



*Sky is not the limit, we cover it...*

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**AIRRBOF** News Letter

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

**SILIGURI**

**No. 03**

## **EDITORIAL**

### **WEALTHY AND WISE**

Globally, financial products are acquiring greater sophistication with inter-connected markets and digital innovation, but regulators are finding it difficult to keep up. The big dilemma for financial regulators is how they can shield uninformed investors from the risks of new asset classes, while still enabling innovative forms of fund-raising for firms. Therefore, it is good to see SEBI exploring the concept of 'accredited investors' for alternative assets in the Indian market. By allowing retail investors to formally validate their financial awareness, the process of accreditation ensures that the eligibility criteria for participating in high-risk, high-return assets are based more on financial savvy, than on network.

Protecting the 'small' investor has been the cornerstone of India's securities market laws for many years. And SEBI regulations now rely solely on ticket size to sift retail investors in riskier assets such as SME public offers, portfolio management services, venture funds and angel funds. However, the definition of 'small' investor is fluid — while a minimum Rs. 1-lakh subscription is needed for an SME IPO, the bar is at Rs. 1 crore for private equity or angel funds. The many securities scams have also shown us that not all wealthy investors are well-informed. Many high networth investors lost money in collective investment schemes, NSEL and art funds. In contrast, many less-affluent investors are financially savvy and may be keen to participate in equity crowd-funding, or create wealth through portfolio management services or SME IPOs. The 'accredited investor' dispensation prevalent in markets such as the US and Europe addresses this dichotomy by using wealth and knowledge criteria to screen expert investors. In the US, investors with annual incomes of \$200,000 or investible networth of \$1 million can apply for accreditation. In the UK, investors have to self-certify income and financial awareness. Drawing from different regimes, the Narayana Murthy committee on alternative investments (November 2016) has suggested a Rs. 50-lakh annual income for three out of the last five years, registration with the tax department, and an online test on financial markets for investor accreditation in India. This is under examination by SEBI. Once it is in place, SEBI can use this framework not only to enable alternative investments, but also to clarify the regulatory regime for unregulated vehicles such as crowd-funding and peer-to-peer lending.

While using qualitative and quantitative criteria to accredit investors is a good approach, SEBI should collate more data on the actual income distribution in India before setting the income bar at Rs. 50 lakh. Given that only 42,800 people have declared incomes of over Rs. 1 crore, there is the risk of the financial bar for accreditation again being set too high. In fact, only recently the SEC chairman argued for diluting the accreditation criteria in the US on the grounds that all investors deserved "equality of opportunity" in exploring new assets that can expedite their wealth creation efforts. More money should not be necessary to make more money.

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**EXCERPTS FROM AIRRBOF CIRCULARS**

Circular # 06:2017

2<sup>nd</sup> February 2017

**NEWS ROUND UP**

The Meeting of the Working Committee of AIBOC took place at Hotel Bharat Continental, New Delhi on 31<sup>st</sup> Jan. 2017. Both Com. S.K. Bhattacharjee and Com. R.G. Makhija attended the Meeting in the capacity of Advisor and Dy. General Secretary of AIBOC. The Meeting deliberated at length the different issues arising out of in action of Govt. of India/IBA and Bank Management. It had been decided to observe one day All India Strike on 28<sup>th</sup> Feb. 2017 on the following issues:

- (i) Salary Revision due from 01.11.2017.
- (ii) Five day week
- (iii) Pension updation, bringing of all officer who joined after 01.02.2010 into the Pension Scheme and extension of Pension Benefit to the officers of RRBs and again proposed Govt. of India move towards Labour Law reforms. The meeting was preceded by Meeting of UFBU at the same venue and AIBOC view on action programme was adopted as programme of UFBU.

2. President & General Secretary of AIRRBOF met our Advocates in Supreme Court on the afternoon of 30<sup>th</sup> Jan. 2017. We had detailed discussion on our stand before Hon'ble Supreme Court in the next date of hearing. The hearing of SLP(c) 39288/12 (Pension Case) which was likely to be listed on 31<sup>st</sup> Jan. 2017 did not appear in the list. Our Advocate told us that the same may be listed on any Tuesday by next week or thereafter. In the meantime we had submitted our 2<sup>nd</sup> affidavit before the Hon'ble Supreme Court articulating our view point on the Pension proposal. We are confident that our proposal shall be accepted by the Hon'ble Supreme Court and Pension shall be available to the officers and employees of RRBs.

