



Vol - XXI

# AIRRBOF News Letter

APRIL, 2014



SILIGURI

**The Voice of All India  
RRB Officers' Federation**

No. 04

## EDITORIAL

### SYSTEM ALERT

It would be alarmist to suggest that the crisis at United Bank of India, where escalating bad loans have raised questions of viability, poses a systemic risk to Indian banking. With just a 1 percent share in total deposits, the bank is a small regional player. And its non-performing assets have arisen, not from large corporate borrowers as for most other banks, but from minuscule sub Rs. 10 lakh loans extended to farmers and small enterprises. The NPAs, at 10.8 percent of loans reported by the bank, are also exceptionally high, at twice the level for other public sector banks. The problems have also been known for some time. Statutory auditors have been re-examining the bank's books since last year and RBI had ordered a forensic audit after it reported large losses in the September 2013 quarter.

But the prospect of United Bank defaulting on its subordinated debt and falling short of capital still needs to be viewed seriously both by RBI and the Government. Any whiff of trouble at a public sector bank shakes depositor confidence in the entire banking system. How the Government and RBI deal with this case will also set a precedent for other public sector banks which are in dire need of capital, albeit for different reasons. Basel III norms, which became effective from April 2013, are set to impose onerous obligations on banks over the next couple of years. Rising NPAs at United Bank have seen its Tier I capital adequacy ratio falling below the statutory requirement of 6.5 per cent. While no other public sector bank is today in the same boat as United Bank, there are a few (for instance, Union Bank, Central Bank, UCO Bank and Dena Bank) whose ratios are way below the comfort level of 8 per cent. A rapid rise in their NPAs could push them to the brink.

As for United Bank, while some deterioration in asset quality is expected during a downturn, the problems that have come to light in the lending practices and NPA detection systems raise questions about its approach to the business. If the problem as the bank claims lies not so much with bad loans but 'faulty software', then how is it that the same software has not thrown up similar 'deficiencies' when deployed in other Indian banks? The RBI has been quite right in repeatedly pressuring public sector banks to come clean with

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Vol - XXI

# AIRRBOF News Letter

APRIL, 2014



SILIGURI

**The Voice of All India  
RRB Officers' Federation**

No. 04

2 | Page

their NPAs. It is good that the regulator's new rules asking banks to put early-warning systems in place to detect slippages ahead of the 90-day cut-off, share information between themselves and take joint action against defaulting borrowers, will come into effect this April. However, this episode also highlights that computer-based systems alone cannot ensure good lending practices. Enforcing greater accountability on the top managements of public sector banks for massive slippages is also necessary. Right now, the short tenures of 1-3 years for public sector bank chiefs discourages them from taking prompt remedial action. Re-examining the manner in which they are appointed may also be key to preventing a repeat of NPA scares like this one.

## **ENRICH YOUR KNOWLEDGE**

### **EPFO-GOVERNMENT INCREASED THE SALARY CAP**

The Government on 5<sup>th</sup> Feb 2013 made more organised sector to statutory Provident Fund (PF) workers eligible benefits by relaxing the wage ceiling for the same and also significantly enhanced the pension payout.

The Labour Ministry controlled Employees Provident Fund Organization (EPFO) increased the salary cap from Rs. 6,500 to 15,000 for an employee to be eligible for employee PF deductions. The decision will immediately make five million more workers more eligible for social security and retirement benefits. Currently, only employees with a salary of up to Rs 6,500 mandatorily come under the purview of EPFO.

The Central Board of Trustees (CBT), the apex decision making body of EPFO, also approved a plan to nearly double the minimum pension to Rs 1,000 the step will benefit some 2.7 million pensioners including 500,000 widows. Over all there are 4.4 million pensioners under the Employees' Pension Scheme (EPS) run by EPFO.

Central PF Commissioner K.K Jalan said the agency had received the approval of the Finance sMinistry for the new wage cap and that this would cost the Government an additional Rs 1,250 crore annually.

To be sure, the Finance Ministry has approved this only for 2014-2015 financial years, but the Labour Ministry of CBT representatives believe that once in place, it won't be rolled back.

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Vol - XXI

# AIRRBOF News Letter

APRIL, 2014



SILIGURI

**The Voice of All India  
RRB Officers' Federation**

No. 04

3 | Page

“The minimum pension benefits will come into force from 1 April. We believe that this benefit is not just for 2014-2015. We will convince the Government and the Finance Ministry to keep it year after year. Moreover, the amount will further increase,” Jalan said.

The decision on the PF wage cap received a mixed reaction from employers and employee representatives in the meeting. “We welcome the move and it should have been done year back. By increasing the salary cap for Provident Fund deduction, the Government has not done any favour to workers but tried to woo voters before elections,” said CBT member D.L Sachdeva, who is also the General Secretary of All India Tread Union Congress.

“Though several companies won’t mind it, the decision will certainly affect small and medium scale industries. The manufacturing sector is not doing that well and now this could be a further burden,” said Patil, who is also a member of CBT.

## **EPFO RAISES 2013-2014 INTEREST RATE TO 8.75%**

Employees’ Provident Fund Organization (EPFO) announced an interest rate payout of 8.75% to its 88 million subscribers in the fiscal year ending 31march- a quarter percentage point increase over the rate it paid in the last financial year.

The Central Board of Trustees (CBT), the apex decision- making body of the EPFO, recommended the payout after Trade Unions, citing rising inflation, demanded a minimum of 9% interest payout.

“The CBT recommended 8.75 % payout. The amount that is available (with EPFO) for distribution is sufficient for us to give 0.25% more interest to our members”, Central Provident Fund Commissioner, K.K Jalan said. The Labour Ministry-controlled retirement fund is estimated to earn an income of Rs 25,048.55 crore this year , and paying 8.75% interest will cost it Rs. 25,005.41 crore, said Jalan.

The recommendation will now go to the Finance Ministry for its formal approval.

EPFO has a subscriber- base of over 88 million but only 36.7 million are active users or those who have been contributing to the EPF up to the last two months. The organization manages a corpus of over Rs. 6 trillion. The annual PF accrual has grown by 16.14% since the last fiscal year.

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Vol - XXI

# AIRRBOF News Letter

APRIL, 2014



SILIGURI

**The Voice of All India  
RRB Officers' Federation**

No. 04

4 | Page

But Trade Union Leaders and Employees' representatives said EPFO should have recommended a higher rate, as the current rate of inflation is much higher.

"They could have easily given 9.5% interest and we asked for it", said Ram Kishore Tripathi, National Secretary of the Hind Mazdoor Sabha, a Trade Union.

CBT also announced the launch of software that will allow exempted establishments to file their PF returns online. There are some 5.6 million accounts with 3,200 exempted establishments who directly manage their Workers' Provident Funds rather than putting it in the bigger EPF corpus. However, they abide by the rules of EPFO and are accountable to it.

**COURTESY: LABOUR RESERCH, JANUARY-FEBRUARY-2014**

## **EXCERPTS FROM AIRRBOF CIRCULARS**

Circular # 17:2014

4<sup>th</sup> March 2014

### **BIPARTITE NEGOTIATIONS WITH IBA HELD TODAY**

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 22, dated 3<sup>rd</sup> March, 2014.

"We reproduce hereunder the contents of circular No. UFBU/2014/21 of date issued by the Convener of United Forum of Bank Unions on the captioned subject for your information and circulation:

"As informed in our earlier Circular No. 20 dated 19-02-2014, another round of negotiations on our wage revision demands was held in Mumbai today between UFBU and IBA. IBA's team was led by its Negotiating Committee Chairman Mr. T M Bhasin while UFBU was represented by all the constituent unions.

