

EDITORIAL

HAND IN HAND

The Joint Committee of Parliament that was assigned the task of reviewing the Enforcement of Security Interest and Recovery of Debts Laws and Miscellaneous Provisions (Amendment) Bill 2016, deserves a pat on the back. The changes suggested by the committee will strike the right chord with the Insolvency and Bankruptcy Code, enabling both laws to work in harmony towards smoother and faster debt recovery. The Bill introduced in May had proposed amendments to various laws, mainly the Sarfaesi Act of 2002, to synchronise them with the Insolvency and Bankruptcy code, at least in spirit. But many of the revisions made to the Sarfaesi Act remained inconsistent with the insolvency resolution process, which the committee has suitably modified. For one, the inherent friction between the laws for insolvency and the laws for security enforcement has been eased by clarifying the uncertainty over the rights of secured creditors during an insolvency process.

The amendments to the Sarfaesi Act allow secured creditors to enforce their security interests, upon a default, without the intervention of courts or tribunals. While this empowers them, enforcing such a right while an insolvency resolution process is in progress can strip the Insolvency and Bankruptcy Code of its purpose and undermine its success. Recognising the need to dovetail the amendments made to the Sarfaesi Act to the Code, the committee has clarified that the secured creditors cannot enforce any collateral or undertake recovery action during the resolution process. While the proposal to empower the Reserve Bank of India to carry out audit and conduct inspection of ARCs smacks of micromanagement, it may well be the need of the hour. Rampant sale of assets by banks to ARCs, lack of disclosures once they are offloaded to the ARC, and a shaky track record of recovery, all call for sound oversight. Given that there are about 70,000 court cases pending in Debt Recovery Tribunals (DRTs) involving more than Rs. 5 lakh crore, tackling the issue of inadequate staffing by upping the retirement age of presiding officers of DRTs from 62 years to 65 years is also welcome.

But there are still some loose ends that need to be tied up. The main reason for delay in the bankruptcy process in India up till now has been the existence of multiple laws governing insolvency, which the new Code attempts to set right by creating a unified law. But while it designates the National Company Law Tribunal (NCLT) and DRT as the adjudicating authorities for corporates and individuals, respectively, all Sarfaesi cases will still be referred to DRTs. This can once again delay the entire debt recovery process. Therefore, moving corporate recovery cases under Sarfaesi to NCLT may be prudent. Also, while the Code provides for the creation of multiple information utilities to collect financial information, the new Bill talks of creating a central registry to maintain records of transactions related to secured assets. Ironing out such inconsistencies and adhering to the timelines laid down by both the laws will be key to a quick resolution.

All India RRB Officers' Federation

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

E-MAIL: 555airrbof@gmail.com/shyamalairrbof@gmail.com

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

Enrich your knowledge:

FROM BANYAN TREE TO KEYHOLE — SBI'S ICONIC LOGOS TELL A TALE

It was the prestigious National Institute of Design (NID) that designed the iconic keyhole logo for State Bank of India, with matching fonts of the name of the bank in nine Indian languages, in 1971.

The country's largest lender, with a combined balance sheet of over Rs. 37 lakh crore, 22,500 branches, 52,000 ATMs and 2.77 lakh employees, is now poised to enter the exclusive club of top global banks, following merger of five of its associate banks, and Bharatiya Mahila Bank, with itself.

Under the Imperial Bank of India Act, 1920, the British had established the Imperial Bank of India (IBI) in 1921 in which were amalgamated the Banks of Calcutta, Bombay and Madras.

In 1955, following a Parliament Act, IBI became State Bank of India with a new logo, a banyan tree in a round coin form. After nationalisation of 14 banks in 1969, when 'financial inclusion' commenced with nationalised banks increasingly branching out to unbanked areas and people, SBI decided to go in for an image makeover. The change was necessitated as some SBI officials felt that the symbol of a banyan tree was "inappropriate" as no other plant could grow under its span!

"SBI commissioned NID with this professional job and we created the new logo in 1971," Prof Pradyumna Vyas, Director, told *BusinessLine*. Mahendra Patel, a former faculty, said a two-member design team was set up for the purpose. Shekhar Kamath and Vikas Satvalekar, ably guided by Prof Dashrath Patel, Head of Design Department, were entrusted the task of creating a new logo. It was not a student assignment but a proper professional faculty assignment for which SBI paid a fee to NID, Patel said.

The new logo of a solid circle with a keyhole symbol, resembling a lock-and-key was the contribution of Kamath. The logo depicted the purpose of the bank— that of a custodian safeguarding customers' money. The bank adopted the new logo on October 1, 1971. Mahendra Patel designed the matching fonts of the title of State Bank of India in nine languages which are used even today.

All India RRB Officers' Federation

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

E-MAIL: 555airrbof@gmail.com/shyamalairrbof@gmail.com

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

Of the seven central banks of former princely States that became associate banks of SBI, two (State Bank of Saurashtra and State Bank of Indore) were merged with the behemoth in the last decade.

The remaining five (State Banks of Hyderabad, Mysore, Travancore, Bikaner and Jaipur, and Patiala) are set to follow suit by the end of the current financial year.

Source – The Hindu Business Line 18th June 2016.

EXCERPTS FROM AIRRBOF CIRCULARS

Circular # 39:2016

4th June 2016

CHANGES OF PROCEDURE OF RECRUITMENT OF OFFICER & CLERICAL STAFF IN RRBS – ISSUES TO BE TAKEN UP BY IBPS

We have written the following letter to the Chairmen of all RRBs endorsing copy to Director, IBPS. We reproduce the letter for information & necessary action.

“We are given to understand that IBPS had called a Meeting of Chairmen of RRBs on 6th June 2016.

You shall kindly appreciate that due to high level of attrition and very low level of turning up for joining in RRBs large numbers of vacancies remain unfilled in RRBs causing serious dislocation in services of the branches of RRBs.

We have considered the matter in the 61st Meeting of the Central Committee of our Federation and would like to point out the following correctional course to be adopted by IBPS. In view of the fact that you are meeting IBPS officials on 6th instant we shall like to offer the following suggestions:

- i) The number of candidates to be put on waiting list should be 50% instead of present 10%.
- ii) The system of fixing knowing language of a particular state by the candidate the eligibility criteria the candidates of the particular state only should be allowed to participate in the recruitment process.

- iv) There should be a security bond to be undertaken by the eligible candidates.
- v) In case of resignation from service of RRBs a candidate should be put on compulsory waiting period of 2 years to be eligible to apply to IBPS for employment in SBI, PSBs & RRB.

We trust that you shall raise those issues with IBPS to arrest the present trend of high attrition & low turnout from and for employment in RRBs”.

Circular # 40:2016

9th June 2016

**MEETING OF UFRRBU – MORE
INTENSIFIED AGITATION TO CLINCH OUR ISSUES**

United Forum of RRB Unions (UFRRBU) held its Meeting in New Delhi on 6th June, 2016 to discuss and decide future course of action.

On behalf of AIRRBOF three Senior Office Bearers, viz. Com. R.G. Makhija, President, Com. Srijan Pal, Vice President and Com. S.K. Bhattacharjee, General Secretary attended the Meeting. It was pointed out by AIRRBOF representatives that for success of future progress ground level unity at RRB Level is absolutely essential. It was pointed out that the UFRRBU should function democratically and then only it was continue to deliver justice to officers & employees of RRBs.

In accordance with the decision of the 61st Central Committee it was pointed out focus of further agitation should be on the issues of Pension. After detailed discussion it was decided that further agitation shall be on the following issues:

- i) Parity in Pension and PF payment.
ii) Parity in Service condition between officers and employees of RRBs and PSBs & opposition to move to privatise RRBs by different means.

AIRRBOF made it clear that UFRRBU cannot in any way involved in the ensuing protest programme of Pensioners and can only extend moral support.

After discussion a consensus was reached that

- i) Three days strike shall be observed from 27th to 29th July, 2016 on the aforesaid issues.

ii) Campaign Programme in New Delhi shall be observed in New Delhi from 20th to 22nd July, 2016.

iii) Efforts should be made to hold Seminar on the issues in New Delhi on 21st July, 2016.

Support of all Central Trade Unions and Bank Level Associations shall be ensured to make our programme successful. All our affiliates/members should make all efforts to make the programme successful.

Strike Notice is enclosed. No affiliate should give any separate Notice to Management and only copy of our Strike Notice should be handed over to Management under acknowledgement.

Circular # 41:2016

10th June 2016

**GENERAL SECRETARY VISITED HYDERABAD – NEW UNIT
IN TELANGANA GRAMEENA BANK GOT AFFILIATED TO AIRRBOF/AIBOC**

Telangana Grameena Bank, earlier named as Deccan Grameena Bank, was renamed with the birth of the new state of Telangana in May, 2014. Efforts were being made by our Federation to get one officers Unit affiliated to our Federation/AIBOC. The new unit Telangana Grameena Bank Officers' Union (TGBOU) was formed in the Foundation Conference held at Nizamabad on 5th April 2016 and it resolved to get the new born Union affiliated to AIRRBOF/AIBOC. The Unit also sought our affiliation by sending due letter to our Federation.

With prior arrangement with Associate Bank Officers' Association, General Secretary as well that of Unit, State Bank of Hyderabad which is the Sponsor Bank General Secretary of the Federation reached Hyderabad on 7th June, 2016. A team of Office Bearers of TGBOU reached Hyderabad on 8th June. General Secretary of our Federation first visited ABOA office along with TGBOU leaders is held discussion on how to make the organisation stronger. Thereafter, it was decided that a team consisting of ABOA, General Secretary, AIRRBOF, General Secretary along with President, General Secretary & other leaders of TGBOU shall visit on the day and held discussion with Chairman. However, the Chairman was at State Bank of Hyderabad, H.O. for video Conference with DFS and confirmed that he shall walk down to ABOA office for discussion. With the Chairman, Shri B.R.G. Upadhyay arriving at the ABOA office discussion took place on extending immediate check off facility to TGBOU and its recognition thereafter. Chairman was found to be very positive and assured that he shall extend necessary cooperation.

All India RRB Officers' Federation

“JGGP HOUSE”, Raja Rammohan Road, Hakimpara, Siliguri – 734001(West Bengal)

E-MAIL: 555airrbof@gmail.com/shyamalairrbof@gmail.com

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

In the after, Com. S.K. Bhattacharjee, General Secretary, AIRRBOF along with the team of leaders of TGBOU visited H.O. of Telangana Grameena Bank. He held extensive discussion with Chairman of the Bank who was accompanied by two General Managers on various developmental issues as well as on organisational matters. The entire team of leaders of TGBOU also was present Com. Bhattacharjee stressed on immediate grant of check off facility to the members of TGBOU and starting the process of recognition. The discussion was lively and is expected to bear fruit.

An impromptu was organised in the Board Room of the Bank thereafter. Every officers of H.O. attended the Meeting. With the initial remarks by Com. B. Vilas Reddy, General Secretary of TGBOU, Com. S.K. Bhattacharjee spoke extensively on all contemporary issues including Pension. He explained in detail the intricacies of the Pension issue and the approach adopted by the Federation. The audience listened with report attention. Vote of thanks was proposed by Com. B. Venkateshwarlu, President of the Association.

A new star of the Federation. Let us all hail the new affiliate, Telangana Grameena Bank Officers' Union. We pledge to extend full support to the new affiliate.

Circular # 42:2016

13th June 2016

**PRIORITY SECTOR LENDING
TARGETS FOR RRBS – NEED FOR REVISITING**

We have written the following letter to Shri A. Udgata, Chief General Manager in-charge, Financial Inclusion & Development Dept., Reserve Bank of India. We reproduce the letter for your information & necessary action.

“You shall appreciate that all of a sudden Reserve Bank of India had increased Priority Lending Target from 60% to 75%. RRBS are trying by all means to improve their performance both logistically and financially and showing improved results. RRBS operate in a limited area and the Priority Sector Portfolio of RRBS comprise of lending to the poor and hitherto under privileged section of the society.

We understand that RBI also prescribed the same level of Priority Sector lending target for emerging small Finance Banks. However, Small Finance Banks shall have Pan India presence and do not have the handicap of RRBS to function in a restricted area and their Priority Sector lending shall be encompassing export import business.

RRBs are the best performers in all the districts in regard to lending to agriculture, SME and Govt. sponsored programme. The CD Ratio of RRBs remains the highest in the district. The interest spread of RRBs is very low and, therefore, RRBs are always at precarious position about their earnings.

In order to provide a level playing field for all the Banking Institutions like PSB, emerging Small Finance Banks etc. the Priority Lending Target should be pegged at 40%.