3. 11<sup>th</sup> Triennial Conference of AIBOC shall be held from 17<sup>th</sup> to 19<sup>th</sup> March, 2017 at the Pink City, Jaipur. A large number of delegates from AIRRBOF shall also attend the Conference. The affiliates who submitted list of names and deposited fees @ Rs. 1000/- upto 1<sup>st</sup> February, 2017 shall be submitted to AIBOC on 2<sup>nd</sup> Feb. 2017. No names or fees received thereafter shall be allowed by AIBOC to attend the Conference. The Triennial Conference shall be a grand function to be inaugurated by Union Minister and Chairman, IBA.

4. We have been approached by M/s K.M. Dastur Reinsurance broker Pvt. Ltd. approved by IBA to facilitate introduction of Medical Insurance Scheme as per IBA guidelines in RRBs. A meeting of all Chairmen of RRBs and our Federation is likely to take place in Mumbai on 13<sup>th</sup> Feb. 2017.

5. AIRRBOF leadership is likely to meet Ms. Surekha Marandi, Executive Director, Reserve Bank of India, very shortly at RBI, HQ to discuss different issues related to RRBs.



Accordingly, the General Secretaries of all constituent unions of UFBU met yesterday, i.e., 5<sup>th</sup> February 2017 at Mumbai. In the meeting, the representatives of constituent unions NOBO & NOBW have expressed their inability to participate in the Strike although they fully support all the issues. However, on the insistence of representatives of other constituent unions of UFBU, the representatives of constituent unions NOBO & NOBW have assured to consider their decision once again and advise their decision to UFBU in due course. It was unanimously decided to launch agitation on the following issues and demands:

**OPPOSING**

- Banking/Labour Reforms
- Government moves infringing Trade Union rights
- Outsourcing of permanent jobs

**DEMANDING**

- Legitimate compensation to employees and officers for extra hours of work performed on demonetization work
- Removal of Gratuity Ceiling under Payment of Gratuity Act, 1972 & Total Exemption of Income Tax on Gratuity and Leave Encashment on retirement
- Immediate appointment of Workmen/Officer Employee Directors in all Banks
- Early initiation of process of next wage revision of bank employees
- Pension related issues Improvements in Pension Scheme similar to RBI/Central Government including for past retirees - Extension of erstwhile Pension Scheme in banks in lieu of NPS - Follow-up of Record Note dated 25.05.2015
- Implementation of Compassionate Appointment Scheme on the lines of Central Government as approved by the Government
- Adequate Recruitment in all cadres
- Reimbursement of cost of demonetization to Banks by Government
- Immediate introduction of 5-Day banking
- Stringent measures to recover bad loans and accountability of top executives
- Criminal action against willful defaulters of bank loans

We furnish hereunder the details of the programme to be followed by the Constituent unions/affiliates/members:

- |     |  |   |
|-----|--|---|
| (a) | 13.02.2017                             | Press Release at all State Capitals and major centres (Common Press Note of UFBU, to be released by all the constituent unions) |
| (b) | 17.02.2017                             | Centralised Demonstrations at all Centres   |
| (c) | Between<br>17.02.2017 to<br>22.02.2017 | Dharna at all State capitals<br>(Date to be decided at State Unit level)  |
| (d) | 22.02.2017                             | Badge-wearing & Demonstrations/Rallies at all Centres   |
| (e) | 27.02.2017                             | Lunch Hour Demonstrations at all Centres  |
| (f) | <b>28.02.2017</b>                      | <b>ONE DAY ALL INDIA BANK STRIKE</b>  |

Proforma of the Common Press Note of UFBU, to be released by all the constituent unions will be sent in due course along with the sample of Badge and Poster.