Opening up the discussions, Mr Bhasin said that looking to the present performance and earnings of the Banks and the financial constraints faced by the Banks, it would not be possible for them to further improve their earlier offer of 10% increase over the cost of payslip components. From UFBU we stoutly contested their contention and pointed out that Banks have adequate profitability and hence the offer of IBA needs to be substantially increased upwards as their offer of 10% is totally unacceptable to the Unions and already rejected as inadequate. We also drew their attention to the wage accords reached recently in few other sectors as well as the Government's mind as reflected in their reference to the 7<sup>th</sup> Pay Commission.

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The IBA stated that they would be able to negotiate further on our demands or improve their offer only if the UFBU would specify its expectations or if any counter offer is given by the UFBU in response to their offer of 10%. From the side of UFBU, we explained that our expectations or counter offer can be spelt out only if we know the response of the IBA to the various important issues raised by the UFBU viz. introduction of 5 Days Banking, defined working hours for officers, improvements in pension scheme like periodical updation, uniform DA rate for all pensioners, revision in Family Pension formula, switching over from New Pension Scheme to Defined Benefit pension scheme for the new recruits from 2010, 100% reimbursement of entire hospitalisation expenses of the employees/ officers/ family members, housing facilities for all employees and officers, etc.

The IBA informed us that they would be able to react or respond only after all these issues are discussed by them internally and also in consultation with the Finance Ministry whom they would be meeting on the 5<sup>th</sup> instant. Hence IBA stated that they would come back to us on these issues in the next round of meeting which they would be convening shortly. We have suggested that the next round of meeting should be held within the next 7/10 days to which IBA has agreed.

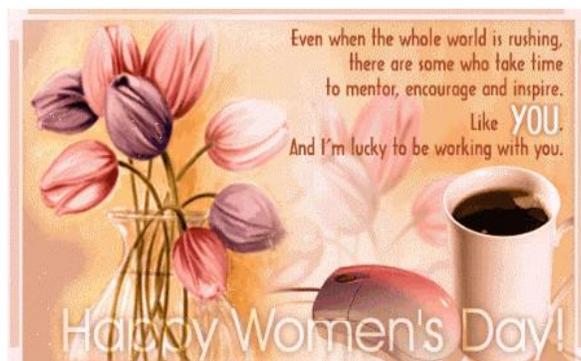
During today's meeting, we also urged upon the IBA to expedite the compassionate appointment scheme and IBA informed us that they are very much seized of the issue and would endeavor to speed up the issue with the Government.

Comrades, it would be seen that the negotiations are entering the crucial stage and hence it is very much necessary to maintain our unity, cohesion and preparedness to respond to the call of the UFBU as may be warranted".

Circular # 18:2014

8<sup>th</sup> March 2014

### **GREETINGS FOR INTERNATIONAL WOMEN'S DAY**



We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 24, dated 7<sup>th</sup> March, 2014.



Vol - XXI

# AIRRBOF News Letter

APRIL, 2014



SILIGURI

The Voice of All India  
RRB Officers' Federation

No. 04

6 | Page

On behalf of the Executive Committee of our Confederation and on my personal behalf, I convey our greetings full of love, affection, respect and gratitude for the contribution made by all the lady members of our confederation to the the society at large and trade union movement in particular, on this international Women's Day".

Circular # 19:2014

10<sup>th</sup> March 2014

## **INTERNATIONAL WOMEN'S DAY – CELEBRATIONS**

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 25, dated 8<sup>th</sup> March, 2014.

"The international women's day coincided with the 10<sup>th</sup> triennial conference of AIBOC. As a curtain raiser to the inaugural session and to commemorate the day a seminar on 'Marginalisation of women in work place' was organised at Thiruvananthapuram on 8<sup>th</sup> March, 2014.

The seminar held at Olympic Auditorium, Thiruvananthapuram, drew wide participation and enthusiastic response. The exuberance of young new recruits was palpable in the air. The seminar was inaugurated by Prof. T.N. Seema, member of Rajya Sabha and State Secretary of All India Democratic Women's Association, Kerala and the topic of the seminar was presented by noted Malayalam writer Ms. K.R.Meera. Mr. R.Radhakrishnan, well known intellectual and activist of Kerala Shastra Sahithya Parishad moderated the discussion.

Com. Harvinder Singh, General Secretary, AIBOC welcomed the gathering and reiterated the commitment of AIBOC to the women's cause and exhorted women to realise their powers and fight for their demands. He also assured them full organisational support in pursuing their genuine cause.

Mr. R. Radhakrishnan in his introductory remarks traced the evolution of international women's day and reminded the audience that it was the suppression of women workers in Newyork in 1908 which led to the subsequent declaration of March 8 as International Women's day.

Prof. Seema in her illuminating inaugural address drew attention to the fact that the problem of marginalisation of women at work place can be tackled only if more basic issues of marginalisation in other walks of life like cultural, political and family are addressed. It is these aspects which ultimately reflect as marginalisation in work

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Vol - XXI

# AIRRBOF News Letter

APRIL, 2014



SILIGURI

**The Voice of All India  
RRB Officers' Federation**

No. 04

7 | Page

place. The problems of women working in unorganised sector is much worse than situation prevailing in organised sector. The liberalisation of economy has worsened the problem. Even provisions in the Factory Acts are being flouted with impunity. Basic amenities like urinals are not being provided at work places. Initiatives like opening of Mahila Bank and DBT can have only cosmetic effect. Though allocations have been made for various welfare programmes for women no money has been actually spent. She requested that banks support empowerment of women. She pointed out how women perform 'invisible work' especially at home and how such work is never rated or factored in. The change should take place both within the family and outside.

Ms. K.R Meera while presenting the subject pointed out how after conducting so many seminars on women's equality still they are abused. She recalled her close association with banks and recalled how her first ever felicitation on winning an award was done by a bank. A bank officer can do much more than an IAS officer to help the down trodden, she added. She touched upon some important aspect women should bear in mind to preserve their independence. Comments on their dressing and appearance by others should be ignored. One's dream should not be ignored and should not allow the value system to be over turned by others. If you do not protect your space your personality will be lost. If you say you live only for your family you are undermining yourselves. She traced the evolution of women's movement starting from great depression of 1930s to Second World War and how the events shaped the progressive attitude of women. She advised bank officers to understand the change and intervene effectively. She cautioned about the danger of insensitivity to the problems of lower strata of society as such problems will come to haunt the middle class later. If marginalisation at work place is to be addressed the basic problem of poor has to be tackled by addressing imbalance in political power structure. The solution for marginalisation will emerge only when women organise themselves to assert on issues confronting them.

Com. Harshvardhan Madhabushi, President, AIBOC while proposing vote of thanks, pointed out that the conduct of inaugural session on International Women's Day was reflective of the commitment of the organisation to the women's cause and assured that AIBOC would fight shoulder to shoulder in fighting injustice against women.

The seminar was a thundering success. The overwhelming participation, especially of young lady comrades, was heart-warming indeed and the thought-provoking session struck the right note for raising curtain for the 10<sup>th</sup> triennial conference".

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Vol - XXI

# AIRRBOF News Letter

APRIL, 2014



SILIGURI

**The Voice of All India  
RRB Officers' Federation**

No. 04

8 | Page

Circular # 20:2014

10<sup>th</sup> March 2014

## **10<sup>TH</sup> TRIENNIAL CONFERENCE OF AIBOC TAKES OFF**

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 24, dated 3<sup>rd</sup> March, 2014.

"The 10<sup>th</sup> triennial conference of AIBOC got off to a flying start at Trivandrum on 8<sup>th</sup> March 2014. By 5 p.m. Asaan Square, Thiruvanthapuram, the starting point of the rally, wore a festive look. It was an India in microcosm reflecting our unity amidst diversity. Delegates, observers from across the length and breadth of the country and activists from all parts of Kerala thronged the venue. AIBOC flags fluttered and slogans ranted the air to the accompaniment of traditional 'Chenda Melam' of Kerala. The rally from Asaan Square to Nishagandhi Auditorium, venue of the inaugural session, was indeed a true reflection of the strength, vitality and dynamism of our organisation and our readiness to face the challenges looming large. Leading from the front were Com. Harshavardhan Madabhushi, Com. Harvinder Singh, President and General Secretary-AIBOC, respectively, and other leading lights of the organisation, past and present.

