stamp. Details of each impounded note should be recorded under authentication in a separate register.

<u>Issue of Receipt to Tenderer</u>: There will not be any requirement to issue acknowledgement to the tenderer. Notice to this effect should be displayed prominently at the offices / branches for the information of the public.

<u>Detection of Counterfeit Notes - Reporting to Police and other bodies</u>: A counterfeit note detected in the cash received by the bank branch/Treasury, across the counter shall be impounded as stated above. Thereafter, the following procedure should be followed while reporting incidence of detection of counterfeit note to the Police:

(i) For cases of detection of counterfeit notes upto 4 pieces, in a single transaction, a consolidated report should be sent by the Nodal Bank Officer to the police authorities or the Nodal Police Station, along with the suspect counterfeit notes, at the end of the month.

(ii) For cases of detection of counterfeit notes of 5 or more pieces, in a single transaction, the counterfeit notes should be forwarded by the Nodal Bank Officer to the local police authorities or the Nodal Police Station for investigation by filing FIR.

A copy of the monthly consolidated report / FIR shall be sent to the Forged Note Vigilance Cell constituted at the Head Office of the bank(only in the case of banks), and in the case of the treasury, it should be sent to the Issue Office of the Reserve Bank concerned.

Acknowledgement of the police authorities concerned has to be obtained for note/s forwarded to them both as consolidated monthly statement and FIR. If the counterfeit notes are sent to the police by insured post, acknowledgement of receipt thereof by the police should be invariably obtained and kept on record. In case, any difficulty is faced by the Offices / Branches due to reluctance of the police to receive monthly consolidate statement / file FIRs, the matter may be sorted out in consultation with the Nodal Officer of the police authority designated to coordinate matters relating to investigation of counterfeit banknotes cases. The list of Nodal Police Station may be obtained from the respective Regional Office of Reserve Bank.

Banks should also monitor the patterns / trends of such detection and suspicious trends / patterns should be brought to the notice of RBI /Police authorities immediately.

The progress made by banks in detection and reporting of counterfeit notes to Police, RBI, etc. and problems thereof, should be discussed regularly in the meetings of various State Level Committees viz. State Level Bankers' Committee (SLBC), Standing Committee on Currency Management (SCCM), State Level Security Committee (SLSC), etc.

The data on detection of counterfeit Indian notes at bank branches & treasuries should be included in the monthly Returns forwarded to the Reserve Bank Issue Offices.

The definition of 'counterfeiting' in the Indian Penal Code covers currency notes issued by a foreign government authority as well. In case of suspected foreign currency note received for opinion from the police and government agencies, etc., they should be advised to forward the case to the Interpol Wing of the CBI, New Delhi after prior consultation with them.

Examination of the Banknotes before Issuing over Counters, Feeding ATMs and Remitting to Issue Offices of the Reserve Bank:

The banks should re-align their cash management in such a manner so as to ensure that cash receipts in the denominations of Rs 100 and above are not put into re-circulation without the notes being machine processed for authenticity. The said instructions shall be applicable to all bank branches, irrespective of the volume of daily cash receipt.

In order to obviate complaints regarding receipt of counterfeit notes through ATMs, and to curb circulation of counterfeits, it is imperative to put in place adequate safeguards/checks before loading ATMs with notes. Dispensation of counterfeit notes through the ATMs would be construed as an attempt to circulate the counterfeit notes by the bank concerned.

Detection of counterfeits in chest remittances is also liable to be construed as willful involvement of the chest branches concerned in circulating Counterfeit Notes and may attract special investigation by police authorities, and other action like suspending the operation of the chest concerned. Reserve Bank may consider the option of levying higher penal interest/penalties for the amount of forged notes detected in the chest remittances by RBI or during inspection.

Designating Nodal Bank Officer: Each bank should designate Nodal Bank Officer, district-wise and notify the same to the concerned Regional Office of RBI and Police Authorities. All cases of reporting of counterfeit note detection should be through the Nodal Bank Officer. The Nodal Bank Officer will also serve as the contact point for all counterfeit note detection related activities.

Establishment of Forged Notes Vigilance Cell at Head Office of Bank: Each bank shall establish at its Head Office, a Forged Note Vigilance Cell to undertake the following functions:

(i) Dissemination of instructions issued by the Reserve Bank on counterfeit notes to bank's branches. Monitoring the implementation of these instructions. Compilation of data on detection of counterfeit notes, and its submission to Reserve Bank and HU-IND. Follow-up of cases of counterfeit notes, with police authorities / designated nodal officer.