**Comrades, please make the agitation programmes including the One Day All India Bank Strike a grand success."**

Circular # 08:2017

13<sup>th</sup> February 2017

**GENERAL BODY MEETING OF OUR AFFILIATE IN  
UTTARBANGA RRB AT COOCHBEHAR ON 11<sup>TH</sup> FEB. 2017**

We have earlier circulated that in the extraordinary General Body Meeting held at Coochbehar on 4<sup>th</sup> Dec. 2016, Rural Bank Officers' Association (Uttarbanga Unit), an erstwhile affiliate of AIRRBEA, got affiliated with AIRRBOF/AIBOC with its entire membership. At the initiative of AIBOC Bipartite Meeting took place between AIBOC/AIRRBOF affiliate leadership and Management at the Head Office of the Bank on 19<sup>th</sup> Jan. 2017 to resolve some issues including placement of two of our office bearers at Head Office and removal of President of an Officers' Association from the position of Senior Manager of HR Dept. who is misutilising his position for the Trade Union gain of his Association.

In order to reinforce the strength of our affiliate Joint Coordination Committee was formed with Uttarbanga Kshetriya Gramin Bank Employees Association, the majority Workmen Association affiliated to BEFI. General Body Meeting of our affiliate, Rural Bank Officers' Association (Uttarbanga Unit) was conducted with much enthusiasm at Coochbehar on 11<sup>th</sup> February, 2017. The Meeting was participated by Com. S.K. Bhattacharjee, General Secretary, AIRRBOF & Advisor, AIBOC, Com. Sanjay Das, Asst. General Secretary, AIBOC & State Secretary, AIBOC, WB Unit, Com. Srijan Pal, Vice-President, AIRRBOF & General Secretary, Association of Officers of Paschimbanga Gramin Bank, Com. Susanta Biswas, General Secretary, Central Bank Officers' Association, Kolkata & leadership of RBOA(UU) and Uttarbanga Kshetriya Gramin Bank Employees Association.

Large number of membership from all parts of the area of operation of the Bank participated in the Meeting with great spirit. The Meeting started with offering of condolences to Late Anup Roy, Member of Board of Directors of the Bank in an accident a couple of days ago. Thereafter, Com. Pradip Deb, a Senior leader narrated the detailed background of the Meeting. Com. Biswajit Chatterjee, General Secretary of RBOA(UU) also placed his introductory remarks. Thereafter, Com. Srijan Pal shared with the participants the spectacular growth of their Association and the role of AIRRBOF in regard to issues of officers including Pension Issue. Com. Sanjay Das in his highly spirited address assured full help & support from AIBOC in ensuring that Chairman of the Bank upheld justice and fairplay and implement the agreed issues.

In the post lunch session, Com. S.K. Bhattacharjee in his detailed address called for greater unity between officers and workmen staff to teach proper lesson to the Management. He congratulated the leadership and membership of RBOA(UU) for joining AIRRBOF/AIBOC. He exuded confidence that the current phase of Management and the rival Officers' Association bonhomie and consequent attack shall be replaced by rule of justice and dominant position of our affiliated unit. He called upon the membership to retain their mental strength to fight the onslaught which we shall overcome. Com. Siddhartha Ghosh, General Secretary, UBKGBEA also addressed the gathering and placed emphasis on greater unity and expressed his confidence that the Joint Coordinate Committee shall be able to overcome all challenges. The Meeting ended with the Presidential address of Com. Biswanath Sarkar, president, RBOA(UU).

The Meeting remained a grand success.

Circular # 09:2017

13<sup>th</sup> February 2017

**ALL INDIA STRIKE ON 28<sup>TH</sup> FEBRUARY, 2017**

Please refer to our Circular No. 07:2017 dated 8<sup>th</sup> Feb. 2017 on the captioned subject. We reproduce the Notice issued by us to Govt. of India. We endorsed copies of the Notice to Chairmen of RRBs. No separate Notice need to be issued by the affiliates.

Please make the strike & other programme a grand success.

