

*AIRRBOF WISHES ALL MEMBERS, READERS & WELL WISHERS HAPPY & PROSPEROUS NEW YEAR 2014*

## **EDITORIAL**

### **RRBs – THE CONTINUED PROCESS OF DEPUTATION FROM SPONSOR BANKS**

Regional Rural Bank Act, 1976 entails provision of deputation of Senior Officers like Chairman from Sponsor Banks to RRBs for a period of five years. There is no change in law. However, the culture of putting officers on deputation from Sponsor Banks to RRBs continues. In the formative days of RRBs officers like Chairman and General Manager used to be the only deputation. Instead of withdrawal of deputation from Sponsor Banks to RRBs it has been intensified. Lot of officers is on deputation to RRBs including officers in Middle Management. The officers of RRBs after putting in service for 25-30 years are competent enough to occupy all the senior level positions in RRBs. However, even Junior Level officers on deputation from Sponsor Banks are occupying positions senior to RRB officers even though they are junior in hierarchy and length of service. This has created lot of organisational upheavals.

It was argued by officials of Dept. Financial Services, Govt. of India that RRBs should be continued to be run on low cost and earn profit. This logic had been put forth for allowing Pension at par to the workforce of RRBs. However, the deputations continued to eat the greater pie of the RRBs' profitability. Not only the perks & allowances of such officers on deputation are higher but also such officers spend extravagantly as they are least bothered about the welfare of the RRB. A virtual Club of such deputationists had been in operation in all RRBs and their behaviour are like colonialists. The deputed officers are also not attuned to the work culture of the RRBs, the language of the area and the peculiar socio – economic condition of the region where RRB is functioning. In the face of all such roadblocks, the officers on deputation to RRBs continued to remain worst performers.

The Thorat Committee had suggested total repatriation of officers on deputation except that of Chairman. However, the Sponsor Banks continued to plunder the greener pastures of RRBs by putting their officers on deputation. Even some officers are put on deputation prior to their retirement on superannuation and the terminal benefit of such officers was made to be paid by RRBs.

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**All India RRB Officers' Federation.**

**"JGGP HOUSE", Raja Rammohan Road, Hakimpara, Siliguri – 734001(West Bengal)**

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There is absolutely no logic to put any officers on deputation to RRBs. The post of Chairman also needs to be filled from amongst RRB officers. The total stoppage of officers on deputation shall ensure career growth, motivation, better work culture amongst officers of the particular RRB. This would also improve the bottom line of the RRBs. The Board of the RRBs should be really made autonomous so that Sponsor Bank Directors cannot call the shot at all times.

AIRRBOF shall continue to strive for making the RRB stronger and to that effect removal of deputation shall go a long way.

### **ENRICH YOUR KNOWLEDGE:**

#### **FRAUDS – CLASSIFICATION & REPROTING** **CLASSIFICATION OF FRAUDS**

Frauds are classified as under, based mainly on the provisions of the Indian Penal Code:

1. Misappropriation and criminal breach of trust.
2. Fraudulent encashment through forged instruments, manipulation of books of account of through fictitious accounts and conversion of property.
3. Unauthorised credit facilities extended for reward of for illegal gratification.
4. Negligence and cash shortages.
5. Cheating and forgery.
6. Irregularities in foreign exchange transactions.
7. Any other type of fraud not coming under the specific heads as above.

#### **CASH SHORTAGE**

Cases of 'negligence and cash shortages' and irregularities in foreign exchange transactions' are to be reported as fraud if the intention to cheat/defraud is suspected/proved. However, the following cases where fraudulent intention is not suspected/proved at the time of detection will be treated as fraud and reported accordingly:

1. Cases of cash shortage more than Rs. 10,000 will be treated as fraud.
2. Cases of cash shortage more than Rs. 5,000/- if detected by management / auditor/ inspecting officer and not reported on the day of occurrence by the persons handling cash. If it is reported by cashier, it will not be treated as fraud.

3. Cases of cash shortage up to Rs 5000 is not treated as fraud.

### **FORGED INSTRUMENTS**

Reporting of fraud and filing of police complaint in case of fraudulent encashment of DDs/TTs/pay Orders Cheques/ Dividend Warrants will be as per following procedure:

1. In case of frauds involving forged instruments including those cleared under CTS, the paying banker has to file the police complaint and not the collecting banker.
2. In case of collection of an instrument which is genuine but the amount is collected fraudulently by a person who is not the true owner, the collecting bank, which is defrauded, will have to file a police complaint and report to RBI.
3. In case of collecting of instrument where the amount has been credited before realisation and subsequently the instrument is found to be fake/forged and returned by the paying bank, it is the collecting bank that has to file FMR-1 with the RBI and police as the collecting bank is at loss by parting the amount before realisation of the instrument.
4. In cases of frauds due to fake/forged instruments in respect of truncated instruments sent in clearing, the presenting bank should immediately hand over the underlying instrument to drawee/ paying bank as and when demanded to enable it to file an FIR with the police authorities and report the fraud to RBI.
5. In case of collection of altered/fake cheque involving two or more branches of the same bank, the branch where the altered/fake cheque has been encashed, should report the fraud to its Head Office and lodge complaint with police.
6. In the event of an altered/fake cheque having been paid/encashed involving two or more branches of a bank under Core banking solution (CBS), the branch which has released the payment against an altered fake cheque should report the fraud to the Head Office and file complaint with police.
7. The reporting of fraud in respect of truncated instruments will be done to Central Fraud monitoring Cell as well as the concerned RO of the Department of Banking Supervision/FCMD under whose jurisdiction the Bank's Head Office/branch is situated.