(ii) Sharing of the information thus compiled with bank's CVO and report to him / her all cases of acceptance / issue of counterfeit notes over the counters.

(iii) Conducting periodic surprise checks at currency chests where shortages/ defective /counterfeit notes etc. are detected.

(iv) Ensuring operation of Note Sorting Machines of appropriate capacity at all the currency chests and closely monitoring the detection of Counterfeit Notes at currency chest branches and maintaining the record of the same.

(v) Ensuring that only properly sorted and machine examined banknotes are fed into the ATMs / issued over the counters and to put in place adequate safeguards, including surprise checks, both during the processing and in transit of notes.

Forged Note Vigilance Cell shall submit status report on a quarterly basis covering the aforesaid aspects to central office of RBI, and to Regional office of Reserve Bank under whose jurisdiction the FNV Cell is functioning, within a fortnight from the conclusion of the quarter under report. The said report should be sent by mail. No hard copy need be sent.

Provision of Ultra-Violet Lamp and Other Infrastructure: With a view to facilitating the detection of counterfeit notes, all bank branches / identified back offices should be equipped with ultra-violet lamps / other appropriate banknote sorting / detection machines. In addition, all currency chest branches should be equipped with verification, processing and sorting machines and should be used to their optimum capacity. Such machines should conform to the guidelines on 'Note Authentication and Fitness Sorting Parameters' prescribed by the Reserve Bank.

The banks shall maintain a daily record of the notes processed through the Note Sorting machines, including the number of counterfeits detected. The banks should also consider providing at least one counting machine (with dual display facility) for public use at the counter.

Reporting of Data to RBI:

(I) By Banks: Data on counterfeit notes detected by all the branches of the bank shall be reported in the prescribed format, on a monthly Basis. A statement showing the details of counterfeit notes detected in the bank branches during the month shall be compiled and forwarded to the Issue Office of Reserve Bank concerned so as to reach them by 7th of the next month. Bank branches need not report the data to NCRB.

Principal Officers of banks are also required to report information on cash transactions were forged notes nave been used as genuine note to The Director, FIU-IND, Financial Intelligence Unit- India, within seven working days. A "nil "report may be sent in case no counterfeit has been detected during the month.

II) By Forged Note Vigilance Cell of Bank: forged Note Vigilance Cell set up at the Head Office of the bank (other than Cooperative and Regional Rural Banks) shall submit a monthly Return reflecting data on banknotes processed (Rs 100 and above), counterfeit notes detected by the bank, on an all-India basis in a prescribed proforma.

(III) By Co-operative Banks and Regional Rural Banks: Data on Counterfeit Notes detected by branches of Co-operative Banks and Regional Rural Banks should be furnished on monthly basis to the respective Issue Office of Reserve Bank. Data on an all-India basis should be compiled at the Head Office of the bank on a monthly basis in the prescribed proforma.

Compensation: The banks will be compensated by RBI to the extent of 25 % of the notional value of the counterfeit notes of Rs 100 denomination and above, detected and reported to RBI and Police authorities. Claims for compensation should be made through the Forged Note Vigilance Cell of the banks in the prescribed format on a monthly basis through email within fifteen days of the succeeding month. Reimbursement will be done by RBI, Department of Currency Management, to begin with, on a quarterly basis.

Preservation of Counterfeit Notes Received from Police Authorities: All Counterfeit Notes received back from the police authorities/courts may be carefully preserved in the safe custody of the bank and a record thereof be maintained by the branch concerned. Forged Note Vigilance Cell of the bank shall also maintain a branch-wise consolidated record of such Counterfeit Notes. These Counterfeit Notes at branches should be subjected to verification on a half-yearly basis (on 31st March and 30th September) by the Officer-in- Charge of the bank office concerned. They should be preserved for a period of three years from the date of receipt from the police authorities. They may thereafter be sent to the concerned Issue Office of Reserve Bank of India with full details. Counterfeit notes, which are the subject matter of litigation in the court of law should be preserved with the branch concerned for three years after conclusion of the court case.