We look forward to your early decision in this regard”.

Circular # 43:2016

26th June 2016

**29TH ANNUAL GENERAL COUNCIL MEETING
OF TRIPURA GRAMIN BANK OFFICERS' ASSOCIATION
HELD AT AGARTALA ON 25TH JUNE, 2016 – A GRAND SUCCESS**

Tripura Gramin Bank Officers' Association (TGBOA) is a vibrant, militant and active affiliated unit of our Federation. Founded in 1987, TGBOA traversed a long course for the welfare of its members and development of the Bank, which was at one point of time moribund to closure. The development of the Bank and that of the Association is in tandem. TGBOA has attained enough maturity and held its 29th Annual General Council Meeting at TGB Head Office premises on 25th June, 2016.

With the welcome address rendered by Shri Sanjib Deb Barma, President, the Conference got underway. The Conference was inaugurated by lighting of traditional lamp by Com. S.K. Bhattacharjee, General Secretary, AIRRBOF along with other dignitaries. Rendering of opening song by in house singer, created the required ambience for the Conference, Shri Upendra Sabar, the Chairman of the Bank shared his thoughts on the involvement of officers for the development of the Bank for which he appealed to all the participants. Several speakers spoke in the open session. They include Com. C.K. Taran, General Secretary, TGB Retirees Association.

The Conference was felicitated by Com. Bishnupada Debnath, Secretary, AIBOC, Tripura State Unit as well as leaders of fraternal Trade Unions. Com. S.K. Bhattacharjee spoke at length on the need for organisational development, the dichotomy of the united movement in RRBs, and lucidly explained the crux of the issue of Pension and other allowances. He exuded confidence that Govt. of India, DFS is duty bound to resolve the issue of Pension, other allowances and compassionate appointment. He appraised the audience with the decision of UFRRB to observe three days strike from 27th to 29th July



and called for making it 100% success. Com. General Secretary informed the house that GOI, DFS had called all Apex Level Recognised Trade Unions in RRBs to attend Meeting on 27th June, 2016 in New Delhi to arrive at a solution to the issues so that the strike can be averted. President and General Secretary of AIRBOF shall attend the Meeting. He put much emphasis on organisation building to protect and further our interest. Shri S. Bardhan, CC Member also warned against Management's arrogance in several issues and called for appropriate action. Sanjib Deb Barma, President summed up the discussion of the Meeting.

The open session was completed with vote of thanks rendered by Com. Partha Srathi Deb Roy.

In the post lunch session the Report of the General Secretary was placed by Com. Mrinal Kanti Bhowmik. He also explained certain points of the General Secretary's Report. Thereafter, members deliberated on the Report and after due clarification the same was adopted. The Statement of A/c was adopted unanimously. On the issue of organisational development several members spoke including Com. Subhasis Bardhan, Central Committee Member. Com. Sanjib Deb Barma, President summed up the discussion. Thereafter, vote of thanks was placed and the 29th Annual General Conference was concluded.

Circular # 44:2016

28th June 2016

MEETING BETWEEN AIRRBOF & OTHER CONSTITUENTS OF UFRRBU AND DFS HELD AT NABARD, RO, NEW DELHI ON 27TH JUNE, 2016 – PROCESS OF NEGOTIATION STARTED – NO CONCRETE POSITIVE RESULT YET TO COME – THREE DAYS STRIKE FROM 27TH TO 29TH JULY STANDS

We have already advised you by Text Message/WhatsApp on 25th June 2016 that NABARD under the directive of DFS, GOI called AIRRBOF & other constituents of UFRRBU to a Meeting with DFS officials on 27th June, 2016 at 3 P.M. at NABARD R.O., New Delhi. President & General Secretary, AIRRBOF attended the Meeting.

Prior to arrival of the officials of DFS, GM, N.P. Mahapatra held preparatory talks with leadership of recognised Apex Trade Unions of RRBs and explained that the approach of DFS officials are very positive on the issues. Later on Shri Suchindra Mishra, Jt. Secretary (PS), DFS and Shri Manish Gupta, Director (RRBs) attended the meeting.

Joint Secretary explained that he is new in his incumbency and he believes that instead of pursuing the files to ascertain the facts it is better to assess the matter by discussion. He told frankly that today he might not be able to provide readymade solution to the issues but he wants to understand the issues and shall pursue the same to logical conclusion with positive bent of mind.

Com. D.N. Trivedi & Com. S.K. Bhattacharjee on behalf of UFRRBU brought before the Joint Secretary entire gamut of the issues. Com. Bhattacharjee further explained that the payment of pension to all officers & employees of RRBs is feasible as there is serious error in assessment of Pension Corpus. Com. Bhattacharjee handed over the paper on Pension prepared by AIRRBOF and requested the Joint Secretary to allow us to make a power point presentation of feasibility of Pension payment. He also lucidly explained that the parity in other allowances & benefits and reintroduction of compassionate appointment is pending with DFS, Joint Secretary told that he shall pursue to expedite the process. General Secretary, AIRRBOF further pointed out that with a short span of time available for the Meeting it would not be possible to understand and assess all the issues and follow up Meeting before the strike date is required to avert the path of confrontation and the process of demotivation amongst the officers and employees of RRBs. Joint Secretary assured that he shall try to resolve the issues in a time bound manner despite the beaurocratic tangles.

Friends, since no positive resolution of our issue of extension of pension at par and extension at par other allowances & benefits, the 3 days strike call from 27th to 29th July, 2016 stands and all our affiliates/members should strive hard to make the programme a grand success.

Let us march on. Our demands are just & right. Win we must.

PRESS CORNER:

REXIT, IT IS, ON HIS OWN TERMS

And so, Raghuram Rajan has signalled his exit from the RBI with the same dignity and grace with which he conducted himself during his three-year term as governor. There is no rancour or bitterness in the note that he sent to colleagues; if anything it is a straight assessment of his term measured against the ambitious agenda he had set for himself on Day 1. If he was upset or unhappy with the mudslinging against him — and he had enough and justifiable reasons to be so — there is nothing in his note to give that away.

The most interesting line of the note is this: “While I was open to seeing these developments through, on due reflection, and after consultation with the government, I want to share with you that I will be returning to academia when my term as Governor ends on September 4, 2016. I will, of course, always be available to serve my country when needed.”

It betrays a sense of disappointment that he could not see through two important, ongoing initiatives to their logical conclusion — forming the Monetary Policy Committee and the Asset Quality Review of banks. However, the diplomatically couched words — “... on due reflection and after consultation with the government...” — leaves no doubt that either Rajan found no comfort in the highest levels of government — the Prime Minister — or the latter failed to convince him to stay on.

To put things in perspective, the appointments and exits of RBI governors should normally not be cause for the attention that Rajan’s exit is now getting. There have been excellent governors in the past who guided monetary policy through equally turbulent times. The names of YV Reddy (during the 2008 financial crisis), Bimal Jalan (during the East Asian financial crisis which coincided with an unstable political environment), and of course, S Venkitaramanan (during the mother of all crises the economy has faced), easily come to mind. Their retirements did not mean the end of the road for the RBI or the economy.

Yet, what is a matter of sadness and concern is the way Rajan’s exit was manoeuvred. The public campaign against him by Subramanian Swamy, the gratuitous statements questioning Rajan’s integrity, and, most important of all, the silence of Prime Minister Narendra Modi in the face of this campaign raise doubts over whether there was a larger agenda at play.

Modi’s silence can only mean two things, neither of which add to his merit — that he agreed with Swamy or that he was unable to rein him in. If he was indeed unhappy with Rajan, a quiet word with the governor would have been enough to settle the issue.

As things stand, the silence from the Government in the face of an attack on a constitutional authority who is constrained from responding can only give rise to damaging speculation.

That said, Rajan’s exit is not the unmitigated disaster for the economy as is being feared. The RBI is an excellent institution that houses some of the best professionals in this country in the field of economics and finance. It has always been respected by the markets and not just because of who’s heading it at a given time.

There will be some turbulence come Monday but that should be more because of the timing of Rajan's announcement. The market is nervous as it is with Brexit round the corner and Rajan's exit might shake it up a bit more. But things will eventually return to an even keel.

If the market does go into a downturn in the coming days, rest assured that it will not be because of Rajan's exit. It will be because he's replaced with someone of lesser standing.

That's a pitfall the Government will struggle to avoid given Rajan's stature and his larger-than-life image.

And that's also the challenge Rajan has thrown at the Government. Raghuram Rajan has had the last laugh alright.

Source – The Hindu Business Line 20th June 2016.

**PUBLIC SECTOR BANKS WILL
BENEFIT FROM BAD LOAN CLEAN-UP: RAJAN**

The increased pace of clean-up, coupled with pulling the plug on bad investments much earlier, will help public sector banks (PSBs), going forward, said RBI Governor Raghuram Rajan .

Addressing Assocham members here, Raghuram Rajan also ruled out the possibility of the central bank capitalising public sector banks as suggested in the *Economic Survey* . “This seems a non-transparent way of proceeding, getting the banking regulator once again into the business of owning banks, which raises conflicts of interest.”

He said it is better that the RBI pays the government maximum dividend, and retain enough surplus that is consistent with good central bank risk-management practices. “Indeed, this is what we do, and in the last three years we have paid all our surplus to the government,” he pointed out.

Rajan, who will be stepping down in September, said the slowdown in credit growth is largely due to the stress in public sector banks and not due to high interest rates. Numbers point out that from 2014 till date, credit growth of private banks have averaged about 25 per cent, whereas in the same timeframe, credit growth for public sector banks has come down to less than 10 per cent. A similar pattern was seen with regard to housing loans as well as credit to micro/small enterprises and the agriculture sector.

“We absolutely need to get public sector banks back into lending to industry and infrastructure, else credit and growth will suffer as the economy picks up,” he pointed out.

However, he added that measures taken by PSBs in the form of higher provisioning for non-performing assets (NPAs) as well as change in the culture of these banks have helped to a large extent.

Rajan also pointed to the dichotomy faced by many of them due to the system. “In a lot of cases, there is over-lending to large businesses and in other cases there is no lending,” he said. He attributed this problem to short tenures of managers and absence of sound loan management systems. “A lot of times, the scrutiny on small businesses was much higher than larger ones,” he said

According to S Subramanian, Chairman, African Centre for Mobile Financial Inclusion, and a former RBI executive, continuing to lend to projects which are not viable makes no sense. “Once the project is non-viable, the plug has to be pulled fast,” he said.

Rajan also pointed out that the current mechanisms of monitoring and debt collection were poor.

“Deficiencies in evaluation can be somewhat compensated for by careful post-lending monitoring, including careful documentation and perfection of collateral, as well as ensuring assets backing promoter guarantees are registered and tracked. Unfortunately, too many projects were left weakly monitored, even as costs increased,” he said.

“On the other hand, as a project started going bad, private banks were sometimes more agile by getting additional collateral from the promoter, or getting repaid, even while public sector banks continued supporting projects with fresh loans.

Promoters astutely stopped infusing equity, and sometimes even stopped putting in effort, knowing the project was unlikely to repay given the debt overhang,” he said.

The government has proposed legislative reforms to the judicial process, including speeding up the functioning of the debt recovery tribunals, which now await Parliament nod.

Source – The Hindu Business Line 23rd June 2016.

**BANK OF INDIA SELLS 18% STAKE
IN STAR UNION DAI-ICHI LIFE FOR RS. 540 CR**

Bank of India (BOI) on Tuesday said it has sold 18 per cent stake in Star Union Dai-ichi Life Insurance Company to joint venture partner Dai-ichi Life Insurance Company (DILIC). Post the stake sale, BOI's stake will get diluted to 30 per cent while that of Japanese life insurer Dai-ichi Life will go up to 44 per cent, according to the bank's stock exchange filing.

Union Bank of India, the third joint venture partner, continues to hold 26 per cent stake in Star Union Dai-ichi (SUD) Life Insurance Company, which was incorporated as a three-way JV in 2007.

BOI, however, did not disclose the sale value in its stock exchange filing. DILIC, in a separate statement, said: "As a result of deliberation to increase the shareholding, following the deregulation of foreign ownership limit which came into effect in March 2015, the company has reached an agreement on purchasing additional 18 per cent stake in SUD from BOI (approximately Rs. 540 crore), and increasing its ownership in SUD to 44 per cent."

The stake sale comes in the backdrop of foreign direct investment in the insurance sector being relaxed, whereby foreign insurers can up their stake to 49 per cent from the earlier cap of 26 per cent.

The stake sale should also be seen in the context of the government asking public sector banks to sell their investments in non-core assets to garner capital.

In terms of the JV agreement between BOI, Union Bank of India and DILIC, the Japanese life insurer has an option to purchase 18 per cent additional stake upon "change in law" permitting overseas investors to hold more than 26 per cent stake.

BOI said DILIC has since exercised the call option to acquire the said stake from it. Hence, shareholding of DILIC will be 44 per cent, up from 26 per cent, upon completion of the transaction after receiving necessary statutory/regulatory approvals. BOI has a corporate agency arrangement with SUD Life for sale of their life insurance products.

According to the financial reporting of interests in JVs for 2015-16, BOI's investments include Rs. 120 crore, representing its 48 per cent holding in SUD Life.

Source – The Hindu Business Line 22nd June 2016.

MONETARY POLICY COMMITTEE TO BE IN PLACE BY SEPT

The Centre is working on setting up a Monetary Policy Committee and hopes to have it in place within the next few months.

“This is a work in progress... Our effort is to have the Committee in place by September,” Economic Affairs Secretary, Shaktikanta Das told *Business Line*.

While the passage of the Finance Act in Parliament had cleared the way for setting up the Committee, there were doubts on whether it would now be delayed until a new RBI Governor is appointed.

RBI Governor Raghuram Rajan had announced his decision to return to academia in September, when his current three-year term comes to an end.

While declining to comment on Rajan’s exit, Das said the government will notify the rules for the Monetary Policy Committee “very soon”.

“Under the amended Reserve Bank of India Act, the Rules will be notified shortly... it could happen by next week,” he said.

The Finance Ministry will then begin the process of nominating three members to the Committee. “After the Rules have been notified, the selection committee will meet. We have to nominate three members,” he said.

An agreement for a monetary policy framework was signed between the RBI and the Finance Ministry in January last year. The six-member committee will set interest rates to lower consumer price inflation to 4 per cent from 2016-17. Each member of the committee will have one vote and the RBI Governor will have a second or casting vote, in case of a tie.

In his recent message to RBI staff, Rajan had listed the formation of the MPC as one of two targets yet to be completed. “Inflation is in the target zone, but the Monetary Policy Committee that will set policy has yet to be formed,” he had said while announcing his decision not to seek a second term.

Source – The Hindu Business Line 24th June 2016.

SBI GETS 47% MORE REVENUE FROM ATMS IN FY16

User charges on extra ATM withdrawals above the monthly cap of five free transactions fetched handsome gains for the State Bank of India (SBI) in 2015-16, reply to an RTI query has revealed.

SBI earned Rs 310.44 crore revenue from automated teller machine (ATM) transactions in 2015-16, which was 47.5% higher than in the previous year, said an RTI reply given to Chandrashekhar Gaud, an activist based in Neemuch in Madhya Pradesh.

Extra withdrawals from ATMs resulted in Rs 210.47 crore revenue for the bank in 2014-15, Gaud said, quoting from the reply.

The Reserve Bank had in November 2014 allowed banks to cap free ATM usages at five a month and charge for extra usages. The decision came after banks were reporting heavy losses from ATM business with SBI alone reporting hundreds of crores in losses.

The bank charges Rs 20 per transaction from its customers after they cross the limit of five free monthly withdrawals, Gaud said.

Source – The Hindu Business Line 22nd June 2016.

NOT AN OPPORTUNE TIME FOR CONSOLIDATION OF PUBLIC SECTOR BANKS, SAYS MOODY'S

The risks of consolidation of public sector banks under the current economic circumstances could offset the potential long-term benefits, cautioned Moody's Investors Service.

In this regard, the global credit rating agency underscored that India's banking system has witnessed an increase in stressed assets since 2012, with many public sector banks (PSBs) having suffered significant deterioration in their balance sheets as demonstrated by their asset quality metrics and capitalisation profiles.

“As a result, no PSB currently has the financial strength to assume a consolidator role without leading to questions regarding its own credit standing post-merger.

“We analysed the hypothetical acquisition of a weak bank by several larger PSBs in the system, which pointed to a likely significant deterioration in credit metrics for the surviving entity, which underscores the current broad weakness in the system's balance sheet,” Moody's said in a statement.

All India RRB Officers' Federation

“JGGP HOUSE”, Raja Rammohan Road, Hakimpara, Siliguri – 734001(West Bengal)

E-MAIL: 555airrbof@gmail.com/shyamalairrbof@gmail.com

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

Adding to this financial pressure, the agency said, all listed PSBs are now trading at a significant discount to their book value. This limits their ability to attract external capital to support potential acquisitions, it added.

“Therefore, we believe that government support will be a crucial driver of the credit outcome in potential mergers, particularly in the form of equity capital, which will be required to shore-up the buffers of the acquiring bank before a merger is complete,” the agency said. Moody’s also expects strong challenges (consolidation) to come from employee unions and employees who would react negatively to the prospective loss of jobs.

It assessed that the risk is that the government and bank management would yield to these reactions and maintain status quo, thus limiting the ability of banks to extract meaningful synergies even if consolidation proceeds in a superficial sense.

Furthermore, differences in employee compensation packages and other benefits could add to the potential costs of merger.

These concerns, according to Moody’s, are reflected in the current proposed merger put forward by SBI, which has already met opposition from employee unions and has estimated that the merger of the associate banks would cost it up to Rs. 3,000 crore due to differences in employee benefit schemes.

Also, Moody’s said another factor is whether the government could facilitate the brokering of agreements with key stakeholders, including labour unions, which would allow the merger to realise benefits, including surviving banks gaining stronger bargaining power in their loan pricing, enjoying cost-cuts from streamlining overlapping operations and branch networks, and seeing improved supervision quality and corporate governance.

The government is actively considering consolidation of PSBs as a policy for strengthening the banking system. Its ultimate aim is to have about 8-10 large PSBs as against 27 now.

Source – The Hindu Business Line 29th June 2016.

NS VISHWANATHAN APPOINTED RBI DEPUTY GOVERNOR

NS Vishwanathan has been appointed Deputy Governor of the Reserve Bank of India following approval from the Appointments Committee of Cabinet on Tuesday.

Currently serving as Executive Director, RBI, he will succeed HR Khan, whose term comes to an end on July 3. The RBI has four Deputy Governors, of which, two are appointed from within the cadres.

Khan looks after financial markets and infrastructure, information technology, external investments, operations, foreign exchange and internal debt management.

Vishwanathan has been an Executive Director with the RBI since April 2014, before which he was Principal Chief General Manager in the Department of non-banking supervision.

Source – The Hindu Business Line 29th June 2016

CBI REGISTERS FRAUD CASE AGAINST FORMER GM OF UNION BANK, 4 OTHERS

The CBI on 1st July, 2016 registered a case of fraud against five persons including three senior former bank employees for causing a loss of Rs 38 crore to Union Bank of India.

The case was registered on the basis of a complaint from the bank on the allegations of defrauding it during 2007 to 2012.

The accused have been identified as Y P Gupta, then General Manager, Pune, S G S Pawar, then Deputy General Manager, Nagpur and S B Vishwesra, former Assistant General Manager, Gokulpeth Branch, Nagpur, all working in Union Bank of India, CBI officials said. Besides, the case of criminal breach of trust and cheating has been registered against Y S S Raju and his wife – Y Suvarchala – Directors of a Nagpur-based private company-- Leela Ventures India Pvt. Ltd, they claimed.

"It was further alleged that the cash credit limit and terms loan were sanctioned by the bank officers to private company and the said company diverted the funds to its sister concern.

"The company also did not submit bills of suppliers to the bank and mortgaged the property which was already acquired by the government. The collateral security was also not adequate and the said company & its directors did not repay the funds to the bank. An alleged loss to the tune of Rs 38 crores (approx) was caused to bank," a press release issued by the CBI said.

Searches were conducted at the premises of accused at Pune, Mysore and Nagpur which led to recovery of certain documents, it said.

Source – The Hindu Business Line, 2nd July 2016



18| Page

AIRRBOF NEWS LETTER
Registered with RNI, New Delhi,
Regn. No. 4L/RV/TO/93

EDITORIAL BOARD

Chairman	–	Shri R.G. Makhija
Editor in Chief	–	Shri S.K. Bhattacharjee
Associate Editor	–	Shri C.S. Pal
Members	–	Shri C. Jayakumar Shri Rajesh Kori Shri S.K. Pal Shri K.M. Shukla

Edited & Published by
Shri S.K. Bhattacharjee on behalf of AIRRBOF.