## **REPORTING TO RBI**

Soft copy of the reports on frauds: In FMR formats in respect of fraud cases involving amount of Rs. 1.00 lakh and above should be submitted to the Central Office of the Department of Banking Supervision (DBS) Fraud Monitoring Cell as well as to Regional Office (RO) of DBS/FCMD under whose jurisdiction the Head Office of the bank falls within three weeks of detection of fraud.

Reporting of fraud cases in hard copies:

- a) Fraud cases involving an amount more than Rs.1 lakh and upto Rs.50 lakh: To be reported on from FMR 1, within 3 weeks of fraud coming to bank's notice i) To the R.O under whose jurisdiction the branch where the fraud has taken place is located and ii) To the R.O under whose jurisdiction the Head Office where the fraud has taken place is located. In case the bank falls under the supervisory purview of Financial Conglomerate monitoring Division (FCMD), the reporting is to be done to GCMD instead of R.O under whose jurisdiction the Head Office where the fraud has taken place is located. Banks may also report frauds involving Rs. 1 lakh and above perpetrated in their subsidiaries and affiliates/joint ventures in FMR -1 format in hard copy only. In case the subsidiary/affiliates/joint ventures of the bank is an entity which is regulated by RBI and is independently required to report the cases of fraud to RBI in terms of guidelines applicable to that subsidiary/affiliated/joint venture, the parent bank need not furnish the hard copy of the FMR-1 statement in respect of fraud cases detected at such subsidiary/affiliate/joint venture.
- b) Fraud cases involving an amount of Rs. 50 lakh and above: To be reported on form FMR 1, within 3 weeks of fraud coming to bank's notice.
  - i) To the concerned R.O of DBS under whose jurisdiction the Head Office where the fraud has taken place is located. In case the bank falls under the supervisory purview of Financial Conglomerate Monitoring Division (FCMD) the reporting is to be done to Reserve Bank of India, Financial Conglomerate Monitoring Division (FCMD). Instead of R.O under whose jurisdiction the Head Office where the fraud has taken place is located.
  - ii) To Reserve Bank of India, Central Fraud Monitoring cell, Department of Banking Supervision, Central Office, Bengaluru.

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Frauds involving Rs. 100.00 lakh and above: In addition to the requirements given above, banks may report the fraud by means of a D.O. letter to the Chief General Manage-In-charge, Department of Banking Supervision, RBI, Central Office, within a week of such frauds coming to the notice of the bank's Head Office.

Cases of attempted fraud: Banks need not report cases of attempted fraud of Rs 1 crore and above to Reserve Bank of India. However, the banks should continue to place the report on individual cases of attempted fraud involving an amount of Rs 1 crore and above before the Audit Committee of its Board (Earlier, it was to be reported to the Fraud Monitoring Cell, DBS, CO, RBI, within two weeks of the bank coming to know that the attempt to defraud the bank failed or was foiled).

Quarterly Returns: Banks should submit a copy of the Quarterly Report on Fraud Outstanding in the format FMR – to the Co, DBS, RBI Fraud Monitoring Cell and the Regional Office of the Department of Banking Supervision/FCMD under whose jurisdiction the Head Office of the bank falls within 15 days of the end of the quarter to which it relates.

### **REPORTS TO THE BOARD**

Frauds of Rs 1.00 lakh and above: Banks should report all frauds Rs. 1.00 lakh and above to their Board promptly.

Quarterly Review of Frauds: Information relating to frauds for the quarters ending March, June and September may be placed before the Audit Committee of the Board of Directors during the month following the quarter to which it pertains. A separate review for the quarter ending March is not required in view of the annual review for the year-ending March.

Frauds of Rs 100lakh and above: Banks are required to constitute a Special Committee for monitoring and follow up of cases of frauds involving amounts of Rs. 100.00 lakh and above exclusively, while Audit Committee of the Board (ACB) may continue to monitor all the cases of frauds in general. All the frauds involving an amount of Rs. 100.00 lakh and above should monitored and reviewed by the Special Committee of the Board in case of all Indian Commercial banks. The Special Committee should consist of CMD in case of public sector banks and MD in case of SBI/its Associates. In case of private sector banks, two member from ACB, two member from Board excluding RBI nominee.

Annual review of Frauds: Banks should conduct an annual review of the frauds and place a note before the Board of Directors in the month of December.

**REPORTING OF FRAUDS TO POLICE/CBI**

Reporting to Local Police or CBI: Public Sector Bank should report fraud cases involving amount of Rs. 300.00 lakh to local police.

Cases to be referred to CBI

- (a) Cases involving Rs. 300.00 lakh and above and upto Rs. 2500.00 lakh –
- \* Where staff involvement is prime facie evident – CBI (Anti corruption Branch)
  - \* Where staff involvement is prima facie not evident – CBI (Economic Offences Wing)
- (b) All cases involving more than Rs. 2500.00 lakh – Banking Security and Fraud Cell of the respective centres, which is specialised cell of the economic Offences Wing of the CBI for major bank cases.

Cases to be referred to Local Police

Cases below Rs. 300.00 lakh – Local Police.

- (i) Cases of financial frauds of the value of Rs. 1.00 lakh and above: Which involve outsiders and bank staff, should be reported by the Regional Head of the bank concerned to a senior officer of the state CID/Economic Offences wing of the State concerned.
- (ii) Cases of frauds above Rs.10.000/- but below Rs.1.00 lakh: Should be reported to the local police station by the bank branch concerned.
- (iii) Fraud cases of value below Rs.10.000/-: Involving bank officials, should be referred to the Regional Head of the bank, who would scrutinize each case and direct the bank branch concerned on whether it should be reported to the local police station for further legal action.

Reporting of cases of Theft, Burglary, Dacoity and Bank Robberies: Cases of theft, burglary dacoity and robbery should not to reported as a fraud. These cases should be separately reported to following by fax/e-mail immediately on their occurrence:

- (a) The General Manager, Reserve Bank of India, Central Fraud Monitoring Cell, Department of Banking Supervision, Bengaluru.

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- (b) Regional Office of the Department of banking Supervision, Reserve bank of India under whose jurisdiction the Head Office of the bank falls.
- (c) Financial Conglomerate Monitoring Division (FCMD) in respect of 12 large banks in the country under whose jurisdiction the Head Office of the bank falls.
- (d) Regional Office of Reserve Bank of India, Department of Banking Supervision, Reserve Bank of India, under whose jurisdiction the affected bank branch is located to enable the Regional Office to take up the issues regarding security arrangements in affected branch/es during the State Level Security Meetings with the concerned authorities.
- (e) The Security Adviser, Central Security Cell, Reserve Bank of India, Central Office Building, Mumbai – 400001.
- (f) Ministry of Finance, Department of Financial Services, Government of India, New Delhi.

The report should be submitted on FMR – 4.

**Source – Latest Banking & Financial Awareness: November 2013.**

**EXCERPTS FROM AIRRBOF CIRCULARS**

Circular # 38:2013

3<sup>rd</sup> December 2013

**ALL INDIA BANK STRIKE ON 18<sup>TH</sup> DECEMBER 2013**

We reproduce hereunder the text of All India Bank Officers' Conference Circular No. 59, dated 2<sup>nd</sup> December, 2013. **MEMBERS WORKING IN REGIONAL RURAL BANKS (RRBS) AND CO-OPERATIVE BANKS ARE EXEMPTED FROM THE PURVIEW OF STRIKE.**

**QUOTE**

We have been keeping all our constituents informed with the developments regarding 10th Bipartite Wage Negotiations process. The undue delay of more than one year in the process along with steps taking by Government to implement banking reforms despite our opposition are causes of concern and anxiety. We had already communicated the UFBU's decision to observe one day strike on 19th December 2013 vide our circular No 2013/58 dated 23.11.2013. Since 19th December 2013 is a holiday in the state of Goa, Daman & Diu, it has been decided to pre pone the strike date to **18th December 2013**. Notice has already been served to the Chairman, Indian Banks' Association by United Forum of Bank Unions.

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**All India RRB Officers' Federation.**

**"JGGP HOUSE", Raja Rammohan Road, Hakimpara, Siliguri – 734001(West Bengal)**

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**WEB SITE: <http://www.airrbof.org.in>**

We reproduce, here under, communication issued by UFBU dated 02.12.2013 containing the Notice and agitation programme for your information and circulation among members and implementation.

**NOTICE OF STRIKE**

**NAME OF UNIONS: UNITED FORUM OF BANK UNIONS (U.F.B.U.)**

- ALL INDIA BANK EMPLOYEES' ASSOCIATION (AIBEA)
- ALL INDIA BANK OFFICERS' CONFEDERATION (AIBOC)
- NATIONAL CONFEDERATION OF BANK EMPLOYEES (NCBE)
- ALL INDIA BANK OFFICERS' ASSOCIATION (AIBOA)
- BANK EMPLOYEES FEDERATION OF INDIA (BEFI)
- INDIAN NATIONAL BANK EMPLOYEES FEDERATION (INBEF)
- INDIAN NATIONAL BANK OFFICERS CONGRESS (INBOC)
- NATIONAL ORGANISATION OF BANK WORKERS (NOBW)
- NATIONAL ORGANISATION OF BANK OFFICERS (NOBO)

**NAMES OF ELECTED REPRESENTATIVES**

1. Shri. M V Murali, Convener, UFBU & General Secretary, NCBE
2. Shri. C.H. Venkatachalam, General Secretary, AIBEA
3. Shri. Harvinder Singh, General Secretary, AIBOC
4. Shri. S. Nagarajan, General Secretary, AIBOA
5. Shri. Pradeep Biswas, General Secretary, BEFI
6. Shri. Subhash Sawant, General Secretary, INBEF
7. Shri. K.K. Nair, Chairman, UFBU & General Secretary, INBOC
8. Shri Ashwini Rana, General Secretary, NOBW
9. Shri. S Deshpande, General Secretary, NOBO

**Dated this day of 2<sup>nd</sup> December, 2013**

**To**  
**The Chairman,**  
**Indian Banks' Association,**  
**World Trade Centre,**  
**Cuffe Parade, Mumbai**

Sir,

In accordance with the provisions contained in sub-section (1) of Section 22 of the I.D. Act – 1947, we hereby give you notice that the members of all the constituent unions of **United Forum of Bank Unions** ( AIBEA, AIBOC, NCBE, AIBOA, BEFI, INBEF, INBOC, NOBW, NOBO) propose to go on strike on the **18th December, 2013**.



**Main Issues and Demands:**

- IMMEDIATE WAGE REVISION**
- TO STOP BANKING REFORMS**

The details of the programme and the Statement of the case are furnished herein.

**Sd./**

**Convener U.F.B.U.**

- Encl.:** 1. Statement of the Case  
2. Details of Agitational Programme

**Copy to:**

1. Chief Labour Commissioner (Central), New Delhi
2. CMDs/MDs/CEOs of All Banks

**ALL INDIA BANK STRIKE ON 18TH DECEMBER, 2013 PROGRAMMES:**

<b>5-12-2013</b>	Letters by all Constituent Unions of UFBU and their affiliates addressed to Chairman, Indian Banks Association
<b>6-12-2013</b>	Mass Demonstrations in all State capitals and other major centres
<b>16-12-2013</b>	Badge Wearing
<b>17-12-2013</b>	Mass Demonstrations, rallies, processions at all centres
<b>18-12-2013</b>	<b>ALL INDIA STRIKE – demonstrations, rallies</b>

**STATEMENT OF THE CASE:**

**1. IMMEDIATE WAGE REVISION:**

Wages and service conditions in the banking sector are governed by the industry-level bipartite settlements signed between the Indian Banks Association and the trade unions of bank employees and officers. Public Sector Banks, Private Sector Banks and Foreign Banks who give their mandate to the Indian Banks Association are party to the Settlements and hence are covered by the same.

The last Bipartite Settlement on revision of wages and service conditions, otherwise known as 9th Bipartite Settlement, was signed on 27-4-2010 covering the period from 1-11-2007 to 31-10-2012. Hence the 9th Bipartite Settlement came to an end on 31-10-2012. Consequently, revision of wages and other service conditions have become due as from 1-11-2012.

In view of this, as per the decision of the United Forum of Banks Unions, common set of demands for the employees and officers was submitted to the Indian Banks Association on 30-10-2012.

UFBU has been requested the IBA to adopt a time-bound programme to hold the negotiations on the demands and to expedite the Settlement as early as possible to avoid the accusations that the Unions are always delaying the Settlement.

Even though the formal negotiations started in February, 2013, only 5 rounds of discussions have taken so far viz. on 22-2-2013, 22-4-2013, 7-6-2013, 12-8-2013 and 12-10-2013 i.e. one round of discussion once in two months.

It will be appreciated that the alarming and unabated price rise have seriously eroded the income of the employees and hence the wage revision has become all the more important. The Consumer Price Index has gone up by almost 2400 points under (1960=100) Index series since November, 2007. Hence wage revision to catch up with the high inflation and price rise has become an urgent necessity.

Similarly, the workload in the bank branches has gone up substantially due to increase in total volume of business and also due to non-provision of adequate staff and officers in the branches. Employees and officers are working under a lot of stress and strain. The job profile of the staff has also undergone a change and all these require to be properly remunerated with adequate increase in wages. For this reason also the wage increase has become important.

But unfortunately, the IBA is delaying the Settlement and during the last one year, not even their minimum offer has been indicated to the Unions.

**HENCE, THIS DEMAND FOR IMMEDIATE WAGE REVISION FOR BANK EMPLOYEES AND OFFICERS.**

## **2. STOP BANKING SECTOR REFORMS:**

Banks in India today have nearly Rs. 75 Lacs crores as Deposits representing the hard-earned savings of the people of our country. Hence banking institutions have to be properly regulated. It is because of these defined regulations and predominantly being under public sector, that our Banking system was saved from the global crisis. Because of de-regulation and liberal banking policies, many Banks in many countries including in USA and Europe have collapsed. Indian banks were saved because of our strong regulations and being in public sector.

But in the name of Banking Sector Reforms, the Government is taking various steps and measures to liberalise and de-regulate the banking sector.

Recently, the RBI has announced in its discussion paper that the Government's Equity capital in the Banks can be reduced to less than 51% which means nothing but privatisation of our Public Sector Banks.

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The Discussion Paper also proposes that the Banks may resort to merger of Banks to become international Banks. Our Banks are meant for our own economic development and hence this is clearly unwarranted. Further merger has its own adverse implications to the detriment of the employees and officers working in the Banks.

RBI has also issued recent guidelines by which it is proposed to give the Foreign Banks, near national status and even a scope to take over our domestic Banks. Already, the foreign capital and investments in our Banks have been increasing and now the move is to allow the foreign banks to take over our Banks.

The Government has also introduced a Bill in the Parliament seeking to allow 49% private capital in our Regional Rural Banks which are today 100% under public sector.

In the Co-operative Banks, recently, the RBI/Bakshi Committee have decided that 2,20,000 employees presently working in the Primary Agricultural Co-op. Societies would be dismantled and made as private Business Correspondents on contract basis thus serious eroding the jobs and job security.

In the name of Reforms, the Banks are also outsourcing the regular jobs in the Banks on contract basis thus increasing the risks involved. The problems faced in the ATMs on account of outsourcing are there for everyone to see.

While the Government is serious on these retrograde reform measures, the real bane in the banking industry is being ignored. Bad loans in the Banks are alarmingly on the increase. It has crossed Rs. 2 lacs crores and the number of deliberate and willful defaulters are also on the increase. Substantial amount of profits earned are being diverted to provide for these bad loans thus sharply reducing the profits of the Banks and at the cost of loss to the Government and the Banks.

A developing country like India needs a very strong, vibrant and well-regulated banking system and attempts to de-regulate them in the name of reforms is wrong with serious consequences.

**HENCE, OUR DEMAND TO STOP THE ABOVE MENTIONED BANKING REFORMS.**

Yours sincerely,  
**Convener U.F.B.U.**

**UNQUOTE**

We call upon all our affiliates to adhere to the programme chalked out by the UFBU and make the strike a grand success.

Circular # 39:2013

12<sup>th</sup> December 2013

**10<sup>TH</sup> TRIENNIAL CONFERENCE OF AIBOC  
AT THIRUVANTHAPURAM ON 8<sup>TH</sup>, 9<sup>TH</sup> & 10<sup>TH</sup> MARCH, 2014**

It has been notified by AIBOC Central Office that the 10<sup>th</sup> Triennial Conference shall be held at Thiruvanthapuram (Kerala) on 8<sup>th</sup>, 9<sup>th</sup> & 10<sup>th</sup> March, 2014.