Detection of Counterfeit Notes - Training of Staff: It is necessary to ensure that the cash handling staff in bank branches, currency chests, and treasuries / sub-treasuries is fully conversant with the security features of a banknote. With a view to educating the branch staff on detection of counterfeit notes, the design and security features of all the banknotes supplied to all the banks / treasuries should be prominently displayed at the branches for information of the public. The Controlling Offices / Training Centers should also organise / conduct training programmes on the security features of banknotes for members of staff to enable detection of counterfeit notes at the point of receipt itself. The banks should ensure that all bank personnel handling cash are trained on feature of genuine Indian bank notes within a period of 2 years.

Source – Latest Banking & Financial Awareness, August, 2013.

PRESS CORNER:

11 PUBLIC SECTOR BANK GMS ELEVATED AS EXECUTIVE DIRECTORS

In a significant move, the Centre has elevated as many as 11 General Managers (GMs) to the post of Executive Directors in various public sector banks.

The orders for the promotion of these officials have been issued, sources in the Finance Ministry said.

Rakesh Sethi, currently General Manager at Bank of India, has been appointed Executive Director, Union Bank of India.

Animesh Chauhan, General Manager at Bank of Baroda, has been appointed Executive Director at the Central Bank of India. K.K. Sansi, General Manager at Oriental Bank of Commerce, has joined Punjab & Sind Bank as an Executive Director. Krishna Guha has joined Dena Bank as an Executive Director. Prior to this, she was General Manager at Allahabad Bank. P.S. Rawat will move from Bank of India, where he was a General Manager, to Canara Bank as an Executive Director.

Arun Srivastava has been appointed an Executive Director at Bank of India. Prior to this, he was General Manager at Bank of Baroda. R. Koteeswaran has been appointed as an Executive Director at Bank of India. He is currently General Manager at Bank of Baroda.

While Mukesh Jain will move from Dena Bank to Punjab & Sind Bank as Executive Director, B.B. Joshi has been appointed as an Executive Director at Bank of Baroda. Joshi is currently a General Manager at Bank of India.

Jaikumar Garg has been appointed Executive Director at UCO Bank. He was General Manager at Corporation Bank. T.K. Srivastava, who is currently General Manager at Union Bank, has been appointed Executive Director in Syndicate Bank.

Source – The Hindu Business Line August 9, 2013.

PSU BANKS NEED BETTER LEADERSHIP, SAYS KPMG REPORT

Though Public Sector Bank Leaders Demonstrate Certain Levels Of Competencies, They Fall Short In Customer Responsiveness, Planning, Decision-Making, Risk Taking, Openness To Change, Creativity And Innovation. This Has Been Surmised By A FICCI-KPMG Report Titled 'Public Sector Banks — Profiling The Leadership Landscape'.

The Report, Which Was Officially Released At The Banking Conclave 2013 Here On Wednesday, Said Banks Would Have To Transform From A "Transactional Intelligence Demand And Supply Of Economics To Emotional Intelligence Of Building, Nurturing And Caring".

KPMG Said Banking Structures And Portfolios Would Get Re-Crafted Over The Next Decade And This Would Require Effective Leadership. "Leaders Would Need To Display Significantly Higher Levels of Proficiency Across A Spectrum Of Key Leadership Competencies", It Said.

The Report Has Been Prepared In View Of The Human Resource Problem That The Banking System Is Likely To Face After A Decade, As The Existing Pool Of "Leaders" Shrinks With Retirements.

"With An Inadequate Number Of Employees At The Middle Management Level (Majorly Due To Hiring Freeze In The Public Sector Organisations Between 1990-2000), Succession Planning Is Likely To Emerge As The Key Area Of Concern," The Report Said. The Consulting Firm, While Assessing More Than 1,375 Leaders (Top Three Levels of Management), Also Developed A 'Leadership Competency Model' For Public Sector Banks. The Model Identifies Key Requirements For Leaders To Be Successful.

"These Competencies Are Strategic Leadership, Change Leadership, Operational Leadership, Stakeholder Leadership, Talent Leadership And Customer Leadership," The Report Elaborated.

The Average Age Of Senior Management Employees In The Public Sector Is Around 50 Years. More Than One-Third Of These Employees Are Likely To Retire Within A Decade.