Ref no. 2022:17(A):2017

7<sup>th</sup> February 2017

To  
The Secretary,  
Dept. of Financial Services,  
Govt. of India,  
Ministry of Finance,  
Jeevan Deep,  
Parliament Street,  
New Delhi – 110001

Sir,

**NOTICE OF STRIKE ON 28<sup>TH</sup> FEB. 2017**  
**AT THE CALL OF UNITED FORUM OF BANK UNIONS**

In accordance with the decision of United Forum of Bank Union, the officers under the banner of All India RRB Officers' Federation working in 56 Regional Rural Banks shall observe one day Token Strike on 28<sup>th</sup> Feb. 2017.

**OPPOSING**

- ✓ Banking/Labour Reforms
- ✓ Government moves infringing Trade Union rights
- ✓ Outsourcing of permanent jobs

**DEMANDING**

- Legitimate compensation to employees and officers for extra hours of work performed on demonetization work
- Removal of Gratuity Ceiling under Payment of Gratuity Act, 1972 & Total Exemption of Income Tax on Gratuity and Leave Encashment on retirement
- Immediate appointment of Workmen/Officer Employee Directors in all Banks
- Early initiation of process of next wage revision of bank employees
- Pension related issues Improvements in Pension Scheme similar to RBI/Central Government including for past retirees - Extension of erstwhile Pension Scheme in banks in lieu of NPS - Follow-up of Record Note dated 25.05.2015
- Implementation of Compassionate Appointment Scheme on the lines of Central Government as approved by the Government

- ✓ Adequate Recruitment in all cadres
- ✓ Reimbursement of cost of demonetization to Banks by Government
- ✓ Immediate introduction of 5-Day banking
- ✓ Stringent measures to recover bad loans and accountability of top executives
- ✓ Criminal action against willful defaulters of bank loans

Please take the letter as Notice as required under Industrial Disputes Act.

With regards,  
Yours faithfully,

(S.K. Bhattacharjee)  
GENERAL SECRETARY

Circular # 10:2017

21<sup>st</sup> February 2017

### **CONCILIATION PROCEEDINGS INCONCLUSIVE - STRIKE STANDS**

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 09 dated 21<sup>st</sup> February, 2017.

A Conciliation Meeting in response to the Strike Notice of UFBU for observing all India strike on 28<sup>th</sup> February, 2017, was held today at 11.30 a.m. by Sh. Anil Kumar Nayak - CLC in his Chamber at Shram Shakti Bhavan, New Delhi. Representatives from constituents of UFBU, except from NOBO and NOBW were present in the meeting.

AIBOC was represented by the undersigned, Com. Ajay Jaitley - President of Delhi State Committee and Com. Pankaj Kapoor, Treasurer, AIBOC. Sh. S.R. Mehar, Dy. Secretary, D.F.S. represented Government in the meeting. Sh. K.S. Chauhan, Sr. Vice President and Sh. Atul Gautam, Sr. Advisor were present on behalf of IBA. After brief introduction, CLC asked UFBU to present their case. All issues covered in the strike notice were presented and explained by us. IBA & Government representatives submitted their views. In brief they argued that most of the issues are based on apprehensions only and the remaining issues are in process of consideration at various levels.

After listening to both the parties and considering the views of both sides, CLC made a request to Unions to withdraw the strike. CLC also advised DFS and IBA to initiate the dialogue for settlement of issues of the strike so that the same can be averted. In view of no positive response or commitment, UFBU stands firm on its decision of strike. The minutes of the conciliation proceedings are in the process of drafting by CLC and would be circulated as and when received.

**We call upon all our rank and file to make the preparatory programmes and All India Strike on 28<sup>th</sup> February, 2017 a grand success !**

Circular # 11:2017

22nd February 2017

**MEETING OF UTKAL GRAMIN BANK OFFICERS'  
ASSOCIATION AT GOPALPUR ON SEA ON 19<sup>TH</sup> FEB. 2017**

Utkal Gramin Bank Officers' Association is one of the oldest affiliate of AIRRBOF and is a forerunner in the movement of RRB officers in the country. Since the Bank is spread over large number of districts of State of Odisha after amalgamation of all SBI sponsored RRBs and Andhra Bank sponsored RRB, the Meeting was planned for members belonging to the coastal District of Ganjam and adjoining areas. