AIRRBOF News Letter
September,2016
Sky is not the limit. we cover it...
The Voice of All India RRB Officers' Federation
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EDITORIAL

THE PRICE OF DE-RISKING

In an attempt to nip the bad loan crisis in the bud, the Reserve Bank of India has sought to cap banks' exposure to large borrowers, who account for over half of banks' lending and an alarming 86 per cent of the bad loans in the system. Given that a large share of corporate debt in India is concentrated in a few highly leveraged companies, tightening bank exposure to a single or group of connected borrowers not only mitigates the potential risk of financial instability, but is also a step towards aligning Indian norms with international standards, set by the Basel Committee of Banking Supervision. The new norms, which are likely to be implemented by March 2019, will require Indian banks to substantially cut their exposure to group borrowers, which currently can go up to 55 per cent (for funding certain infrastructure projects) of the bank's capital. According to the new framework, banks' exposure to single and group borrowers should not exceed 20 per cent and 25 per cent respectively of their Tier I capital.

The RBI has got off on the right foot, laying down limits on exposure in relation to a bank's capital, which correctly takes into account a bank's wherewithal to lend. But the new norms also propose to cap banks' collective exposure to a 'specified borrower' in a phased manner to Rs. 10,000 crore from the start of fiscal 2020.

While in theory this can help banks diffuse the risk emanating from a concentration of debt and improve asset quality, the move is nonetheless ill-conceived. For one, putting a blanket cap on banks' exposure irrespective of borrower size or the nature of the project funded is hardly desirable at a time when infrastructure development requires massive capital. It is also a tall order for banks to drastically cut their exposure to large corporates, since many companies carry debt of over Rs. 30,000 crore. Given that meeting even the Rs. 25,000-crore limit by the end of this fiscal is suspect, penalising banks for failing to comply with these norms only makes matters worse. Banks will have to set aside an additional 3 per cent provision and higher risk-weights on loans extended to these corporates beyond the permitted limit. At a time when public sector banks are already saddled with huge losses and stretched for capital, these norms can do more harm than good.

The existing exposure norms in India have evolved as a result of the country's developmental needs. Therefore, the RBI's move to reduce dependence of large borrowers on banks will have to be supplemented by alternate funding avenues. The RBI has only recently announced a slew of big bang reforms for the bond market, which can go a long way in deepening the bond market. But it is still early days to bet on such reforms to do the trick on their own. As of now, the RBI's new norms have ended up putting banks and highly indebted borrowers in a 'Catch-22' situation.

ENRICH YOUR KNOWLEDGE:

CONSOLIDATION OF PSBS – NOW, LATER OR ....?

Ever since the NDA Government took office in May, 2014, the issue of the consolidation of Public Sector Banks has been making much of a news afresh. The Finance Minister himself had been harping on this issue in and out of the Parliament and more than once. Every Government at the Centre, becomes hysteric on this issue whenever they are in power.

Why these urge to merge? When on the one side, the Government had been experimenting Small Banks, Payment Banks and also additional commercial banks in the private sector, what does the Government intend to achieve through this process of consolidation? The pet words of synergy, size, acquisition of capital with ease, preparedness for global competition and economies of operation - have lost their sheen after continuous and repetitive listening. More so, these words are being marketed since early nineties and PSBs have not stopped growing since then. Every proponent of the Consolidation theory knows pretty well, these jargons are only for public consumption.

In a recent meeting with the Governor of Reserve Bank of India by the representatives of AIBOC, Shri Raghuram Rajan was very cryptic in his expression that Consolidation needed to wait. Saddled and overburdened with NPAs, with strains on profitability and want of capital immediately, priority must be to strengthen the PSBs, He was very clear that Government must capitalise the PSBs soon and more than what they had declared. The Central Government needs to take a leaf out of this.

In the past, just as now, bank unions have been opposing the concepts of merger and consolidation. Strikes, demonstrations and approaching the power centres to place their views - had all taken place in the past too. However, this time around, the approach of unions on the vexed issue needs to be geared up further. The UFBU has become a silent spectator. The umbrella of bank unions does not appear to be sheltering its purpose from the governmental rain. With its Convenor having already retired from the services of Bank and he having relinquished the post of General Secretary of his affiliate, the anti - merger movement appears to be lacking in thrust. The constituents of UFBU need to relook into their strategy and purpose very urgently.

The merger of the Associate Banks with State Bank of India and the total absence of any form of resistance in these banks from AIBOC members and leaders has further weakened the anti-merger fight of trade unions. It has also been very surprising, the members of Associate Bank unions are in favour of merger. The AIBOC affiliate in State Bank too has not manifested any stand contrary to this. Here again, the arguments of synergy, majority holding by parent bank (SBI) and the like are professed. If these are true with SBI and the affiliates, the same is true with Government of India too in respect of Public Sector Banks.

“it’s right for me, but not for you” – attitude does not appear to augur well in any consolidated and united effort. One policy at home and another outside does not work in the trade union movement and will only expose the weakness within.

Furthermore, the biggest challenge that will be posed by the concepts of merger will be for the employees of smaller public sector banks. They have every fear of being treated as the second grade citizens in the merged/consolidated entity where the big brothers will rule the roost. While past examples of New Bank of India and like are well known, the employees of the erstwhile State Bank of Saurashtra and Indore do not enjoy working conditions equal to the employees of State Bank of India even today! Will the fate of the employees of smaller Public Sector Banks be anything different than this?

The steadfastness of officers' Unions in bigger PSBs against the merger has so far been only upto the Union Meetings and discussions. Resolute actions and forceful opposition have yet to usher in. a complacency of, "It will not affect me anyhow" appears to have set in.

There is a need for AIBOC to revamp its roadmap in resisting the unscientific and unwanted process of mergers and consolidation. As widely known, the intent of mergers is a prelude for future privatisation of PSBs which in a greater threat for banking structure of our economy. If the first step of Government would be thwarted with all might with AIBOC, the second step would not move.

There is no substitute to unflinching unity in thought, expression and action. Goals will always be achievable if determination is profound and unwavering.

Courtesy – Officers' Voice, July, 2016.

EXCERPTS FROM AIRRBOF CIRCULARS

Circular # 55:2016 — 2nd August 2016

29TH JULY STRIKE - CRUSADE AGAINST MISPLACED BANK REFORMS – NEITHER THE RAINS, NOR THE MISINFORMATION CAMPAIGNS COULD DETER!!

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 46 dated 1st August, 2016.

"Congratulations! Comrades, you made it!!

The Nationwide Strike Action on 29th July was a stupendous success. The message sent to the *powers that be* is loud and clear. Comrades, this is nothing less than any act of patriotism. Your action was that of the saviors of the National Asset – "Public Sector Banks". Your participation was in a war to defend an attack on the financial system of the country. Your act was against the financial extremists who are determined to decimate the Public Sector Banks and to cut the financial veins of this country. Misplaced policies need formidable response! This has been demonstrated with full vigour yesterday. We thank you for the wholehearted participation. The working class might has been demonstrated with full force & unity.

2. It is quite heartening. Comrades, across the country, have participated in the agitation programmes exuberantly across the country. Neither the rains nor the misinformation campaigns could deter a determined workforce - Officers and Workmen – from displaying their show of solidarity with the Trade Union movement. In Mumbai, demonstrations & a mammoth rally was held at AZAD Maidan; Hyderabad witnessed a huge gathering; Bhopal created a history with a massive rally; Chandigarh, Chennai, Triavandrum, Bhubaneswar, Sangli, Kolhapur, Nasik, Dhule, Mysore, Hubli, Mangalore, etc. witnessed behemoth congregations. National capital made a history where more than 5000 strong gathering grabbing entire Jantar Mantar Road and expressed their anguish against the Government through slogans and claps on the speeches of their leaders despite heavy rains throughout. Patna witnessed a historic event of strike where all officers from JMGS I to SMGS V participated. In Bangalore, Members braved the incessant rains, participated and raised thundering slogans for hours and hours! Kolkata and other centres in West Bengal once again proved that nothing can move if AIBOC decided to stop. Lady Comrades provided human barricades to stop Police personal trying to remove leaders from stages and Dharna Places. Reports are pouring in from other centres as well. These are indications of great rejuvenation of trade unionism and a clear message against any attack on Public Sector Banks and unwarranted acts in the name of reforms. We wish & hope the State and Central Intelligence carries the warning signal to their masters.

3. The misplaced reforms in Banking Industry could ruin PSBs. Ingenious & evil designs are being planned. Provisions for stressed assets are being accelerated and write-offs resorted to in the guise of clean up - intended to undermine the PSBs, and to show to the world at large that PSBs are inefficient. Post-write offs, the so called "cleaned", "impeccable" Banks will be handed over to private sector under the garb of efficiency. The financial sovereignty is being mortgaged! Losses are being nationalized with an ulterior motive of privatizing the profit!! The reverse engineering of Nationalization is on the anvil. Banks are driven towards a class banking mode. The common man, the farmer, the small businessman and the working class are going to be hit hard.

4. The struggle against evil designs has commenced - it being our profound duty to ensure that the ill-founded financial sector reforms are stopped; and the sanctity of Public Sector Banks are protected and respected – with all our might. Until then, our justified fight against any destabilizing action of the *powers that be* shall continue.

5. Comrades, Strike, for a Trade Union, is a festival. We celebrate this festival once in a while as we reminisce the glorious achievements during all such celebrations in the past. 29th July was a celebration for the country. A message needed to be sent - Save Public Sector for the good of our Country & its citizens. And we rightly have. We do & did our duty to our countrymen, selflessly. Our objective is to save them from the evil clutches of a few handful, rich & greedy business houses. Indeed, this, for AIBOC, was a Save India Campaign. Nothing more & Nothing less. Let us continue our struggle. Our next programme is MARCH TO PARLIAMENT ON 9TH August, 2016. Let us all join the March in large numbers and make it a Grand Success.

We once again convey our heartiest compliments to you for the vehement support and participation"!!

Circular # 57:2016 8th August 2016

7TH MEETING OF JCC – AGENDA FOR DISCUSSION

We attach two letters, one from NABARD seeking agenda for discussion which were not discussed earlier and our letter dated 5th August, 2016 specifying the agenda to be included in the 7th JCC Meeting. This is for information of affiliates/members with a request to provide any feed back if you deem it appropriate.

NABARD

Ref. No. NB IDD /RRCBD/ 587 / JCC (VII) / 2016 - 17

2 August 2016

To

9 National level RRB Unions/ Associations

Dear Sir

Seventh JCC Meeting - issues for discussion

It has been decided to convene the next Joint Consultative Council (JCC) meeting shortly. In this connection, we request you to furnish the new issues with relevant details/ supporting documents to be included in the agenda for discussion in the JCC meeting. The issues already discussed in earlier JCC meetings may not be sent again.

Yours faithfully

(P.C.Lenka)
Deputy General Manager

राष्ट्रीय कृषि और ग्रामीण विकास बैंक
National Bank for Agriculture and Rural Development
संस्थागत विकास विभाग
प्लॉट क्र सी-24, 'जी' ब्लॉक, बांद्रा-कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051. टेली: +91 22 26524843 • फैक्स: +91 22 26530089• ई मेल: idd@nabard.org
Department Name
Plot No. C-24, 'G' Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051 • Tel.: +91 22 26524843 • Fax: +91 22 26530089 • E-mail:idd@nabard.org
गाँव बढ़े >> तो देश बढ़े www.nabard.org Taking Rural India >> Forward

Ref no. 2022:66:2016 5th August 2016

To
Shri N.P. Mahapatra,
General Manager,
National Bank for Agriculture
& Rural Development,
Institutional Development Department (IDD),
Head Office,
Mumbai – 400051

Sir,

SEVENTH JCC MEETING – ISSUE FOR DISCUSSION

We beg to refer to Ref No. NB.IDD/RRCBD/587/JCC(VII)/2016-17 dated 2nd August, 2016.

We would like to express our strong displeasure that several issues discussed earlier six Meetings and decision arrived at for implementation and subsequent recommendation of NABARD to Govt. of India, DFS did not have been implemented by DFS. In the process the effectiveness of JCC is facing a big question mark. You shall appreciate that the host of issues discussed at the earlier JCC Meeting are still very contemporary. It would be futile if you simply drop from the kitty such vital issues.

We shall, in the following paragraphs, make an honest endevour to point out some issues which by any stretch of imagination did not figure for discussion in the earlier JCC Meetings. We shall pin point the board head of the issues. The logical reasons shall be put forward by us during JCC Meeting. Kindly note that at least 15 days notice should be given for the next JCC Meeting so that we can make our due preparation:

(i) High Level of attrition of new recruit in RRBs – the reasons & solution thereof.

(ii) Allowing RRBs to open Branch at all Metropolitan centres across the country and to become member of National Clearing Directly.

(iii) Introduction of Incentive Scheme for officers based on performance in line with incentive scheme for Chairmen of RRBs.

(iv) In case equity capital of RRBs need to be off loaded, in accordance with the provision of RRB Act, 2015, officers & employees should be given offer for investment.

(v) Creating Level Playing Field between RRBs and Small Finance Banks so that both set of Banks can have same standard.

(vi) Inspection of RRBs u/s 35 should be handed back to Reserve Bank of India to make it of same standard as PSBs.

(vii) Training Establishment at RRB Level should be set up and additional quota for officers & employees of RRBs for training at Sponsor Bank Training Establishment should be introduced.

(viii) Recall of all Sponsor Bank Officers other than Chairman from RRBs.

(ix) Introduction of conveyance Reimbursement Scheme for officers of RRBs to facilitate field visit.

(x) Independent Sanction and Monitoring Cell at ROs of RRBs for all loans above 5 lakhs for both agriculture & non-agriculture purposes to ensure proper processing & early disposal.

(xi) Amendment of RRBs Act to create separate post of part time Chairman and full time Managing Director & CEO for RRBs in line with Public Sector Banks.

(xii) Nomination of Senior Level Officers of RBI & NABARD, not below the level of General Manager, as Director in RRBs.

(xiii) Relocation of Head Office of RRBs at biggest Business Centre/Central Place within the area of operation of RRBs.

(xiv) Immediate Scrapping of RBI guidelines on Net Banking for RRB customers so as to allow Transaction Facility to customers of all RRBs without any restriction.

(xv) Empowerment of JCC by making it decision making body instead of simply a Recommendatory Body.

(xvi) Relaxation in years of service in promotion, with power vested with Board on line with sponsor Bank.

(xvii) Crop Loan Subvention should also be linked with Adhar Card to check duplication / misuse of Govt. funds.

(xviii) Rotations in Job/ Placements for all officers without any discrimination.

Please acknowledge receipt.

With regards,
Yours faithfully,
(S.K. Bhattacharjee)
GENERAL SECRETARY

Circular # 58:2016 9th August 2016

PAYMENT OF PENSION AT PAR WITH
SPONSOR BANKS TO OFFICERS & EMPLOYEES OF RRBS

All our comrades are aware that the demand for payment of pension to officers & employees of RRBs germinated along with the demand raised by AIBOC and AIBEA/NCBE for officers and employees of PSBs respectively. AIRRBOF for officers' and AIRRBEA for workmen were the members of Coordination Committee for Pension consisting of all the Trade Unions in the Banking Industry. Settlement was arrived in 1992-93 in regard to grant of Pension to the officers & employees of PSBs who would opt for the same. Even though the Equation Committee constituted under the Chairmanship of Shri P. Kottaiah, then Managing Director, NABARD and the Anomalies Committee under the Chairmanship of R.C. Gupta, then General Manager, NABARD clearly slated in their report that RRBs should be brought out from EPF & Misc. Provisions Act, 1952 and should be equated with the terminal benefits available in PSBs, Govt. of India did not take any action on their part on the report.

With the introduction of Pension Scheme for workmen & officers in PSBs from 1993/95 and denial of the same to the officers & employees of RRBs, relentless fight is going on order the auspices of AIRRBOF to get the Pension implemented in RRBs. The harbinger of the legal battle for Pension was the Writ in the nature of Public Interest Litigation (PIL) filed by AIRRBOF before the Hon'ble High Court at New Delhi. Ultimately, in the matter of Pension Writ filed by Gramin Bank Pensioners' Samity, Rajasthan High Court, Jodhpur Bench gave clear verdict that Pension need to be paid to officers & employees of RRBs in the same line with their counterparts in Sponsor Banks. Govt. of India, DFS should have gracefully accepted the verdict and allow Pension Scheme in RRBs. Instead of that Union of India filed SLP(c) No. 39288 in 2012 before the Hon'ble Supreme Court challenging the order of the Hon'ble High Court of Rajasthan at Jodhpur.

The SLP(c) was time and again heard by different benches of the Hon'ble Supreme Court. Ultimately, it moved to the bench headed by Justice (Shri) J.S. Kehar. Number of hearings took place. AIRRBOF is an important intervener in the case with Gramin Bank Pensioners' Samity being the respondent. Those who had the privilege of witnessing the arguments that took place before the Hon'ble Bench of Justice Kehar, would vouchsafe to recall that the utterance of the Hon'ble Justice in regard to Payment of Pension to all the officers and employees of RRBs without any qualification was not all positive. After couple of days of hearing the Hon'ble Court passed an order on 26.11.2014, after consulting the Addl. Solicitor General of India, that both the contending parties shall arrive at a consensus in regard to the Payment of Pension. The Govt. of India proposal for Payment of Pension is a qualified one with the rider that only those RRBs having Profit shall be eligible to make payment to the Pension Corpus so that Pension can be payable.

Instead of trying to arrive at a consensus in regard to grant of Pension without the qualification of Profit, Govt. of India, DFS constituted a Committee with Chairman, NABARD as Chairman. The Committee held meetings with Apex Level Trade Unions in RRBs, but did not positively consider the proposal submitted by AIRRBOF so as to reckon the notional accrual of PF/Pension Corpus considering the eligible amount of 10% of BP without any ceiling. AIRRBOF also disputed the data presented by the Committee in regard to the Funds available under PF and Pension Corpus with RPFC. The data obtained under RTI from RPFCs by activist of AIRRBOF vary widely with the data presented by NABARD. Govt. of India, DFS solely relied on the Report submitted by the Chairman of NABRD and filed another affidavit on 21.08.2015 having made Pension Payment entirely linked to Profit and CRAR of RRBs. Definitely it would create injustice and discrimination amongst RRBs.

Our membership shall definitely appreciate that while 2nd option for Pension was granted to officers & employees of PSBs, the Pension Payment was made contributory to the extent of 30%. The same condition of contribution was made mandatory in the Pension Scheme formulated by the Committee under the Chairmanship of NABARD. AIRRBOF wants to break the dead lock on the Pension issue and we firmly believe that the judgement from the Hon'ble Supreme Court might not be positive. In case the Supreme Court accepts the Govt. of India proposal for Payment of Pension with qualification of Profit & CRAR this would create serious discrimination amongst RRBs and vitiate the prospect of Pension for loss making or RRBs having inadequate CRAR. On the other hand, the Hon'ble Supreme Court might totally reject the demand of pension to officers and employees of RRBs. In both the situations the order of the Hon'ble Supreme Court shall be irrevocable and it would entirely vitiate our demand for payment of Pension to all.

In this background, the 61st Meeting of the Central Committee of AIRRBOF held at Raipur on 28th May, 2016 took the historic decision to try to break the stalemate by formulating a contributory Pension Scheme which shall ensure Payment of Pension to all officers and employees of RRBs without any qualification of Profit or CRAR. After careful study by a team of office bearers of AIRRBOF we could prepare the scheme. A power point presentation of the scheme was also prepared. We submitted our proposal to the Addl. Secy. (Financial Services) and also made the power point presentation before the officials of DFS in the month of July, 2016.

We had held several consultations with our legal counsel in the Pension Case and he also advised that let AIRRBOF should submit an affidavit articulating the contributory Pension Scheme. Accordingly an application had been prepared by our Advocate in the Supreme Court Case and the same is expected to be submitted within a couple of days before the Supreme Court. The SLP(c) No. 39288/2012 is now likely to be listed before the Hon'ble Supreme Court on 23rd August, 2016. We attach the Pension Scheme prepared by us under Annexure. A perusal of the Scheme would convince our membership that Pension Scheme is payable with little contribution of officers & employees which can be at least 200% compensated by a portion of the Pension being commuted in case of Retired officers & employees.

It is quite important to note that with the introduction of Pension for officers & employees who were on roll of RRBs as on 01.04.2010, all the officers and employees who were recruited post that date shall be covered under New Pension Scheme (NPS) where the contribution by employees and employers shall be 10% each without any ceiling. NPS is much better than present anarchic PF/Pension Scheme under the EPF & Misc. Provisions Act, 1952.

Friends, AIRRBOF always remained at the vanguard of the movement for ensuing benefit to officers of RRBs. The move by AIRRBOF shall also, expectedly, ensure Payment of Pension to all.

All our affiliates/member should give wide publicity to the move of AIRRBOF to ensure Pension to all. WIN WE MUST.

ANNEXURE
PROPOSED PENSION SCHEME

Rs. In Crore

1	Financial Load (as per Actuarial Calculation) as on 31/03/2014 as stated by the affidavit of Union of India in August 2015.	7560
2	**Less** : Corpus (Bank's Contribution to PF) for 70848 Employees minimum @ Rs. 6 Lac.	4250
3	**Less**: 40% share of Net Profit of **Rs.2382.52 & 2795** Crore as on 31.03.2013 & 31/03/2014 respectively	2071
4	**Less:** Additional contribution due to calculation of pension load taking into account contribution @ 10% by officers & employees from 01.04.2010 to 31.10. 2012 (pre revised salary period) And from 01.11.2012 to 31.03. 2016 (post salary revision)	289 564
	Total	853
5	**Balance of short fall (1)-(2)-(3)-(4)**	386

With reckoning the notional date of Pension Payment from 01.04.2010, the contribution to Pension Corpus @ 10% of B.P. between 01.04.2010 to 31.03.2016 shall contribute Rs.853 Cr. to Pension Corpus assuming average Basic Pay of Rs. 15000/- per month (pre revised) & Rs. 25000/- per month (after revision). The gap remaining between Available Fund for creating Pension Corpus and required shall be bridged by contribution by officers & employees. The contribution shall not be uniform as the gap shall be lower in profit earning RRBs and higher in loss making RRBs. The payment of pension on actual basis shall commence from 01.04.2016 after Pension Corpus is established at RRB level and the Fund so created shall be managed by Fund Manager to be chosen by a Committee Comprising of representatives of GOI, DFS, RBI and SEBI.

We trust that the proposal submitted above shall be considered in true prespective and shall meet your approval.

(S.K. Bhattacharjee)
GENERAL SECRETARY

Circular # 59:2016 16th August 2016

ALL INDIA STRIKE ON 2ND SEPTEMBER, 2016

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 48 dated 16th August, 2016.

"We once again congratulate you for the grand success of All India Strike on 29th July 2016, along with UFBU. Success of our March to Parliament on 9th August 2016,as a part of our 'Save Public Sector' movement, with more than 10,000 officers participating in it, would remain etched in Golden Letters in the History of Trade Union Movement.

However, the Government is not relenting. They are continuing to speed up the so called financial sector reforms. Despite many Members of Parliament raising the issue in Parliament, Government has not given any statement that they will not privatise Public Sector Banks. The Gyan Sangam I & II recommendations, including steps towards mergers and privatisation are carried forward. Officer Directors' vacancies are not being filled up in as many as 17 Banks. Boards are incomplete and important decisions on HR issues are being taken in the absence of our representatives on the Board.

The superannuation issues of retirees are pending for so long and IBA is dilly dallying. The Hospitalisation Scheme implemented in the Banking Industry is not being implemented as envisaged and IBA has miserably failed to get the agreed scheme implemented through the Insurance Company. There is no positive response from IBA on our demand to extend the existing Pension Scheme to NPS optees.

There is an effort to weaken the trade Unions and if the laws are amended as planned, we can't go on any strike to protest. There is no movement regarding the next bipartite settlement though statements were made that the talks will start after financial results. The Public Sector Banks are painted in bad light as non-performers to facilitate the agenda of privatization, using the old slogan, "call the dog mad and shoot it".

No steps are being taken on the recommendations of the Parliamentary Standing Committee for publication of names of 30 big defaulters of each bank. Willful defaulters are not declared criminals. Till now nothing could be done to Vijay Mallaya or his assets. There are many more Corporate defaulters, escaping due to inaction and lack of will power on the part of the Government.

The HR Policies of Banks are being changed using puppet consultants of western powers like Boston Consulting Group, Mckinsey & Co. etc. These consultants are the new avatar of East India Company and they support the policies of World Bank and IMF. Inspite of our representations, Cross Selling of third party products is being encouraged to benefit certain corporates / individuals. This cross selling in fact has become miss-selling affecting our Core Business and tarnishing the image of the PSBs.

So, Comrades, there is a need to speed up and spread our struggle. Its also a time to consolidate our movement. We are trying to bring all officers working in Public Sector together under Save Public Sector Forum. Let us implement the various action programmes which have already been suggested to all. Our poster and handout/leaflet drive should continue. Conventions and symposiums can be organized on the issues. Our signatures campaign also needs to be accelerated.

Let us also participate in this All India strike dated 2nd September, 2016,with full enthusiasm and spirit, which will be joined by Crores of Workers and make it a thunderous success.

Our struggles have to be intensified. We have a duty to save Public Sector Banks, Public Sector and Save the Nation. Join the noble National cause!"

ALL INDIA BANK OFFICERS' CONFEDERATION

(Registered under the Trade Unions Act 1926, Registration No.:3427/Delhi)
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NOTICE OF STRIKE

NAME OF THE UNION: ALL INDIA BANK OFFICERS' CONFEDERATION (AIBOC)

NAMES OF THE ELECTED REPRESENTATIVES

1. Shri Harvinder Singh, General Secretary, AIBOC

Dated this day of 16th August, 2016

To,
The Chairman,
Indian Banks' Association,
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 INDIA BANK OFFICERS CONFEDERATION (AIBOC) will observe strike on 2nd September, 2016 in support of issues not settled, inspite of UFBU strike on 29th July 2016, the 12 point Charter of Demands of the National Convention by all the Central Trade Unions and independent Trade Union Federations ncluding our Confederation and in response to the call given by the said Convention held on 30.03.2016.

The main issues on which the strike will take place are as follows:

OPPOSING

- Privatisation of Public Sector Banks, Insurance and other units.
- Labour Law Reforms
- Unlimited FDI in Financial sectors, Rail, Defence and Retail Trade.

DEMANDING

1. Immediate appointment of Non Workmen/Officers Nominee Directors on the Boards of all Public Sector Banks.
2. Resolution of all pending issues of the last Bipartite Settlement particularly:
a. DA Neutralisation
b. Revision in family pension
c. Pension updation/upgradation
3. Extension of existing pension to allOfficers/Employees who joined the Banking Industry after 01.04.2010 (covered under NPS).
4. One more option of pension to resignees who were excluded when it was extended to VRS optees.
5. To Stop outsourcing and cross selling which is killing the main business of the Banks.
6. Implementation of the Hospitalization scheme as agreed in the Xth Bipartite Scheme.
7. Change in laws and to take all other steps to recover mounting NPAs.
8. To Treat willful corporate loan defaulters as criminal offenders
9. Halt to unprecedented price hike.
10. Universal public distribution system.
11. Ratification of ILO Convention 87 and 98.
12. Rs, 18,000/- as minimum wage and social securities for all workers.
13. Job and bonus for all.
14. Strict implementation of labour laws for contractual workers.
15. T.U registration within 45 days.

The Declaration of the Convention is also attached.
Yours sincerely,

(HARVINDER SINGH)
GENERAL SECRETARY

Copy to:
CMDs/MDs/CEOs of All Member Banks
Chief Labour Commissioner, New Delhi
Secretary, Department of Financial Services

Circular # 60:2016 16th August 2016

NEW STAR WAS BORN IN DEVBHUMI
UTTARAKHAND – AIRRBOF ADDED ONE MORE AFFILIATE
– UTTARAKHAND GRAMIN BANK OFFICERS' FEDERATION

The day of 70th year of Indian Independence is an auspicious day. The day is remembered for the sacrifices & dedication of our valiant soldiers of the freedom movement. AIRRBOF dips its banner in the memory of such great martyrs.

On this auspicious day, in the capital of Devbhumi Uttarakhand, took place the General Body Meeting of Uttarakhand Gramin Bank Officers' Federation (UKGBOF) at the Banquet Hall of Hotel Drona, Dehradun. The hall was packed to the capacity by the officer members of the Bank. A sizeable section of the participants were ladies hailing from different parts of the one of the most picturesque yet in accessible State of our country. The demography of the State spans over the valleys, hills, springs and turbulent giant rivers of Ganga, Jamuna and Alaknanda.

President and General Secretary of our Federation, Com. R.G. Makhija and Com. S.K. Bhattacharjee respectively were the Chief Guests in the General Body Meeting. With the Welcome address the meeting got underway. The introductory remarks were made by Com. A.S. Negi, the Founder General Secretary of the Organisation. The Meeting was also felicitated by Com. Anil Dobhal, Founder President. Com. P.K. Sharma, the present General Secretary apprised the members of the developments leading to invitation extended to AIRRBOF leadership to attend the Meeting and address on recent developments as well as role of AIBOC/AIRRBOF.

Com. General Secretary of the Federation, Bhattacharjee in his imitable style shared with the audience the entire gamut of the situation affecting Banking Industry, the role of AIBOC/ AIRRBOF and the future road map. He also appraised the officers the latest position on extension of other allowances & benefits to officers & employees of RRBs and the background for withdrawal of three days strike. Com. General Secretary also shared the AIRRBOF proposal of Pension Payment to all and the action of filing affidavit with application before Supreme Court in regard to the workability of Pension Scheme. He narrated the details of NPS and assured the new officers recruited after 01.04.2010 that they would be much benefited with the introduction of NPS against the present anarchic PF/Pension Scheme.

Com. R.G. Makhija, President of AIRRBOF in his brief but spirited address highlighted the achievement of AIRRBOF and shared the future road map. He told the audience that AIBOC/AIRRBOF is the symbol of RRB Officers' Movement and the officers of Uttarakhand should be a part of the Federation.

Thereafter, the General Body unanimously adopted the resolution to affiliate UKGBOF with AIRRBOF and AIBOC with thunderous applause. Com. S.S. Ravat, President of the Organisation gave his presidential address as well as extended vote of thanks to the leadership of AIRRBOF as well as the membership. The meeting was a great success.

In the Moring of 16th August leadership of AIRRBOF and UKGBOF visited the Head Office of Uttarakhand Gramin Bank and met all the officers & staff working at HO and RO, Dehradun. The leadership called on the Chairman of the Bank, Shri S. Aggarwal and held detailed discussion on all problems affecting RRBs both at macro and micro levels. Com. Bhattacharjee urged the Chairman to undertake fair play and extend the facilities to officers possible for him. Shri Aggarwal assured that he shall be proactive for development of the Bank and the officers of the Bank also.

Thereafter, the President and General Secretary, AIRRBOF accompanied by President Com. S.S. Ravat and General Secretary, Com. P.K. Sharma visited umpteen numbers of Branches of the Bank located in Dehradun, Tehri and Pauri Districts. The leadership interacted with the members to appraise their problems and take up with Management for resolution.

The visit to Uttarakhand was a great boost to the membership of UKGBOF and launching of formal relationship with of the officials of the Bank.

LONG LIVE AIRRBOF LONG LIVE UKGBOF

Circular # 61:2016 17th August 2016

AIRRBOF DELEGATION MET ADDL. SECRETARY (FINANCIAL SERVICES) ON 17TH AUGUST, 2016 AND HELD POSITIVE DIALOGUE ON PENSION PARITY IN RRBs & RELEASE OF OTHER ISSUES SETTLED EARLIER

A delegation of office bearers of AIRRBOF consisting of Com. R. G. Makhija, President, Com. S. Pal, Vice President & Com. S. K. Bhattacharjee, General Secretary held dialogue with Shri Girish Chandra Murmu, Addl. Secretary (Financial Services) at his office at 3 P.M. on 17th August, 2016.

The main focus of the discussion was on release of Pension parity to all Officers & employees irrespective of profit or CRAR consideration. In our earlier meeting with Middle level officials of DFS in the month of July we made a power point presentation on feasibility of Pension Payment which they appreciated and told us that the matter shall be dealt with at higher level. With the joining of the new Addl. Secretary, we earlier submitted our proposal of feasibility of Pension payment. We also sought an appointment with him for an across the table discussion. Accordingly, the meeting of the 17th August was fixed. In the meantime we had obtained data from EPFO and RPFCs in regard to the Pension Corpus available in RRBs and it was observed that wide disparity exists between data relied upon by NABARD in arriving at the Cost of Pension and those at the disposal of RPFC, which is the authority for Pension Payment to officers & employees of RRBs.

In our detailed meeting with the Addl. Secretary today we harped on the following important postulates that make the Pension Payment feasible.

(i) The Pension Corpus available at the level of RPFC was not taken into consideration by NABARD.

(ii) The additional corpus to be generated by contribution @10% of BP from 01.04.2010 to 31.03.2016 was also not considered.

(iii) The 40% of Profit to be appropriated towards Pension Corpus for the F.Y. 2014-15 & 2015-16 was also not considered by NABARD.

We drove home our point that taking into consideration of all the aforesaid contention the Pension payment is feasible. Addl. Secretary (FS) acknowledged the merit of our new point and appreciated our proposal. He agreed to advise NABARD to re-examine the cost of Pension payment, corpus available and the gap, if any, at all exists. He assured that he shall put the matter on the fast track to arrive at an earlier resolution even out of court.

Addl. Secretary (FS) was candid enough to share that the salary revision & other issues of RRB officers & employees was dealt with an ad-hoc basis and the necessary amendments were not effected in the Service Regulation and the RRB Act. He assured to remove those hurdles to take care of our issues with positive outlook.

While we pointed out that he assured earlier to release other allowances, compassionate appointment etc. in time bound manner, he assured that he would stick to the time limit set by him. In fine, the meeting turned out to be a positive movement of our long pending issue Pension Parity.

Friends, AIRRBOF is committed to pursue its endevour for positive resolution of our issues and we are confident of reaching our goal of success.

PRESS CORNER:

RBI CLEARS DECKS FOR UNIVERSAL BANKING

The Reserve Bank of India on Monday unveiled guidelines for 'on-tap' licensing of new private banks, opening the door for entities such as Edelweiss Financial Services, JM Financial, LIC Housing Finance, Magma Fincorp, Muthoot Finance, Shriram Capital and UAE Exchange & Financial Services, which had missed the bus in the last round, to float universal banks.

The guidelines in respect of promoter eligibility, corporate structure, foreign shareholding, dilution of promoter group shareholding and listing on the stock exchanges appear liberal as compared to the 2013 guidelines under which IDFC Ltd and Bandhan Financial Services were allowed to set up banks.

Under the new guidelines, resident individuals and professionals with 10 years' experience in banking and finance are eligible to promote universal banks. Previously, only entities/groups in the private sector, entities in the public sector and non-banking financial companies (NBFCs) were eligible.

Large industrial houses are excluded as eligible entities, but can invest in the (universal) banks up to 10 per cent. A universal bank is a bank offering retail, wholesale and investment banking services under one roof.

Under the new guidelines, a Non-Operative Financial Holding Company (NOFHC) is not mandatory for setting up a bank in case the promoters are individuals or stand-alone promoting/converting entities who/which do not have other group entities.

The RBI has said that in case a bank is to be set up through an NOFHC, a promoter/promoter group should hold not less than 51 per cent of the total paid-up equity capital in the holding company. Earlier, entities/groups had to set up a bank through a wholly owned NOFHC.

Entities/groups in the private sector that are 'owned and controlled by residents' and have a track record of at least 10 years, are eligible as promoters. If such entity/group has total assets of Rs. 5,000 crore or more, the non-financial business of the group should not account for 40 per cent or more in terms of total assets/gross income.

Existing NBFCs 'controlled by residents' with a track record of at least 10 years are also eligible as promoters. However, any NBFC, which is a part of the group that has total assets of Rs. 5,000 crore or more and where the non-financial business accounts for 40 per cent or more is not eligible.

The initial minimum paid-up voting equity capital has been left unchanged at Rs. 500 crore. However, thereafter, the bank must have a minimum net worth of Rs. 500 crore at all times.

The criteria requiring promoter/s and the promoter group / NOFHC to hold at least 40 per cent of the paid-up voting equity capital, which will be locked-in for five years from commencement of business, remains unchanged. The promoter group shareholding will need to be brought down to 15 per cent within 15 years (from 12 years earlier).

The (universal) bank has to get its shares listed on the stock exchanges within six years (from three years earlier) of the commencement of business.

The current aggregate foreign investment limit is 74 per cent will apply to universal banks. Under the earlier regime, the aggregate non-resident shareholding could not exceed 49 per cent for the first five years.

George Antony, Managing Director, UAE Exchange India, said: "…The final call on application for the universal banking licence will be decided post the board meeting to be convened shortly."

Source – The Hindu Business Line, 2nd August 2016.

YECHURY WARNS AGAINST MOVE TO BLEED RBI FOR REVIVING BANKS

Sitaram Yechury, MP and General Secretary of the CPI (M), said the move to capitalise public sector banks (PSBs) by drawing from the capital base of the Reserve Bank of India will diminish its capacity to withstand internal and external economic shocks

In a letter to Prime Minister Narendra Modi, he stated that the RBI Governor has himself opposed the idea floated in the *Economic Survey*.

Getting the banking regulator back into the business of owning banks involves conflict of interest, the Governor had said. Even the Chief Economic Advisor had cautioned that any such move would need to be initiated jointly and cooperatively between the government and the RBI, Yechuri recalled in his letter.

In view of this, he said the move to recapitalise banks in this manner needs to be shelved forthwith. In any case, no recapitalisation must be executed without an action plan for recovering unpaid loans.

"While crony capitalists make merry, your government is harsh on poor farmers ruined under the onslaught of two consecutive droughts and face confiscation of utensils and cattle for inability to pay up a loan of a few thousand rupees," Yechury said. No further public money should be given out to PSBs till assets of defaulters have been monetised. "Failure to do so would mean that your government is making the poor Indians pay for the profligacy of the crony capitalists."

While non-performing assets (NPAs) have increased by nearly 80 per cent in the last one year, it is sad to note that the Centre has not backed up with necessary resolve efforts for recoveries. According to the RBI, the ratio of gross NPAs of the 100 top borrowers to total NPAs is 19.3 per cent as of March 2016, up from 0.7 per cent in March 2015.

Source – The Hindu Business Line 4th August 2016.

THE SENSEX STORY IN THE 25-YEAR REFORM PERIOD

Twenty-five years have been completed since economic reforms were set in motion by the Narasimha Rao government, and guided by then Finance Minister Manmohan Singh.

These far-reaching reforms transformed the economy and set it firmly on the growth path. The stock market, which is called the barometer of the economy, also underwent a sea-change during this quarter century.

We analysed the constituents of the Sensex in 1992, based on data provided by Capitaline Database, and their financial parameters then, to highlight how the Indian stock market has changed with the economy.

Of the 30 stocks that are part of the Sensex today, only seven were in the Sensex in 1992 — ITC, Larsen & Toubro, Mahindra & Mahindra, Reliance Industries, Tata Motors and Tata Steel.

With the technology sector in its early stages, not a single technology company was part of the Sensex basket in 1992.

Manufacturing companies held sway, with 27 of the 30 companies belonging to this segment.

MNC stocks were still in vogue then with Nestle, Philips, Siemens and Glaxo SmithKline Pharma finding a place in the top 30 stocks. PSU stocks were also conspicuously absent as they were just emerging from a socialist era, where making profits was not the top priority.

With the country then driving around in Ambassador cars, Hindustan Motors was also one of the trading favourites, though it was already bleeding at the bottom-line. Other stocks that have bitten the dust since 1992 are Zenith Birla, Mukand and Great Eastern Shipping.

Banking stocks, which currently dominate the Sensex, had zero presence 25 years ago. State Bank of India listed on the stock market only in 1995 and private sector banks such as HDFC Bank and ICICI Bank were established only in mid-1990s and were yet to make a mark.

The Tatas ruled the roost in 1992, with Tata Steel and Tata Motors topping the turnover table; both have slipped considerably, to the 17th and 14th position.

Tata Steel was also the most profitable company in 1992 with Reliance Industries at number 2 and Tata Motors in the third position. Today it is IT giant TCS that leads the profitability table, with Reliance still in second position.

In terms of profit margins, GE Shipping, with 51 per cent, and Tata Power, with 36 per cent, had the best operating margins in 1992.

ITC, which was then predominantly a cigarette manufacturer, unhindered by tax burden, reported the third highest profit margin at 31 per cent.

Surprisingly, all MNC stocks in the Sensex reported strong margins then. Taking on large debt to expand was probably not looked upon favourably then; the debt-equity ratio of 73 per cent of the Sensex constituents in 1992 was less than 1.

If the efficiency of a company in managing its funds to deliver profits is considered, MNC players such as Hindustan Unilever, Philips, Nestle and GSK Pharma once again top the charts.

HUL reported a ROCE (return on capital employed) of 119 per cent in 1992, while other MNCs reported a ROCE between 27 and 32 per cent. These companies also reported sturdy Returns on Net Worth.

On the other hand, Indian manufacturers such as Tata Steel, Reliance Industries, Century Textiles and Mukand, whose products were under Government price control, struggled to increase profits, resulting in ROCE of less that 10 per cent.

Twenty-five y6ears later, HUL continues to lead in the ROCE and RONW (return on net worth) chart.

But all other MNCs have been edged out by companies such as Coal India, TCS and Hero Moto Corp, which have upped the ante in efficient deployment of capital.

Source – The Hindu Business Line 8th August 2016.

INSTITUTIONAL CREDIT TO RURAL
SECTOR MUST GET MORE ATTENTION: PRESIDENT

President Pranab Mukherjee on Tuesday cautioned the Indian banking sector against inadequate or low credit facilitation to rural sector even as non-performing assets are piled up through "injudicious advancing".

"As it is pointed out, even today the access to banking facilities for India's total population — which is almost 1.3 billion — is not very encouraging. In addition to that, the problems which have emerged — in respect of finances, managing the non-performing assets....injudicious advancing — clearly point out all the fault-lines," he said while speaking at the first year anniversary celebrations of Bandhan Bank.

He, however, added that as President it was not right for him to make comments on the Reserve Bank of India. Mukherjee also issued a word of caution and maintained that bankers were "custodians of depositors' money". Money is deposited with the trust that it will earn some income.

"Even after 46 years of bank nationalisation and massive expansion of bank branches — both rural and urban, cooperative societies, regional rural banks — institutional credit to the rural sectors and the unorganised sector demands much more attention," he said while praising Bandhan for coming ahead to fulfill the vacuum in these areas.

A year since beginning operations, Bandhan has garnered deposits of Rs. 16,000 crore and the customer base stands at ninety lakh.
Its advances (as of date) stand at Rs. 16,500 crore, CS Ghosh, Founder, MD and CEO, Bandhan Bank, said.

The bank currently has 701 branches across 30 States and Union Territories and is looking to take this number up to 1,000 (branches) over the next one year.

It will also enter Goa, J&K and Andaman & Nicobar soon.

According to Ghosh, a new mobile app — Unified Payment Interface — is also in the works.

"The mobile app will ensure seamless fund transfer and merchant payments. It is expected to go live soon," he added.

Source – The Hindu Business Line, 24th August 2016.

MAKE THE MOST OF TECH-DRIVEN
TOOLS TO AVERT FRAUDS, BHASIN TELLS BANKERS

Bankers should make prudent use of alerts through various technology-driven tools, MIS and warning signals that are available in the Core Banking System (CBS) to thwart frauds, said TM Bhasin, Chief Vigilance Commissioner.

Speaking after inaugurating Indian Bank's new zonal office at Tirupati, he said that in some instances oral instructions by senior officials were found to be the culprit, and he made it clear that bank officials should learn to say "No" when something is not doable and when they don't understand an area of activity proposed to be financed.

He further advised bankers to avoid 'conflict of interest' and have sound risk-management practices in place to safeguard against NPAs (non-performing assets) and frauds.

He urged the bankers, especially the honest ones, not to the fear 3Cs — the Central Vigilance Commission (CVC), the Central Bureau of Investigation (CBI) and the Comptroller & Auditor General of India (CAG).

Bhasin told bankers to overcome this fear psychosis and to instil confidence in the minds of officials. The CVC, he said, has laid down certain policy decisions, such as: not taking cognisance of anonymous/pseudonymous complaints which used to be an irritant for the officials earlier; dispensing with the practice of calling factual reports, which used to be a source of harassment to officials earlier; dispensing with joint meetings in case of difference of opinion between the CBI and Disciplinary Authority for grant of sanction for prosecution; and doing away with seeking-second stage advice of the Commission in cases where first-stage advice itself is being implemented by the bank.

He further added that the CVC clearly distinguishes between the vigilance and non-vigilance angle and advised CVOs not to refer any non-vigilance cases to the CVC.

Bhasin expained that the CVC is focusing more on preventive vigilance, improvement in systems and procedures, and educating staff on the nuances of decision-making.

Speaking on the occasion, Mahesh Kumar Jain, MD and CEO of Indian Bank, said the bank is intrinsically sound with capital adequacy well above the required level. The bank's gross and net NPAs are well under control, he added.

Source – The Hindu Business Line, 26th August 2016.

CENTRE'S TIMELY CAPITAL CUSHION SAVES PSBS FROM BOND BUST

In the latest, June, quarter Indian Overseas Bank's capital ratio slipped below the mandated 9.47 per cent. If it were not for the government's capital infusion of Rs. 3,100 crore (half earmarked for immediate injection), the bank would have defaulted on the interest payment of its bonds.

The Centre infusing capital into public sector banks (PSBs) at the start of this fiscal, aside from helping banks plan their lending activity and capital-raising efforts, appears to have also come to the rescue of capital-crunched banks on the verge of defaulting on their bond payments.

Finding it difficult to tap the capital market PSBs have been raising funds by issuing Basel III-compliant bonds — Tier I and Tier II.

The sharp rise in banks' bad loans over the past year and the Basel III regulation requiring them to step up their capital ratios turned real the prospect of default by banks on these bonds.

The unique feature of these bonds is that banks have the discretion to defer interest payments if their capital ratio falls below the regulatory requirement.

Currently, banks have to maintain a total capital ratio of 9.625 per cent, up from 9 per cent last year. IOB's capital predicament came on the heels of Dhanlaxmi Bank deferring payment of interest on its bonds, after its capital ratio fell below the mandated level in March 2016. Sadly Dhanlaxmi Bank, a private lender, did not have the government's backing.

Since March, most PSBs' capital ratios have dipped and a few are just about keeping the head above water. For instance, United Bank, UCO Bank and Central Bank of India had a total capital ratio of around 9.9 per cent as of the June quarter.

For these banks, the bad loans have been steadily on the rise with more pain expected in the coming quarters. However, the Centre infusing Rs. 800-1,700 crore into these banks this fiscal can help them meet their capital needs.

Nonetheless, this does not take away the risk that worsening asset quality of PSBs poses to investors in bank bonds. Aside from the discretion of coupon payments, there are other risks that these bonds carry.

For instance, in the case of Tier I bonds, the principal can be written down on breach of a pre-set trigger. Tier II bonds under Basel III too can result in loss of principal to investors.

Rating agencies, hence, factor in all these risks and rate such bonds a few notches below the bank's Corporate Credit Rating (CCR).

According to Krishnan Sitaraman, Senior Director, CRISIL Ratings, "The extent of such 'notch-down' will depend on factors like the bank's profitability and cushion for asset-side risks, the management philosophy, and track record of maintaining sufficient capital cushion above the minimum regulatory requirement and adequacy of revenue reserves to service coupon in times of sudden stress."

CRISIL, for instance, has assigned 'A-/negative' rating to IOB's Tier I perpetual bonds (Basel II) which implies adequate safety regarding timely servicing of financial ligations and moderate credit risk.

The term 'negative' indicates a negative outlook. Rating on Tier II bonds — that carry lower risk — could typically be rated at the same level as the CCR or a notch lower, adds Krishnan Sitaraman.

In March 2016, CRISIL had downgraded the ratings on IOB's debt instruments. The rating downgrade reflected significantly higher-than-expected deterioration in asset quality and profitability.

Nevertheless, the ratings also factored in CRISIL's belief that IOB will continue to receive support from its majority owner, the Government of India, both on an ongoing basis and in the event of distress, according to a note put out by the ratings agency.

Source – The Hindu Business Line, 29th August 2016.

RBI'S TOTAL ASSETS UP 12.25%

The RBI saw a 12.25 per cent increase in its total assets (balance sheet size) year-on-year to Rs.32,43,011 crore .

The balance sheet of the RBI reflects its activities related to its currency issue function, besides monetary policy and reserve management objectives.

The increase on the asset side was due to a rise in foreign investments and domestic investments by 7.98 per cent and 35.64 per cent, respectively.

The liability side increased mainly due to notes in circulation and 'other liabilities and provisions' by 15.92 per cent and 14.77 per cent, respectively.

As on June 30, 2016, domestic assets constituted 24.59 per cent while foreign currency assets and gold (including gold held in India) constituted 75.41 per cent of total assets.

In the year-ago period, domestic assets constituted 21.86 per cent, while foreign assets stood at 78.14 per cent of the total balance sheet size.

Income increased marginally by 2.04 per cent y-o-y to Rs. 80,870 crore.

The central bank's expenditure rose 12.23 per cent y-o-y to Rs. 14,990 crore mainly due to provision made for reimbursing service tax on commission paid to agency banks.

The RBI transferred its entire surplus of Rs. 65,876 crore (Rs. 65,896 crore in FY15) to the government — a marginal decline of 0.03 per cent.

No transfers were made to the Contingency Fund. A provision of Rs. 1,000 crore was made for additional capital contribution in Bharatiya Reserve Bank Note Mudran Pvt. Ltd and transferred to the Asset Development Fund.

Source – The Hindu Business Line, 30th August 2016.

BANKS CAN DO BETTER ON PROVISIONING FOR LOAN LOSSES: RBI DEPUTY GOVERNOR

The Reserve Bank of India wants banks to be aggressive on the provisioning front so as to protect their balance sheets from any future shocks from ageing non-performing loans.

The current level of provision coverage ratio (PCR) in banks is low and even declined in recent months, NS Vishwanathan, Deputy Governor, RBI, said at an Assocham-organised national conference on risk management.

Vishwanathan later told *BusinessLine* that banks are expected to take steps to improve PCR once their profits go up.

"They (banks) will do that (improve PCR). At one time, their (banks) PCR was as high as 70 per cent," he noted.

PCR is a measure that indicates the extent to which a bank has provided for the troubled parts of its loan portfolios. This indicates the extent of funds that a bank has kept aside to cover loan losses.

The RBI expects addition to NPAs (non-performing assets) to moderate but the provisioning needs, as the NPAs age, will put pressure on the profit and loss account.

Speaking at the conference, Vishwanathan said that the total stressed assets of public sector banks (PSBs) have risen to 14.5 per cent as at end-March 2016. They still contain some element of restructured assets indicating potential for some more pain, albeit of lesser intensity.

He also highlighted that the annual recovery of NPAs had fallen from 20 per cent in 2013-14 to 9 per cent in 2015-16. This indicated that the NPA problem has assumed greater significance.

Incremental accretion of NPAs has been high in recent years, especially after the Asset Quality Review (AQR) exercise.

Vishwanathan noted that a strong underwriting system that is properly steeped in understanding and mitigating risks is the first element of credit risk management. This could happen only when risk culture permeates across the bank, he said.

Spreading the risk culture is the function of the board and top management of banks, he added.

The RBI Deputy Governor also wanted banks to be wary of "hitting their exposure limits" to large corporates. The central bank has allowed banks to have an exposure of up to 15 per cent of their capital to a counter-party and 40 per cent to a group.

Source – The Hindu Business Line, 31st August 2016.

URJIT PATEL, THE INFLATION-FIGHTER, CAST IN THE SAME MOULD AS RAJAN

Urjit Patel, the 24th Governor of the Reserve Bank of India, is widely seen as cast in the same mould as his predecessor Raghuram Rajan when it comes to tackling inflation, purging the banking system of bad loans, and tamping down exchange rate volatility.

Like Rajan, who worked with the government over the last three years to create a platform for macroeconomic and institutional stability, Patel too is expected to do more of what the central bank has already been doing, say market experts, signalling continuity in policies.

The new Governor takes charge at a time when there are imminent sources of market volatility like the threat of Brexit (Britain's withdrawal from the European Union), and Foreign Currency Non-Resident (B) deposit outflows of up to $24 billion that could happen in the September-November period.

Further, the new Governor is likely to be guided by the monetary policy committee (MPC) that will set policy rates in the Fourth Bi-Monthly Policy Statement, due on October 4.

Thomas Rookmaaker, Director, Asia-Pacific Sovereigns Group, Fitch Rating, said, "As a rating agency, we look at actual policies rather than personalities. The fact that Patel has served as Deputy Governor in the past three years, suggests continuation of the current policy direction in the years ahead.

"Patel was part of the team at the RBI that set in motion significant policy changes to deal with both high inflation and weak bawnk balance sheets, including the setting up of new policy frameworks. He seems well-positioned to further institutionalise these policy changes in the period ahead."

Economists at Goldman Sachs, in a report, expect the RBI to continue focus on bringing down inflation, and maintained their view that policy rates will be kept on hold for the remainder of 2016.

"In our view, Patel is likely to maintain similar views as Rajan in inflation targeting, banking sector reforms, overall liquidity, and exchange rate policy areas," they said.

While Patel in his current role has not been directly involved in the asset quality review process of bank balance sheets, Goldman Sachs economists see him continuing the process of cleaning up bank balance sheets and adhering to the March 2017 deadline set by Rajan.

Edelweiss Securities, in a report said, "Once the MPC is set up, one needs to monitor two things. First, how the MPC reads the consumer price index (CPI) mandate of 2-6 per cent range and will there be any change in the glide path to the 4 per cent target by January 2018.

"Second, the committee's stance on the 1.5-2.0 per cent real rates objective, which the central bank has been following over the past three years. Both these will be crucial in assessing the future scope of monetary easing. For now, we continue to maintain our expectation of another 50 basis points easing in balance FY17."

Source – The Hindu Business Line, 7th September 2016.

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