### **INAUGURAL SESSION**

The inaugural session started at 6.30 pm with a chorus injecting an atmosphere of revolutionary zeal at the very beginning. Seated on the dais were Com. Harshavardhan M., and Com. Harvinder Singh, President & General Secretary, respectively, Com. A.K. Padmanabhan, President CITU, Adv. Smt. Chandrika, Worshipful Thiruvananthapuram Mayor, Com. S.R.Sengupta, founder President of AIBOC and an array of past Presidents and General Secretaries of the organisation.

The meeting started with a welcome address by Com. P.V.Mohanan, President AIBOC Kerala State. He thanked the leadership for the honour given to the State Unit in giving an opportunity to host the conference and highlighted the grave situation prevailing in the banking industry.

Smt. Chandrika, in her patron's address, welcomed the delegates to Thiruvananthapuram. She made special mention of the significance of the day and called for speedy disposal of cases involving violence against women to bring timely justice. She added that once upon a time India was a paradise among the countries of the world and the challenge now is to bring back the paradise lost.

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Vol - XXI

# AIRRBOF News Letter

APRIL, 2014



SILIGURI

**The Voice of All India  
RRB Officers' Federation**

No. 04

## 9 | Page

Com. A.K. Padmanabhan inaugurated the conference by lighting the traditional lamp along with other dignitaries, present on the stage. He in his illuminating and educative speech, studded with facts and figures, gave an over view of the challenges facing the Indian working class. He congratulated the employees of the banking sector for forging unity under the umbrella of United Forum of Bank Unions (UFBU) and called it a unique achievement. He appreciated the role played by AIBOC in participating in action programmes of Centre Trade Unions. He lamented that like all commemorative days, The International Women's day also has been commercialised and how commercialisation has foisted indecent culture on people of India. He cited defending of women's rights as a major task before Indian Trade Unions. While appreciating the wage revision as primary demand, he hailed the role played by trade unions in the banking industry in defending public sector banking. Alluding to the over enthusiasm shown by the government in giving banking license to corporates he wondered what would happen to country's economy if private sector is given free hand in banking . He narrated the experience of the Centre Trade Unions in pursuing the demands and the utter insensitivity displayed by the UPA government during negotiations. He decried the delay in ratifying the ILO core conventions 87 and 98 by India. He ridiculed the 'New Pension scheme' as 'No Pension Scheme'. He highlighted the need for defending the democratic system within the country as powerful individuals cannot be a substitute for democracy and reminded the audience how civil rights were suspended during emergency period. He felt that people should assert for pro people policies. He exhorted the audience to keep the powder dry no matter who comes to power after election and expressed the hope that AIBOC, during its tenth triennial conference, would deliberate on these issues and declared the conference as inaugurated.

Com. Harvinder Singh in his brief but pointed speech drew a picture of the emerging scenario. He acknowledged the stellar role played by founding fathers of the organisation and highlighted the democratic foundation laid by them for the functioning of AIBOC. He cited the 10<sup>th</sup> Triennial conference being held in time as reflective of the democratic ethos still guiding our organisation. He pointed out that we are facing multipronged attacks on various fronts like wage revision, Banking law amendment , privatisation and opening up of banking sector to foreign capital which is putting our existence in danger. Deliberate attempts are on to tarnish the image of Public Sector Banks and policies are being tailored to force the Public Sector banks' employees to join private banks. He reiterated that NPA problems of the banks are created by wrong policies and exhorted all to give viewpoints of AIBOC a wider publicity so that the message reaches the common man. He profusely thanked the Kerala State Unit for taking up the challenge of hosting the triennial conference at a very short notice and hailed the wonderful arrangements made.

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Vol - XXI

# AIRRBOF News Letter

APRIL, 2014



SILIGURI

**The Voice of All India  
RRB Officers' Federation**

No. 04

## 10 | Page

In his presidential address, Com. Harshavardhan M. described the conference as a land mark and mile stone for all the time to come. He reminded that we are at a political turning point in view of the impending elections. He explained why we call ourselves an apolitical organisation and explained that it did not mean not taking interest in politics. We may not support any political party but we are clear on how to play our role. He made pointed reference to the current turbulent times in the banking industry. He added that the nation has failed to redeem the pledge taken at the time of independence and termed the policies being pursued by the government as anti-constitutional. He cautioned against the issuing of license for new private banks and drew attention to what happened to Global Trust Bank and how it was merged with Oriental Bank of Commerce. He assured the members that the leaders are aware of their hopes and aspirations and expressed hopes in reaching a decent and legitimate wage revision successfully. He congratulated the Kerala State Unit for hosting the Triennial conference and concluded the speech by expressing the firm belief that AIBOC will emerge stronger in the days to come.

The State Unit had conducted essay competition for students and bank employees in connection with the conduct of the Triennial conference. The names of winners were announced and prizes were distributed to them.

The meeting ended with a befitting vote of thanks by Com Abraham Shaji John, General Secretary AIBOC, Kerala State Unit.

The session was followed by a demonstration of 'Kalari Payattu' the traditional martial art of Kerala.

Comrades, it was a wonderful beginning. We are charged up for the delegate session tomorrow. The inaugural session will remain etched in our memory for a long time to come for the magnificent arena provided and the grandeur of the proceedings”.

**Long Live Our Unity!**

Circular # 21:2014

12<sup>th</sup> March 2014

### **10<sup>TH</sup> TRIENNIAL CONFERENCE OF AIBOC HELD IN GRAND SCALE AT THIRUVANANTHAPURAM FROM 8<sup>TH</sup> TO 10<sup>TH</sup> MARCH, 2014**

True its great democratic traditions, All India Bank Officers' Confederation (AIBOC) conducted its 10<sup>th</sup> Triennial Conference at Thiruvananthapuram from 8<sup>th</sup> to 10<sup>th</sup> March, 2014. The Conference on 8<sup>th</sup> March, 2014 was preceded by a massive rally

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Vol - XXI

# AIRRBOF News Letter

APRIL, 2014



SILIGURI

**The Voice of All India  
RRB Officers' Federation**

No. 04

## 11 | Page

staring from Kerala University and culminating at Nishagandhi Auditorium. The rally was participated by delegates and officers hailing from different Banks. AIRRBOF contingent from different RRBs formed a strong part of the rally. Colourfull banners, festoons and flags added colour and pomp to the rally. Full throated slogans were rendered by participants spontaneously. Entire Thiruvananthapuram City wore festive look with flags, banners and festoons. The rally of AIBOC at Thiruvananthapuram remained a big event.

The open session of the 10<sup>th</sup> Triennial Conference took place at Nishagandhi Auditorium. The Dias was adorned by leadership of AIBOC, both past and present, and dignitaries. The entire hall has packed to the capacity and, in fact, was overflowing. The open session was inaugurated by Adv. K. Chandrika, Worshipful Mayor of Thiruvananthapuram. The guest of Honour was A.K. Padmanabhan, President, CITU. Welcome address was rendered by Com. C. Rajkumar, Chairman, Organising Committee. The speeches of the leaders and guests were apt for the occasion. The open session ended with vote of thanks by Com. Abraham Shaji John, General Convenor, Organising Committee. The session was a great success.

The two days' delegate session commenced at AKG Centre on 9<sup>th</sup> March, 2014 at 10 A.M. The Dias and the hall were decorated in a befitting manner. With President calling the house to order, the agenda wise discussion of the Triennial Session started. The proceeding of the 9<sup>th</sup> Triennial Conference held at Bhubenshwar was placed and adopted. General Secretary, Com. Harvinder Singh presented an elaborate report on the developments since the last Triennial Conference. The report contained all aspects of the developments. As many 65 delegates from different affiliates including 4 from AIRRBOF participated in the deliberation on General Secretary's report.

General Secretary gave a detailed rejoinder on the issues emanating by placing an elaborate reply. The reply was well appreciated. Thereafter, General Secretary's Report was adopted. Several Resolutions were adopted including Resolution on Allowing Pension to RRB officers at par and Merger of RRBs with Sponsor Banks.

The elections to the next Triennial Period (2014-2017) were conducted by Com. Abraham Shaji John as Returning Officer. Consensus Panel was placed and the same panel was elected by voice vote. The principal office bearers are:

Com. Y. Sudershan (SBI), Bengaluru, President.

Com. Harvinder Singh (BOI), New Delhi, General Secretary.

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Com. S.K. Bhattacharjee, General Secretary, AIRRBOF was elected as Advisor of the Confederation. AIRRBOF congratulates all the new office bearers. Thereafter, the 10<sup>th</sup> Triennial Conference came to an end with placing of vote of thanks.

10<sup>th</sup> Triennial Conference held from 8<sup>th</sup> to 10<sup>th</sup> March, 2014 shall be remembered as a memorable event in the annals of Trade Union movement.

Circular # 22:2014

13<sup>th</sup> March 2014

### **BUSINESS SESSION HELD ON 9<sup>TH</sup> AND 10<sup>TH</sup> MARCH 2014**

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 28, dated 13<sup>th</sup> March, 2014.

“The Business Session was presided over by Com. Harshavardhan M., President of the Confederation. He welcomed the entire house which was thronged by more than twelve hundred delegates from the length and breadth of the country representing all affiliates of the Confederation. He invited Com. Harvinder Singh, General Secretary to take up the agenda proper and present the report of the confederation for the entire Triennial period for the consideration of the house.

#### **AGENDA-I : TO CONSIDER AND ADOPT GENERAL SECRETARY'S REPORT AND AUDITED STATEMENT OF ACCOUNTS FOR THE YEARS ENDING 31<sup>ST</sup> DEC. 2011, 2012 AND 2013:**

At the onset, Com. Harvinder Singh welcomed the delegates and appreciated the role played by the Kerala State unit of AIBOC under the leadership of Com. P.V. Mohnan, Com. Abraham Shaji John, Com. C. Rajkumar, and all other Seventeen Affiliates in the Kerala State for their dedication, involvement in organizing the Tenth Triennial Conference in such a splendid manner, at very short notice. Com. Harvinder Singh read out the minutes of the Ninth Triennial General Council held at Bhubaneswar on 29<sup>th</sup>, 30<sup>th</sup> and 31<sup>st</sup> January 2011. The minutes were unanimously passed by the house.

Two minutes silence was observed by the entire house in the honour of the departed souls and to pay homage to them.

The General Secretary presented his report covering in detail the international, neighborhood events and important socio political developments at national level, global and domestic economic scenario affecting not only banking industry but also



**Vol - XXI**

# **AIRRBOF** News Letter

APRIL, 2014



**SILIGURI**

**The Voice of All India  
RRB Officers' Federation**

**No. 04**

## **13 | Page**

common man, detailing RBI Monetary policies, Budget, Government policies like disinvestment etc., labour scenario, detailed Banking sector developments encompassing the present status of salary revision and the future strategies, second option of pension for the left out retirees, organizational activities and affiliates' activities inclusive of the Sectoral Federations, all the time referring to the extract of his reports in an effort to provide adequate time to the delegates for deliberations on the contents of the report. In his two and a half hour presentation, the General Secretary covered all the important events reported by him, appropriately supplementing with latest developments and views of the organization, which paved the way for a most elaborate and fruitful debate to be ensued.

The President Com. Harshavardhan M. thanked Com. Harvinder Singh for his eloquent presentation of the GS Report and called upon the members to deliberate on the report. As many as 67 delegates came to the dais for expressing their views and seeking information on various issues concerning the banking industry, its officers and staff, Trade Union movement/ policies of RBI & Government/ demands of the officers in charter of demand particularly 5 days week and regulated working hours, menace of vigilance etc. and problems of common man. The deliberation lasted for almost 6-7 hours. The General Secretary in his maiden address, apprised the house that it was for the first time in history of AIBOC Triennial Sessions that the draft GS report was circulated to all the affiliates in 15 days advance with the request to pass it on to all the delegates, so that the feedback / corrections/additions/deletions to the report received in time and could be viewed appropriately for incorporation or changes. He advised that the feedbacks received in time by his office were incorporated in the report. The replies to all queries/issues pertaining to five day week, compensation for working on holidays, disciplinary proceedings, roll played by private sector banks, reporting of bank defaulters, participation of Scale-IV Officers in strike, support from print media, membership of the Confederation in various affiliates, unity among officers, common holidays under CTS, universal banking concept, pension option for resignees, women representation in AIBOC, visibility of AIBOC, RBI discussion paper, reports of state committee and details on wage negotiation developments were given in a very crisp, concise and lucid manner by the General Secretary, Com. Harvinder Singh. All present were spell bound and listened with rapt attention. The members got enlivened and enriched by getting clear perspective on all the issues raised, by him. The house with a thunderous applause unanimously adopted the report.

Com. Franco Rajender Dev, Treasurer, presented Audited Statement of Accounts for 2011, 2012 & 2013. The same was passed unanimously by the house after a clarification sought by one of the delegates.

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**All India RRB Officers' Federation.**

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Vol - XXI

# AIRRBOF News Letter

APRIL, 2014



SILIGURI

The Voice of All India  
RRB Officers' Federation

No. 04

14 | Page

## **AGENDA – II: TO APPOINT AUDITORS FOR THE NEXT TRIENNIAL TERM:**

The agenda was taken up after the formation of new committee. The newly elected Treasurer, Com. B. B. Kaul proposed the name of M/S P. M. Arora & Co. Chartered Accountants as the Statutory Auditors for the term 2014-2017, at a fee of Rs. 10000/- p.a. It was approved by the house unanimously after being seconded by Com. S.K. Jain (Dena bank) and Com. Aruna Agnihotri (BOI).

## **AGENDA – III: TO CONSIDER THE AMENDMENTS TO BYE-LAWS AS RECOMMENDED BY THE EXECUTIVE COMMITTEE AND/OR THE AMENDMENTS BY THE MEMBERS:**

The following amendments in clause 5.3 (iii) and (vi) were proposed, considered and passed unanimously by the house:

## **AGENDA – IV: TO CONSIDER THE RESOLUTIONS/PROPOSITIONS/MOTIONS RECOMMENDED BY THE EXECUTIVE COMMITTEE AND /OR BROUGHT FORWARD BY THE MEMBERS AFTER GIVING DUE NOTICE.**

The following resolutions were read out by Com. G V Manimaran, Senior Vice President for consideration and adoption by the House:

- Resolution No: 1** REGULATED WORKING HOURS
- Resolution No: 2** FIVE DAY WEEK IN BANKING INDUSTRY
- Resolution No: 3** RISING PRICES OF ESSENTIAL COMMODITIES
- Resolution No: 4** CORRUPTION IN PUBLIC LIFE
- Resolution No: 5** REPEAL BANKING LAW AMENDMENT BILL AND RESTORE THE EARLIER PROVISIONS
- Resolution No: 6** NATIONALISE THE OLD GENERATION PRIVATE SECTOR BANKS
- Resolution No: 7** REPEAL RISE IN FDI UPTO 74% IN BANKING SECTOR
- Resolution No: 8** TO OPPOSE FREE ENTRY TO FOREIGN BANKS
- Resolution No: 9** UPDATION OF PENSION FOR BANK EMPLOYEES AND OFFICERS
- Resolution No:10** PARTICIPATION IN MANAGEMENT IN PRIVATE SECTOR BANKS
- Resolution No:11** TRADE UNION RIGHTS TO ALL OFFICERS IRRESPECTIVE OF SCALES
- Resolution No:12** PROTECTION OF WOMEN
- Resolution No:13** EARLY AND RESPECTABLE WAGE REVISION FOR BANK OFFICERS
- Resolution No:14** RISING NON PERFORMING ASSETS

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Vol - XXI

# AIRRBOF News Letter

APRIL, 2014



SILIGURI

The Voice of All India  
RRB Officers' Federation

No. 04

15 | Page

- Resolution No:15** IBA SETTLEMENT TO OFFICERS IN HDFC BANK (ERSTWHILE LKB OFFICERS)
- Resolution No:16** ABSORPTION OF INCOME TAX ON ALLOWANCES AND PERQUISITES BY BANKS
- Resolution No:17** SCRAP ANTI EMPLOYEES / ANTI PUBLIC SECTOR RECOMMENDATIONS IN KHANDELWAL COMMITTEE REPORT
- Resolution No:18** IMPLEMENTATION OF ILO CONVENTIONS FOR WIDER DEFINITION OF WORKERS AND COVERAGE UNDER I.D ACT
- Resolution No:19** RESOLUTIONS ON ARTICLE NO.36.AD OF BANKING REGULATION ACT 1949 (PUNISHMENT FOR CERTAIN ACTIVITIES IN RELATION TO BANKING CO.)
- Resolution No:20** DEMAND FOR A MINIMUM TENURE AND TRANSPARENT SELECTION PROCESS FOR CMD/ED POSTS
- Resolution No:21** EXTENSION OF PENSIONARY BENEFITS TO RRBs AT PAR WITH PUBLIC SECTOR BANKS
- Resolution No:22** TO INITIATE AND PROVIDE INFRASTRUCTURE TO THE VISUALLY CHALLENGED OFFICERS
- Resolution No:23** MERGER OF RRBs WITH SPONSOR BANKS
- Resolution No:24** TO PROVIDE REQUISITE INFRASTRUCTURAL FACILITIES TO PHYSICALLY/VISUALLY CHALLENGED PERSONS
- Resolution No:25** EQUALITY IN PROTECTION TO OFFICERS OF PVT. SECTOR BANKS IN DISCIPLINARY MATTERS AND OTHER SERVICE RELATED ISSUES
- Resolution No:26** SECOND OPTION OF PENSION TO OFFICERS WHO TOOK VRS UNDER EXIT OPTION AND RESIGNEES
- Resolution No:27** DEFINED PENSION SCHEME TO ALL OFFICERS COVERED UNDER NPS
- Resolution No:28** PAYMENT OF NORTH EAST ALLOWANCE @ 12.5%, ON LINES OF CENTRAL GOVERNMENT AND RBI EMPLOYEES.

The House adopted all resolutions with one voice.

## **AGENDA - V : TO ELECT OFFICE BEARERS AND EXECUTIVE COMMITTEE MEMBERS FOR THE:**

Com. Harshavardhan, President of the Confederation declared that the present committee stand dissolved and the new team of office bearers shall be elected by the general council. He proposed the name of Com. Abraham Shaji John as the Returning Officer to conduct the elections for the next term of 2014-2017 which was approved by the house.



Vol - XXI

# AIRRBOF News Letter

APRIL, 2014



SILIGURI

**The Voice of All India  
RRB Officers' Federation**

No. 04

16 | Page

Com. Abraham Shaji John, conducted the elections for the position as per the amended constitution. A panel of candidates for all the posts was proposed by Com. Gregori Paul K.J. and seconded by Com. Gopi Krishna K.S. In the absence of any other nomination received within the time limit fixed by the Returning Officer, the entire panel as above was declared elected unopposed for the next Triennial period 2014-2017.

Com. Y. Sudarshan & Com. Harvinder Singh were elected as President and General Secretary respectively of the Confederation. The newly elected team of Office Bearers was installed in office by the Returning Officer. (list of the names is being circulated separately) Com. Y. Sudarshan and Com. Harvinder Singh in their brief address expressed their pleasure on the successful conduct of the 10<sup>th</sup> Triennial Conference and assured the delegates of their committed involvement in resolving the issues of the members. Appreciations for contributions and sacrifices made by Com. Harshavardhan, outgoing President of the Confederation were also placed on records.

## **Agenda- VI: TO CONSIDER ANY OTHER MATTER WITH THE PERMISSION OF CHAIR:**

No issue was raised by any of the delegates in this Agenda.

The curtains of the 10<sup>th</sup> Triennial Conference of the Confederation were drawn with National Anthem after vote of thanks was proposed by Com. Abraham Shaji John.

Comrades, the Business Session was concluded in a grand manner. The delegates who attended the tenth Triennial General Council shall remember the Inaugural Session, Business Session and the grand procession for a long time to come. The occasion has enlivened trade union spirits in the hearts of all the delegates present.

**OUR UNITY LONG LIVE!**

**LONG LIVE AIBOC!!**

Circular # 23:2014

15<sup>th</sup> March 2014

## **TALKS WITH IBA**

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 29, dated 14<sup>th</sup> March, 2014.

"We reproduce hereunder circular No. UFBU/2014/22 of date on the captioned subject for your information and circulation among the members:

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Vol - XXI

# AIRRBOF News Letter

APRIL, 2014



SILIGURI

**The Voice of All India  
RRB Officers' Federation**

No. 04

17 | Page

“In our Circular No. 20 dated 3<sup>rd</sup> March 2014, we had informed about the details of the discussions held with the IBA on that day. Another round of discussions were held today in IBA office, Mumbai between IBA and UFBU. IBA’s team was led by Mr R.K.Dubey (CMD, Canara Bank), Chairman of the IBA’s Core Committee, Mr M.V.Tanksale, Chief Executive, IBA and other Executives. UFBU was represented by leaders of all our constituent unions.

Carrying forward the discussions held in the last round of talks, some of the important issues like introduction of 5 Day Banking, regulated working hours for officers, etc. were discussed further. While appreciating our viewpoints, IBA wanted further inputs from the Unions in order to examine the issues and to take up the matter with higher authorities. We stressed on the need for providing quarters/ housing accommodation to all employees, particularly to those recruited in the Banks in the recent years. IBA opined that the matter needs further discussion at their level. We also demanded that 100% of the medical/hospitalisation expenses incurred by the employees and officers for self/family members should be reimbursed. IBA suggested that the mediclaim scheme proposed by them earlier can be customized in such a way to be handled by the Banks instead of insurance companies or third party administrators. We requested the IBA to furnish details in this regard whereafter the issue will be further studied and discussed.

On our demand for improvement in the Family Pension scheme, extension of 100% DA formula to pre-2002 pensioners, etc., IBA was considerate and agreed to work out the cost implications to enable them to take a view on these demands. To our demand on periodical updation of pension on occasions of wage revision, IBA felt that the issue has to be examined, in its entirety, looking at the cost involved, outflow, etc. On reverting to old pension scheme from NPS, IBA expressed their inability to accede to our demand but we reiterated the same.

To our demand regarding compassionate appointment scheme, IBA conveyed the clarifications sought from the Government to which we explained that UFBU’s view is that the compassionate appointment scheme should be on the lines of the Government scheme and urged upon them to expedite the matter.

To our demand for improvement in the IBA’s earlier offer on wage increase, IBA informed that they are not able to make further offer.

It was decided to hold the next round of discussions in the middle of April, 2014 and the date would be finalized. Further developments will be informed to all our units/members in due course”.