The Khandelwal Committee Has Observed That Over The Next Few Years 80 Per Cent Of General Managers, 65 Per Cent Of Deputy General Managers, 58 Per Cent Of Assistant General Managers And 44 Per Cent Of Chief Managers In Public Sector Banks Will Be Retiring. The Reserve Bank Of India Has Termed 2010-20 As The 'Decade Of Retirement'.

Source – The Hindu Business Line July 25, 2013

BANKS WANT RBI TO EASE PROVISIONING NORMS FOR RESTRUCTURED LOANS

Bankers have sought some respite from the RBI guidelines which mandate banks to maintain an additional 75 basis points provisioning on restructured loans from the current 2.75 per cent.

According to K. R. Kamath, Chairman of the Indian Banks' Association, "Many sectors and companies are under stress today. While we appreciate the need to have prudential guidelines, this is a time where we probably look forward to some forbearance."

Pratip Chaudhuri, Chairman, State Bank of India, said, "RBI has said that any project which has a time overrun of one year and within that period if the loan is restructured and remains standard, then it will continue to be standard. Now, having accepted this, the definition should also be applied to cases that came up for restructuring in 2010 and 2011."

In addition, banks have also requested the RBI to allow daily borrowings under the Liquidity Adjustment Facility window on Saturday also "because everybody keeps excess cash, which is wasted".

Banks have also proposed to allow switching their bond holdings from the available-for-sale (AFS) category to the held-to-maturity (HTM) category to avoid mark-to-market losses caused by the recent surge in bond yields following the apex bank's moves to stabilise the rupee.

Bankers have asked the RBI to increase the amount of securities that banks can hold in the HTM category.

Bankers said that "if the liquidity tightening measures are in place for more than two months, we want some respite."

Kamath, who is also the Chairman and Managing Director of Punjab National Bank, said: "The cash reserve ratio (CRR) at 99 per cent becomes operationally very difficult.

"Today, everybody is keeping excessive cash because it is a statutory default if you're not maintaining the CRR at a particular level. So, to build some flexibility in our operations, we have requested that the 99 per cent (norm) should be looked into.

Source – The Hindu Business Line August 2, 2013.

PSBS REWARD STAFF TO RECOVER LOANS

State-owned banks have started giving incentives to employees for recovering small loans, resorting to this innovative measure to reduce their burden after a sharp rise in non-performing assets. State Bank of India (SBI), Bank of India (BoI) and Bank of Baroda (BoB) are among the banks aggressively pursuing this option – targeting loans that may be small individually but are significantly large in terms of the number of accounts.

"In a normal situation, a banker is expected to do recovery of loan, but these incentives are typically given for old NPAs where special effort has to be put and which are typically beyond call of duty," said SS Mundra, chairman and managing director of Bank of Baroda. Net NPAs, or bad loans after provisions, rose 51% in 2012-13 over the previous year to Rs 92,825 crore for listed banks.

Stressed assets - bad loans and restructured loans - amount to 10-12% of banks' loan book. Public sector banks such as State Bank of India offer incentives not only to their employees but also to self-help groups while Bank of India extends incentives to business correspondents as well. Incentives are offered in cash for written-off accounts that can be as small as Rs 10,000.

Banks pay 2-5% of the written-off account as cash incentive, which is generally shared by the entire team that works on the recovery. "Incentive schemes are for written-off accounts because they are like no man's baby. They are for small amounts, for which the branch manager may not have the time to go and visit the borrower, and there are 4,000 such accounts in every branch," said Bank of India CMD VR Iyer.

"We also engage business correspondents. We allocate accounts for them to recover against commission," she added. According to an SBI official, who did not want to be named, the idea behind involving employees is also to broaden the recovery mechanism. "We pay commission to recovery agents for old written-off accounts anyway. So why not pay the same to employees?" he asked.

The idea to incentivise employees emanated after the government announced autonomy for public sector banks in 2005. This was primarily done to help the PSUs match the high salaries paid by competing private banks. Unlike in private banks, public sector bank employees receive the same salary in a particular grade irrespective of the efforts they put in.

So far, most banks have given incentives for mobilising deposits, getting new customers and selling third party products. As per the condition set by the government, banks can pay up to 1% of their net profit as incentive.

This is reflected in the employees' expense in their books of account. "It's not that a banker will not work without any incentives. But such schemes are framed to encourage them. The rewards give them a sense of recognition that good work is acknowledged," said Mayank Mehta, chief financial officer of Union Bank of India, which also offers such incentives.

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