All affiliates are advised to send the name of the delegates & observers @ 1 delegate per 200 members and Max ½ of delegates as observer latest by 25<sup>th</sup> December, 2013 to AIRRBOF Central Office along with D.D. payable to AIRRBOF or by remittance through NEFT/RTGS to AIRRBOF A/c.

In case of requirement of accommodation you may kindly contact AIBOC leadership available in Kerala as per address given on the enclosed letter.

We enclose the letter of AIBOC Central Office for ready information.

**Ref. No. 2013/30**

**Date: 11.12.13**

**The General Secretaries, All Affiliates of the Confederation**

Dear Comrade,

**10<sup>TH</sup> TRIENNIAL CONFERENCE OF THE CONFEDERATION**

As per the decision taken in the 71<sup>st</sup> Executive Committee Meeting of the Confederation held at Cochin on 1<sup>st</sup> October, 2013, the 10<sup>th</sup> Triennial Conference of the Confederation is scheduled to be held on 8<sup>th</sup>, 9<sup>th</sup>, and 10<sup>th</sup> March, 2014 at Thiruvananthapuram. The notice issued in this regard is attached along with this communication.

We request you to provide us the list of delegates from your organization, who will be participating in the conference, in the Performa as under:

The details must be provided to our office latest by 25<sup>th</sup> of December 2013, along-with the delegate fees of Rs.1000/- per delegate. The copy of the notice may be sent by you to all your delegates and their journey arrangements may be made. Our Kerala State Unit has blocked some hotel rooms for the stay of delegates, who will be attending the conference. You may immediately contact the following office bearers of the Kerala State Committee of AIBOC for your accommodation requirements.

**Com. Abraham Shaji John**  
Mob : 09847425515  
Email: [asjohniob@gmail.com](mailto:asjohniob@gmail.com)

**Com. C. Rajkumar**  
Mob : 09895270323  
Email: [rajkumar0761@yahoo.com](mailto:rajkumar0761@yahoo.com)

Comrades, time left is very short. We seek your cooperation for smooth conduct of the Triennial Conference.

**With warm greetings, Yours comradely,  
(HARVINDER SINGH) GENERAL SECRETARY**

Ref. No. 2013/31

Date: 11-12-13

**TO ALL GENERAL COUNCIL MEMBERS**

**NOTICE**  
**10<sup>TH</sup> TRIENNIAL GENERAL COUNCIL**

It has been decided to hold the 10<sup>th</sup> Triennial general Council of All India Bank Officers' Confederation on 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> March 2014 at Thiruvananthapuram. The inaugural session will be held on 8<sup>th</sup> March 2014 at 5.00 pm and delegate session on 9<sup>th</sup> and 10<sup>th</sup> March 2014 at 10.00 a.m.

**AGENDA**

- i) To consider and adopt the General Secretary's Report and Audited Statements of Accounts; for 2010-11, 2011-12 and 2012-13 and un-audited Statement of Accounts for the remaining period.
- ii) To Appoint Auditors for the next triennial term;
- iii) To consider Amendments to Bye-Laws as recommended by the Executive Committee and/or the amendments by the members for which due notices have been given;
- iv) To consider Resolutions/propositions/motions recommended by the Executive Committee and/or brought forward by the members after giving due notice.
- v) To elect Office-bearers and Executive Committee Members for the term 2014 - 2017.
- vi) To consider any other matter with the permission of the chair.

**All General Council Members are requested to attend the meeting.**

**VENUE**

**INAUGURAL SESSION:** NISHAGANDHI OPEN AIR AUDITORIUM,  
KANAKAKUNNU PALACE GROUND,  
THIRUVANANTHAPURAM

**BUSINESS SESSION:** AKG HALL, AKG CENTRE,  
GAS HOUSE JUNCTION,  
THIRUVANANTHAPURAM

(HARVINDER SINGH)  
**GENERAL SECRETARY**

**PRESS CORNER:**

**INDIAN BANK NET SKIDS 38% AS EARNINGS FROM INVESTMENTS FALL**

Chennai-headquartered Indian Bank saw its net profit fall 38.4 per cent to Rs 306 crore for the quarter ended September 30, 2013, against Rs 497 crore in the same period last year. Total income rose to Rs 4,078 crore from Rs 3,774 crore in year-ago period.

Gross NPA (non-performing assets) was at 3.76 per cent (Rs 4,179 crore) against 2.06 per cent (Rs 1,980 crore) in the same period last year. Net NPA was at 2.56 per cent (1.33 per cent).

T. M. Bhasin, Chairman and Managing Director of the bank, attributed the drop in net profit mainly to the fall in earnings from sale of investments, which was at Rs 11 crore against Rs 314 crore in the first quarter.

“As the market condition was not conducive enough, the bank could not monetise on its investments during the quarter,” he said.

Regarding the asset quality, he said NPA recoveries have been robust at Rs 410 crore. The bank’s net worth has improved to Rs 11,462 crore from Rs 10,839 crore in March 2013.

The capital adequacy ratio according to Basel II norms improved to 13.27 per cent at end-September.

Taking into account the plough back of profits in the first half, it improves to 13.92 per cent, of which, Tier-I capital stands at 11.64 per cent. The bank has headroom to raise Tier-II bonds worth Rs 8,411 crore.

Bhasin said that the bank has extended its distribution network to 2,131 branches, excluding the three foreign branches — in Singapore, Colombo and Jaffna. The bank has 1,607 ATMs in operation.

For the half year, the bank’s net profit stood at Rs 623 crore (Rs 958 crore), a drop of 35 per cent, and total income at Rs 8,273 crore (Rs 7,370 crore).

The global business recorded a year-on-year growth of 16.1 per cent to Rs 2,63,758 crore. Total deposits stood at Rs 1,52,687 crore, a growth of 16.4 per cent, while gross advances grew at 15.8 per cent to Rs 1,11,071 crore.

The MSME portfolio of the bank grew 25.7 per cent to Rs 14,906 crore while agriculture advances grew 16.1 per cent to Rs 17,484 crore.

**Source – The Hindu Business Line November 9, 2013.**

### **PRIVATE BANKS RACING AHEAD OF PUBLIC SECTOR ONES IN SETTING UP ATMS**

The total number of ATMs in the country rose to 1.14 lakh in 2012- 13, with the growth primarily driven by private sector banks. Their share in the total increased 38 per cent as of March 2013.

In its trends and progress report, the RBI said although urban and metropolitan centres accounted for over 65 per cent of the total ATMs, there has been a rising trend in those located in the rural and semi- urban centres in the recent years.

India's largest lender State Bank of India topped in the number of ATMs at 32,777 as on September 30. Among the private sector banks, Axis Bank had the highest number at 11,796.

The overall growth in ATMs was at 19 per cent, the highest being in the rural areas at 34 per cent, as on March 30.

Off- site ATMs (ATMs away from the bank branches) are particularly more cost effective since they operate without the paraphernalia of a bank branch.

“Over the years, the relative growth in off- site ATMs has been much more than that of onsite ATMs. As a result, by 201213, off- site ATMs accounted for more than half the total ATMs in the country,” the RBI said.

Further, with the policy initiative to enable non- bank entities set up and operate ATMs — White Label ATMs (WLAs) — the proportion of off- site ATMs is likely to grow further.

So far, 18 entities have approached the Reserve Bank for setting up WLAs, of which 12 have been granted in- principle authorisation. Tata Communications Payment Solutions is among those that have been granted permission.

**Source – The Hindu Business Line November 22, 2013.**

### **SARFAESI ACT MOST EFFECTIVE TOOL TO RECOVER BAD LOANS: REPORT**

Amidst rising non-performing loans, the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act (Sarfaesi Act) was the most potent tool in the hands of banks for recovering bad loans.

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The Sarfaesi Act empowers banks and financial institutions to recover their non-performing assets without the intervention of courts.

The Act provides three alternative methods for recovery of non-performing assets – securitisation, asset reconstruction and enforcement of security – without the intervention of courts.

According to the RBI's Report on Trend and Progress of Banking in India, 2012-13, banks have recovered Rs 18,500 crore through the Sarfaesi route. Also, in terms of efficiency, the Act has proved to be more effective than the debt recovery tribunals (DRTs) or mediation by Lok Adalats.

Pratip Chaudhuri, former SBI Chairman, in an interview to *Business Line* in September had said that stay orders by DRTs led to delay in recoveries.

“Under the Sarfaesi Act, notice is served and two-months’ time is given to the borrower to discharge his liabilities, but Debt Recovery Tribunals (despite clear instructions from the Supreme Court that they cannot give stay orders on Sarfaesi) are still giving stay orders. And not one (order) has been justified. “Eventually, the stay order is lifted but in the process one to one-and-a-half years is lost, without any benefit to anybody,” he had said.

Also, the rising levels of stress across the banking system was reflected in the fact that the number of cases under all the three mechanisms saw a massive increase of 66 per cent to 10.45 lakh cases.

**Source – The Hindu Business Line November 23, 2013.**

### **BANKING ON WOMAN POWER**

The Bharatiya Mahila Bank (BMB), which opened last week, has attracted a lot of attention. But what exactly does this bank, the country's first women's bank, do? A visit to the Chennai branch, one of the seven branches opened, reveals more.

The bank, situated in the city's arterial and perennially busy road, has seven employees. But no, they aren't all women! The staff includes one male member.

In the days since its opening, the bank appears to have received a healthy interest. Says the bank's manager, Nijasundari, “On the very first day, we got 12 applications for savings accounts and two for current accounts.” Now, that's a good start.

In fact, in the half hour the writer spent in the branch, five customers walked in.



A conversation struck up with one of the women customers walking in revealed that she was there simply as a show of solidarity. As it was a women's bank, she wanted to encourage the concept by opening an account with the bank. What's her occupation, you ask? She works for the police.

Women coming to the bank, Nijasundari says, are mostly those looking to raise funds for business. "Women who come here tell me that they want to start a business and need finance. I tell them about our schemes for start-ups in play schools and catering services and the response has been really good...."

Time will tell whether the Bharatiya Mahila Bank turns into a success story, offering advantages other banks do not. But in the meantime, we explain here two products offered by the BMB. Watch this space for information on other products from BMB as and when they're introduced in the coming weeks.

All right, so men can work in the women's bank. But can they open deposits, too? Yes, they can. The BMB takes deposits from men too. and pays them interest at par with women depositors.

As for savings accounts, the bank appears to be quite attractive. Currently, public sector banks offer interest of 4 per cent per annum on savings account (for up to Rs 1 lakh). Kotak Mahindra Bank and YES Bank give a higher 5.5-6 per cent on their savings account, but their minimum balance requirements are higher.

BMB pays 4.5 per cent interest on balances up to Rs 1 lakh and five per cent on balances above Rs 1 lakh. There is no minimum average quarterly balance requirement and no stipulation of minimum amount to open the account.

Standard facilities, such as debit card, personalised cheque book and internet banking are available. A free personal accident cover of Rs 1 lakh is bundled with the account.

To open a savings account with the bank, all you need to do is to fill the application and KYC forms and provide proofs of address and identity.

Where the bank does have a women-only policy is for loan products. On the lending side, it provides finance only to women or for businesses that sell products or services to women. One of the loan products being offered is one for kitchen renovations.

This is a term loan for women to modify their kitchens. Women with net income of Rs 2.5 lakh and above a year are eligible for this loan. The borrower can be salaried or self-employed and should be between the age of 21 and 55.

Borrowings under this scheme can be used for kitchen renovations — civil work, tiling and flooring, setting up a modular kitchen and plumbing. The money can also be used to fill up your kitchen.

You can purchase electrical appliances for the kitchen, including cooking stove, water purifier, chimney and microwave oven. Buy furniture for the kitchen, including dining tables. Utensils, crockery and cutlery can be bought with a ceiling of Rs 25,000.

However, the house should be in your name or in the name of the co-borrower. If it is pledged with a bank, you would not be eligible for the loan. Also, you are required to put up a margin of five per cent of the loan value for up to Rs 1 lakh. For loans above Rs 1 lakh, you will be required to put up a margin of 20 per cent.

The maximum amount loaned under this scheme is Rs 7 lakh and the minimum Rs 50,000. The bank gives a moratorium of one-six months for repayment, which will be done through EMIs. You can get a maximum repayment period of 84 months. The scheme charges an interest of 2.5 per cent over the base rate (10.25 per cent currently). The processing charge for the loan is 0.5 per cent of the loan amount.

**Source – The Hindu Business Line November 24, 2013.**

### **LOCAL AREA BANKS WANT MORE LEEWAY TO MOBILISE DEPOSITS**

Local area banks want the Reserve Bank of India to classify them as ‘scheduled banks’ so that they can tap deposits from companies and temple trusts.

Companies and temple trusts usually place deposits with scheduled banks.

Scheduled banks are those in the second schedule of the RBI Act, 1934.

For inclusion in the second schedule, a bank has to have paid-up capital and reserves aggregating not less than Rs 5 lakh, and satisfy the RBI that its affairs are not being conducted in a manner detrimental to the interests of its depositors.

According to T. Eswara Chandra Rao, Managing Director of Vijayawada-headquartered Coastal LAB, if the banking regulator classifies LABs as scheduled banks, then temple trusts and companies will be inclined to place deposits with them. This will help diversify the sources of funds and ease the pressure on cost of funds.

In 1996, the RBI had come up with guidelines for setting up LABs. These banks were envisaged to promote rural savings as well as for the provision of timely and adequate credit for viable economic activities in the local areas.

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There are four LABs in the country — Jalandhar-based Capital (the largest in the country); Coastal; Mahabubnagar-based Krishna Bhima Samruddhi; and Kolhapur-based Subhadra.

LABs lend, among others, for agriculture and allied activities, to small-scale industries, agro-industrial units and for trading activities.

In its *Report on Trend and Progress of Banking in India — 2012-13*, the RBI said LABs show promise of small-scale banking institutions that can be experimented with on a larger scale in future.

The Reserve Bank's Discussion Paper 'Banking Structure in India: The Way Forward' has recommended the creation of more number of smaller banks in the private sector with the objective of achieving financial inclusion at the local level.

Banks, such as LABs, pose less threat to systemic stability given their limited-area operations with little financial interconnectedness.

**Source – The Hindu Business Line November 27, 2013.**

### **TATA SONS PULLS OUT OF RACE FOR BANKING LICENCE**

Tata Sons, the Tata Group holding company, on Wednesday withdrew its application for a banking licence.

This is the second industrial group after Videocon-promoted Value Industries to opt out of the race that now has 25 in the fray.

The Tata move comes just two months before the final licences for new banks are to be issued by the RBI.

For Tata Sons, the constraining factor was the RBI guideline for new bank licences that required all financial services entities in a group to be necessarily owned by the non-operating financial holding company (NOFHC). To comply, the Tatas would have had to re-organise the existing financial services structure of the Group.

According to a Tata Sons spokesperson, "Tata Sons has reached a conclusion that the group's current financial services operating model best supports the current needs of the Tata group's domestic and overseas strategy, and provides adequate operating flexibility to its companies, while securing the interests of the group's diverse stakeholder base".

In a statement, Tata Sons said: “The company looks forward to participating in the banking sector at an appropriate time”.

After the RBI issued clarifications in June on the new bank licensing policy, Tata Sons had a three-week window (till July 1) to identify all issues and put in place concrete solutions.

“Given that we have 1,000 plus companies in the group, it was impossible to complete a detailed assessment, seek the requisite approvals from various affected Tata companies prior to filing of our application”, the spokesperson said.

**Source – The Hindu Business Line November 28, 2013.**

### **M. V. TANKSALE IS IBA’S NEW CHIEF EXECUTIVE**

M.V. Tanksale, former Chairman and Managing Director of Central Bank of India, has taken over as Chief Executive of the Indian Banks’ Association. Tanksale succeeds K. Ramakrishnan, who was at the helm of the Association for five years up to November 30, 2013.

IBA, which has 176 members comprising public sector banks, private sector banks, foreign banks and urban co-operative banks, was established in 1946 to promote sound and progressive banking principles, practices and conventions in the country.

The Association renders assistance and provides various common services to member-banks and to the banking industry.

It is responsible for co-ordination and co-operation on procedural, legal, technical, administrative and professional problems and practices of banks and the banking industry.

**Source – The Hindu Business Line December 2, 2013.**

### **BANK UNIONS DEMAND 5-DAY WEEK**

When the Government and many companies, both in the public and private sectors, follow a five-day week work regimen, why not banks?

Trade unions in the banking sector have raised this demand as part of their bipartite wage negotiations with the Indian Banks’ Association.

With alternative channels such as ATMs, Internet and mobile banking in place, the unions feel that the time is ripe for moving to a five-day week.

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The loss of one working day could be made up by extending the business hours from Monday to Friday.

However, during the wage revision negotiations between trade unions and the IBA's wage negotiation committee led by Indian Bank Chief T. M. Bhasin, bankers were divided in their opinion on going for a five-day week.

One section of the bankers held the view that when electronic banking channels are available for customers to transact business and when the domestic financial markets — bond, money, foreign exchange and stock — as well as the banking regulator observe a five-day week, why not banks. Another section of bankers were of the opinion that five-day week was not advisable as it would come in the way of efforts towards financial inclusion.

The United Forum of Bank Unions (UFBU), in its memorandum to the Finance Minister, said not only Central and State Government ministries/departments but even the Reserve Bank of India follow the five-day work schedule.

“Already in the banking sector, with the advent of technology-based services, proliferation of ATMs, Internet banking, etc., the delivery channels for customer services in the banks have multiplied manifold. Hence, it is possible to introduce five-day banking”.

UFBU said the last wage pact in the banking sector expired in October 2012 and it has submitted a fresh charter of demands for revision of wages and service conditions to the IBA.

“More than a year has elapsed but except for some preliminary discussions, no serious negotiations have been held by the IBA on our demands.

“This is causing lot of concern and anxiety amongst the banking staff and, hence, there is need to expedite the negotiations with more meaningful and serious discussions on our demands to enable early conclusion of the revised wage settlement”.

As and when it is concluded, the 10th bipartite wage settlement between trade unions and bank managements will be applicable to employees of all public sector banks and some old-generation private sector banks.

**Source – The Hindu Business Line December 2, 2013.**

## **BANKING ROUND UP:**

### **REPO AND RESERVE REPO RATES**

RBI has decided to increase the repo rate under the Liquidity Adjustment Facility (LAF) by 25 basis points from 7.50 per cent to 7.75 per cent with effect from October 29, 2013. Accordingly, the Reserve Repo rate under the LAF will stand automatically adjusted to 6.75 per cent.

**Source – Latest Banking & Financial Awareness: November 2013.**

### **BANK RATE**

RBI adjusted the Bank Rate by 50 basis point from 9.5 per cent to 9.0 per cent with effect from October 0, 2013. The Bank Rate was adjusted again by 25 basis points from 9.0 per cent to 8.75 per cent with effect from October 29, 2013.

**Source – Latest Banking & Financial Awareness: November 2013.**

### **SETTLEMENT OF CLAIMS IN RESPECT OF MISSING PERSONS IN UTTARAKHAND DISASTER**

In the aftermath of Uttarakhand Natural Disaster during June 14-20, 2013 the Office of the Register General of India, Ministry of Home Affairs, Government of India has devised a Procedure for Registration of Death of Missing persons in Natural Calamities affected areas in Uttarakhand vide its circular dated August 16, 2013. The MHA Circular has devised detailed procedure for registration and issue of 'Death Certificate' of a person reportedly missing since his/her visit to the site of disaster in June 2013. Banks should settle the claims in respect of missing persons, covered by MHA Circular, without insisting on production of any documentation other than (i) the 'Death Certificate' issued by the Designated Officer under MHA Circular and (ii) letter of indemnity.

**Source – Latest Banking & Financial Awareness: November 2013.**

### **LAUNCH OF NEW RTGS SYSTEM**

The new RTGS system will be operationalised on October 19, 2013 and the "RTGS System Regulations 2013" would come into effect from this date. Hence, the extant RTGS System will no longer be operational. Accordingly, the RTGS (Membership) Business Operating Guidelines, 2004 and RTGS (Membership) Regulations, 2004 would cease to exist. The new RTGS System will conform to ISO 20022 messaging standard.

**Source – Latest Banking & Financial Awareness: November 2013.**

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### **CHANGE OF NAME OF SME RATING AGENCY OF IBIDIA**

SME Rating agency of India Limited has been accredited for the purpose of risk weighting the banks' claims for capital adequacy purposes along with other credit rating agencies (CRAs). The agency has now changed its name to SMERA Ratings Limited.

**Source – Latest Banking & Financial Awareness: November 2013.**

### **WHOLESALE PRICE INDEX**

1. Wholesale Price Index (WPI) represent the price of goods at a wholesale stage i.e. goods that are sold in bulk and traded between organizations instead of consumers.
2. WPI is used as an important measure of inflation in India. Fiscal and monetary policy changes are greatly influenced by change in WPI.
3. WPI is an easy and convenient method to calculate inflation. Inflation rate is the difference between WPI calculated at the beginning and the end of a year. The percentage increase in WPI over a year gives the rate of a year.
4. In 2010 new WPI index was introduced in India. The index changed the composition of the Wholesale Price Index (WPI) series. The new basket of the WPI has a broader representation commodities, change in base year and lower weight accorded to primary articles. The new index includes 555 commodities in the manufactured goods segment as against 318 earlier. The base was changed to 2004-05. The weight of manufactured products increased from 63.74 percent as per the 1993-94 base price levels to 64.97 percent now. The weight of primary articles in the new index came down to 20.11 percent as against 22.02 percent earlier.
5. Essentially, WPI considers three main product group- primary articles, fuel and power and manufactured goods. Primary articles constitute 20.12% of the index, Power and fuel constitutes 14.91% of the overall index and manufactured goods constitute the largest part of the index-64.97%.

**Source – Latest Banking & Financial Awareness: November 2013.**

## **AIRRBOF NEWS LETTER**

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