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Vol - XXI

# AIRRBOF News Letter

APRIL, 2014



SILIGURI

**The Voice of All India  
RRB Officers' Federation**

No. 04

18 | Page

Circular # 24:2014

27<sup>th</sup> March 2014

## **NEWS ROUND UP**

The Pension Case filed by Union of India was listed as item no. 17 before the Hon'ble Supreme Court on 25<sup>th</sup> March, 2014. Much drama was enacted by some interveners in the case claiming that they ensured preponent of the case etc. The intension was to claim credit for some others' good deeds. Ultimately the case did not come up for hearing on 25<sup>th</sup> March, 2014. The next likely date is on 1<sup>st</sup> April, 2014.

2. Our affiliate, Pandyan Grama Bank Officers' Association in Tamilnadu met Shri P. Chidambaram, Finance Minister and discussed the Pension issue. They urged upon the Finance Minister to personally intervene in the matter and ensure Pension Parity. Shri Chidambaram had replied in a letter the present position of the Pension Parity Case. The letter is annexed and the text is self explanatory. Since the letter pinpointed that the claim of some Workmen Union at the National Level have proved to be false as clear from the text of the letter of the Finance Minister, they got disbarred. Hence they circulated some letter advising to keep away from rumour mongers. The letter of the Finance Minister is real and the leaders of such Workmen Union are the greatest rumour mongers in the country. So Comrades, unmask the leaders and beware of them.

3. General Secretary of our Federation visited Chennai for couple of days in connection with issues concerning Odisha Gramya Bank. Discussion took place in Chennai involving Indian Overseas Bank Officers' Association. The issues of Odisha Gramya Bank seemed to be getting resolved.

Circular # 25:2014

27<sup>th</sup> March 2014

## **3<sup>RD</sup> TRIENNIAL GENERAL BODY MEETING OF KARNATAKA VIKAS GRAMEENA BANK OFFICERS' FEDERATION**

Karnataka Vikash Grameena Bank Officers' Federation representing overwhelming majority of officers' working in KVGB is a source of strength of our Federation. The 3<sup>rd</sup> Triennial General Body Meeting of the affiliate took place at Srujana Ranga Mandira, Dharwad on 23<sup>rd</sup> March, 2014. The open session of the Conference was proceeded by a rally participated by leaders, members of KVGBOF and all India Leaders of Apex Trade Unions. The spacious hall was tastefully decorated and overflowing with members thronging from 9 districts under the area of operation of the Bank.

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Vol - XXI

# AIRRBOF News Letter

APRIL, 2014



SILIGURI

**The Voice of All India  
RRB Officers' Federation**

No. 04

## 19 | Page

The dias was occupied by Shri Mallikarjun I. Ganagi, Chief General Manager, IDD, NABARD, HO, Shri Ashok Reddy Nukala, Chairman, Karnataka Vikash Gramin Bank, Com. Sanjay A. Manjrekar, President, Syndicate Bank Officers' Association, Com. Dinakar S. Punja, General Secretary, Syndicate Bank Officers' Association, Com. S.K. Bhattacharjee, General Secretary, AIRRBOF, Com. H.S. Krishnamurthy, Secretary, Syndicate Bank Officers' Association and Com. M.V. Karer, General Secretary, KVGBOF. The conference was inaugurated by Shri Mallikarjun I. Ganagi, CGM, NABARD by lighting of traditional lamp. In his introductory speech Shri Ganagi recounted his long association with rural areas and RRBs and pledged full support for the workforce of RRBs. Com. Sanjay A. Manjrekar felicitated the conference. Chairman of the Bank Shri Nukala in his address brought out the strong points of the Bank, the contribution of the officers and assured them of his full support in ensuring better benefits.

Com. Dinkar S. Punja, General Secretary, SBOA in his spirited address acclaimed the services of AIRRBOF in ensuring pay parity and expressed his confidence that under the aegis of AIRRBOF the Pension Parity and parity in other allowances with Sponsor Banks shall be achieved. On behalf of SBOA he pledged full help and support. Com. S.K. Bhattacharjee, GS, AIRRBOF in his brief but invigorating address brought out the sufferings of RRB officers, the problem of positioning of RRBs in today's Banking Scenario, the career aspiration of RRB officers and their constant discrimination vis-à-vis officers working in Public Sector Bank. He called for greater involvement of officers in achieving Pension Parity once for all. He also appealed to NABARD to take up with Dept. of Financial Services, Govt. of India to resolve the other allowances issue. He called for bringing the rest of the officers under the fold of KVGBOF. Com. H.S. Krishnamurthy rendered his presidential address. The open session was concluded with vote of thanks rendered by Com. B.P. Pattanshety.

The delegate session of the Conference started post lunch. In the session the General Secretary's report was placed along with Statement of Accounts and the resolutions. The house unanimously approved the proposals. The amendment to the constitution was also approved by the house.

With Com. H.S. Krishnamurthy, Secretary, SBOA as Retiring Officer election was conducted to the 37 posts of the Office Bearers and Executive Committee Members. A team of Office Bearers and EC Members were elected with Com. A.B. Patil as President and Com. M.V. Karer as General Secretary. The new Office Bearers and EC Members were installed. AIRRBOF congratulates the new team and pledges full help & support.

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## **BANKING ROUND UP:**

### **WITHDRAWAL OF ALL OLD SERIES OF BANKNOTES ISSUES PRIOR TO 2005**

RBI has decided that all old series of Banknotes issued prior to 2005 will be completely withdrawn from circulation. Accordingly, the following plan of action has been formulated:

- (i) All order series of banknotes issued prior to 2005 would be acceptable for all kinds of monetary transactions only till 31<sup>st</sup> March, 2014.
- (ii) Thereafter, the public will be required to approach bank branches which would provide them exchange facilities on an ongoing basis.
- (iii) These notes will continue to be legal tender.
- (iv) From 1<sup>st</sup> July, 2014, to exchange more than 10 pieces of Rs. 500 and Rs. 1000 notes, Bank branches should obtain from non-customers, proof of their identity and residence.

RBI has advised banks to provide exchange facilities to members of public and stop re-issue of the older series banknotes issued prior to 2005. Notes of such series tendered over the counters may be sorted immediately and deposited in the currency chests under the Linkage Scheme or forwarded to the nearest Issue Office of Reserve Bank of India for disposal.

### **LENDING AGAINST SECURITY OF GOLD JEWELLERY**

Loan to Value Ratio: As per extant instructions, NBFCs are required to maintain a Loan-to Value (LTV) Ratio not exceeding 60 percent for loans granted against the collateral of gold jewellery. RBI has now decided to raise the LTV Ratio to upto 75 percent for loans against the collateral of gold jewellery from the present limit of 60 percent with immediate effect. The value of the jewellery for the purpose of determining the maximum permissible loan amount will be only the intrinsic value of the gold content therein and no other cost elements should be added thereto.

Standardisation of Value of Gold in arriving at LTV Ratio: As per extant instructions, NBFCs are required to give in writing to the borrower the purity (in terms of carats) and weight of gold. RBI has advised that the certified purity shall be applied for determining the maximum permissible loan and the reserve price for auction. The NBFCs can, however, include suitable caveats to protect themselves against disputes on redemption.



Vol - XXI

# AIRRBOF News Letter

APRIL, 2014



SILIGURI

**The Voice of All India  
RRB Officers' Federation**

No. 04

21 | Page

Verification of the Ownership of Gold: NBFCs are required to keep a record of verification of ownership of the jewellery where the gold jewellery pledged by a borrower at any one time or cumulatively on loan outstanding is more than 20 grams. In view of the fact that it may not be possible for borrowers to produce receipts establishing ownership, especially when the jewellery has been inherited, the ownership verification need not necessarily be through original receipts for the jewellery pledged but a suitable document may be prepared to explain how the ownership was determined, particularly in each and every case where the gold jewellery pledged by a borrower at any one time or cumulatively on loan outstanding is more than 20 grams.

Auction Process and Procedures: NBFCs should conduct the auction in the same town or taluk in which the branch that had extended the loan is located.

Other Instructions: NBFCs should disburse high value loans of Rs. one lakh and above, only through cheque.

## **BANKS CAN NOW LEND UPTO 75% OF VALUE OF PLEDGED GOLD**

RBI has allowed banks to lend more against pledged gold jewellery, thereby creating a level-playing field for them vis-a vis gold loan companies which can also lend up to 75 % of the value of pledged gold jewellery against the earlier 60%. By allowing banks and NBFCs to lend more against the pledge of gold jewellery, the central bank may be trying to break the shackles of the unorganized sector in the business of lending against gold.

## **BANK STAFF CAN CLAIM BENEFITS EVEN ON REMOVAL FROM SERVICE**

The Supreme Court has ruled that a bank employee can claim pension and encashment of leave even when removal from service. The case pertained to the denial of the claims of late S.K. Kool who was removed from service 'as a measure of punishment' by Bank of Baroda.

## **COURT ORDER PUTS SPOKE IN BANKS' LOAN RECOVERY PROCESS IN NON-METROS**

As per section 14 of the Sarfaesi Act, where the possession of any secured assets is required to be taken by the secured creditor the secured creditor may, for the purpose

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Vol - XXI

# AIRRBOF News Letter

APRIL, 2014



SILIGURI

**The Voice of All India  
RRB Officers' Federation**

No. 04

22 | Page

of taking possession or control of any such secured assets, request, in writing, the Chief Metropolitan Magistrate or the District Magistrate within whose jurisdiction any such secured assets or other documents relating thereof. The Madurai bench of the Madras High Court observed that secured creditors in metropolitan areas could approach either the Chief Metropolitan Magistrate or District Magistrate but cannot approach Chief Judicial Magistrate for relief under the SARFAESI Act.

### **BANKS TO RETHINK FEE ON ATM USE**

One of the six action points mooted at a recent annual banking Ombudsmen conference related to fee on ATM use. In order to provide enhanced security at ATMs, bank plan to cap the number of free ATM transaction to five a month, irrespective of whether customers use their own bank or another bank's ATMs. RBI Deputy Governor K.C. Chakrabarty had said it would be unfair to charge customers transacting at their own bank's ATMs. The practice of levying a penalty for non-maintenance of a minimum balance in ordinary savings bank accounts was also discussed at the conference. Henceforth, banks may consider converting such accounts into Basic Savings Bank Deposit accounts. The IBA will also formulate a policy on zero liability of customers in electronic banking transactions, when a bank is unable to establish customer-level negligence. The onus of proving customer-level negligence would be on the bank and when such negligence is not established beyond doubt, the benefit of such doubt may be given to the customer.

**Courtesy: Latest Banking & Financial Awareness: February, 2014.**

### **PRESS CORNER:**

#### **DEPOSITORS STILL BANK ON STATE-RUN LENDERS**

With mounting bad loans and top-level exits, public sector banks are in the news for all the wrong reasons. But they still remain the favourites with Indian depositors.

It has been two decades since new private sector banks made their debut in the country, but public sector banks hold 78 per cent of all deposits and lend 76 per cent of all the loans. In the last two years, about Rs. 14 lakh crore of incremental deposits flowed into public sector banks, while private banks could collect only a third of this.

New private banks which started out in the 1990s initially captured a 10 per cent share of savings and term deposits. But they haven't made much headway in the last

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Vol - XXI

# AIRRBOF News Letter

APRIL, 2014



SILIGURI

**The Voice of All India  
RRB Officers' Federation**

No. 04

23 | Page

five years. Around 80 per cent of the incremental deposits of Rs. 41 lakh crore, flowed into state-owned banks in this period. Why hasn't the entry of new private players dented public sector banks? One reason could be their nationwide reach. Most new banks set up in the last decade or so are yet to establish a national presence. Axis Bank, the third largest private lender, has 2,321 branches. This is still lower than many small state-owned banks; Allahabad Bank and UCO Bank, for instance, have around 2,700 branches.

While private players may offer swanky offices and anywhere-banking, what clients seem to value is a branch in their neighbourhood. Public banks account for 82 per cent of the total number of bank branches in the country. "Branch banking still remains a preferred mode of banking for customers in India. Public sector banks have a vast branch network and, hence, their share of business in the banking sector is still over 70 per cent," says Ananda Bhoumik, Senior Director and Head, Financial Institutions, India Ratings & Research. Regulations require private banks to set up one-fourth of their new branches in un-banked areas. Private lenders, keen to protect their profitability, have gone slow on opening new branches.

**SOURCE: THE HINDU BUSINESS LINE, MARCH 3, 2014**

## **BANKS MAY NOT GET PRIORITY SECTOR LOANS FROM RRBS AT BELOW MARKET PRICE**

Public sector banks may no longer be able to wangle a "lower-than-market" price when buying priority sector loans from Regional Rural Banks they sponsor.

The Department of Financial Services and the National Bank for Agriculture and Rural Development (NABARD) are keeping a close watch on such "lower-than-market" pricing.

The issue was flagged by Financial Services Secretary, Rajiv Takru and NABARD Chairman, Harsh Kumar Bhanwala at a performance review meeting of all Regional Rural Banks (RRBs) in the country.

To correct this, Takru asked NABARD to work out a methodology, in consultation with the Reserve Bank of India, so that the sale of priority sector portfolio takes place at market-driven prices.

In the run up to the financial year end, banks typically buy priority sector loans via Inter Bank Participation Certificates (IBPCs) from entities such as RRBs to meet shortfalls in their priority sector lending targets.

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IBPCs are a form of loan securitisation, through which a bank buys the assets of another bank for a stipulated period.

The RBI has mandated that banks lend 40 per cent of their total loans to priority sectors such as agriculture, micro and small enterprises, education and affordable housing.

However, banks which are unable to meet this target buy it from the market.

For RRBs, the priority sector lending for the last three years has been more than 80 per cent as against the targeted level of 60 per cent. So, RRBs are at liberty to sell their excess priority sector loans to banks seeking them.

However, since sponsor banks buy such loans at “lower-than-market” prices, a true price discovery of such portfolio is inhibited.

“There are no authentic figures available to say how much is sold to such sponsored banks,” Bhanwala said.

Another NABARD official said “majority” of the loans that RRBs sell are to sponsor banks. Currently, there are 57 RRBs in the country. The sector has seen massive consolidation in the past decade when there were over 200 RRBs.

RRBs are three-way joint ventures between the Central Government (which holds 50 per cent stake in all these banks), the State Government where the RRB is located (15 per cent) and the sponsor bank (35 per cent).

RRBs were created in the mid-1970s with a view to develop the rural economy and create a supplementary channel to the ‘cooperative credit structure’.

Of the 64 RRBs as on March 31, 2013, 63 recorded profit. All the RRBs put together had an outstanding loan portfolio of Rs. 1.37-lakh crore, of which, Rs. 1.02-lakh crore was lent to the agriculture sector.

RRBs saw six per cent (or Rs. 8,330 crore) of their total loans turning bad as on March last, higher than 5 per cent a year earlier.

At Tuesday’s review meeting, it was decided that all RRB branches where more than 100 transactions take place daily, automated teller machines (ATMs) will be installed in the next few years.

**SOURCE: THE HINDU BUSINESS LINE, FEBRUARY 26, 2014**



Vol - XXI

**AIRRBOF** News Letter

APRIL, 2014



SILIGURI

**The Voice of All India  
RRB Officers' Federation**

No. 04

25 | Page

### **RBI PANEL TO EXAMINE RECOMMENDATIONS ON FINANCIAL SECTOR REFORMS**

The Reserve Bank of India has decided to constitute a committee to examine the recommendations of the Financial Sector Legislative Reforms Commission (FSLRC) relating to capacity building in the banking sector.

It will examine if the members on bank boards need to be certified — by way of say, an appropriately designed course which could be made mandatory for every individual before appointment to the board of a bank. The committee, which is headed by G Gopalakrishna, Executive Director, Reserve Bank of India, has been tasked with the responsibility of identifying capacity building requirements keeping in view the role of financial sector and what it should deliver.

The panel will examine the skills required at various levels/operations to deliver on the required role and also identify qualifications relevant to specific areas of operation in banks and non-banks. Further, it will evolve methodologies for prescribing certification for required qualifications.

Besides Gopalakrishna, the committee has eight other members, including Mohan V Tanksale, Chief Executive, Indian Banks' Association, Ranjan Dhawan, Executive Director, Bank of Baroda, and K. Ram Kumar, Executive Director, ICICI Bank.

The Committee is expected to submit its recommendations by April 30.

The Commission, which was set up in March 2011 and submitted its report last March, was the result of a felt need that the legal and institutional structures of the financial sector in India need to be reviewed and recast in tune with the contemporary requirements of the sector.

It has made important recommendations pertaining to nine areas, including consumer protection, micro-prudential regulation, capital controls, systemic risk, monetary policy, public debt management, contracts, trading and market abuse.

**SOURCE: THE HINDU BUSINESS LINE, FEBRUARY 21, 2014**

### **GOVT LOOKING INTO RAJAN PANEL REPORT**

The report on evolving a composite development index of backwardness of States by a committee headed by Reserve Bank of India, Governor and former Chief Economic Adviser, Raghuarm Rajan is “under active consideration”, Finance Minister, P. Chidambaram said.

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Vol - XXI

# AIRRBOF News Letter

APRIL, 2014



SILIGURI

**The Voice of All India  
RRB Officers' Federation**

No. 04

26 | Page

“They (Raghuram Rajan Committee) indentified some parameters using which some States can be identified and they ranked the States. Based on that rank, we have circulated that report to all concerned,” he said.

**SOURCE: THE HINDU BUSINESS LINE, FEBRUARY 21, 2014**

## **FINMIN URGED TO BAIL OUT TROUBLED UNITED BANK**

Alleging that the public-sector United Bank of India is in bad shape due to its huge bad debt and heavy lending to big-ticket corporate borrowers, the All-India Bank Employees' Association has urged the Union Finance Minister to take steps to put the Bank back on the rails.

In a letter to the Finance Minster, AIBEA, General Secretary, C.H. Venkatachalam pointed out that the Bank had made a net loss of Rs. 1,238 crore in the third quarter and Rs. 489 crore in the second quarter of the current fiscal, although the Bank had made operating profits. He said the Bank's performance was deteriorating in terms of net profits, worrying its workforce and unions. “We find that this Bank is tending to be more and more corporate-oriented,” the letter noted.

“We find that more than 50 per cent of its loans and advances have been extended to the large and mid-corporate (borrowers) while the priority sector lending is less than the statutory obligations. The retail sector loans of this Bank are hardly 14 per cent of the total advances.”

Venkatachalam said that the main woes of the Bank were ‘on account of the increasing bad loans and the Bank's inability to recover’ them. The Bank's NPAs have risen from Rs. 2,415 crore (3.9 per cent) in September 2012 to Rs. 8,545 crore in December 2013 (a rise of 10.8 per cent).

**SOURCE: THE HINDU BUSINESS LINE, FEBRUARY 18, 2014**

## **CAPITAL INFUSION OF RS. 11,200 CR. IN PSU BANKS**

The interim Budget brought some cheer to the Public Sector Banks with Finance Minister, P. Chidambaram promising capital infusion of Rs. 11,200 crore in these Banks for 2014-2015.

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However, some bankers rued in private that the amount provided for 2014-15 was not enough and pointed out that it was lower than Rs. 14,000 crore allocated for 2013-14.

Chidambaram's latest announcement on capital infusion corroborated with his recent stance that Banks should look to plough back their retained profits as capital.

This is because the Government's capital infusion in such Banks will not be enough to fund their business growth.

Faced with weak market conditions, most public sector banks had in 2013-14 mobilised capital only from the Government through preferential allotments.

They had refrained from approaching the markets for capital mop-up.

But with the Government's capital infusion for 2014-15 proposed to be lower-than-expected, many banks will have to look at other modes for capital raising, say banking sector observers.

Chidambaram also announced on Monday that the interest subvention scheme for crop loans would continue in 2014-15.

He also hiked the agricultural credit target to Rs. 8,00,000 crore for 2014-15 as against current fiscal's targeted Rs. 7,00,000 crore, which banks are expected to meet comfortably.

The Centre expects bankers to act more diligently while lending so that slippages can be contained, SL Bansal, Chairman & Managing Director, Oriental Bank of Commerce.

"The Government wants us to quickly recover the non performing assets so that internal accruals can be improved and used for capital infusion," Bansal said.

V. Kannan, Chairman & Managing Director, Vijaya Bank, said that capital requirements of Banks will be higher in 2014-15 considering the expected upturn in economy.

This will necessarily prompt Banks to look at alternate sources (other than Government) for raising capital, he said.

**SOURCE: THE HINDU BUSINESS LINE, FEBRUARY 18, 2014**



Vol - XXI

# AIRRBOF News Letter

APRIL, 2014



SILIGURI  
28 | Page

The Voice of All India  
RRB Officers' Federation

No. 04

## **PSU BANKS GET SHORT END OF STRICK**

Public sector banks may have to set their house in order and fend for themselves.

Or that's the message the Government seems to be sending by proposing to infuse less capital into PSU banks than it did last year. The Government has proposed to infuse Rs. 11,300 crore into PSU banks in 2014-15, much lower than the Rs. 14,000 crore it distributed in 2013-14. But slowing loan growth and deteriorating bad loans may actually increase the banks' thirst for capital this year. Gross nonperforming assets have gone up to 4.9 per cent of loans in December 2013 from 4.2 per cent in June 2013. Some of the PSU banks are barely meeting their capital requirements under Basel III norms.

According to RBI estimates, PSU banks require close to Rs. 1,40,000 crore of capital over the next five years. With the Government's holding in PSU banks varying between 55 and 82 per cent, it will need to bring in Rs. 90,000 crore of this sum over five years. Clearly, the Rs. 11,300 crore for this year falls short.

The capital to risk weighted assets ratio, has declined significantly in 2013-14. From more than 12 per cent at the beginning of the year, the CRAR is down to 10.8 per cent by December 2013. As per the Basel III norms, banks need to maintain 6.5 per cent of Tier I capital. But United Bank has a Tier I ratio of 5.6 per cent, Union Bank at 6.75 per cent and so on.

There are also quite a few banks which are below the Government's comfort zone of 8 per cent for Tier I capital. Allahabad Bank, Central Bank, Dena Bank, IOB, Canara Bank, IDBI Bank, Bank of Maharashtra and UCO Bank have Tier I capital ratio below 8 per cent as of December 2013. The Government has in the past given preference to banks falling short of the 8 per cent mark.

The Budget has also increased the agriculture lending target to Rs. 8 lakh crore from Rs. 7 lakh crore. This is a negative for all PSU banks, already weighed down by asset quality problems in the agriculture sector. Agriculture loans constitute close to 12-15 per cent of loan books for most public sector banks, with Indian Bank, Central Bank, Andhra Bank and BoI having a higher share of such loans.

Indian Bank, Central bank, Andhra Bank, Bank of India and Canara Bank have more than 13 per cent of loans from the agriculture sector.

The budget has proposed a moratorium for all education loans taken up to March 2009 and outstanding as on March 2013, with the Government footing the bill. Education loans from about 6 per cent of banks' retail loan books.

**SOURCE: THE HINDU BUSINESS LINE, FEBRUARY 18, 2014**

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Vol - XXI

# AIRRBOF News Letter

APRIL, 2014



SILIGURI

**The Voice of All India  
RRB Officers' Federation**

No. 04

29 | Page

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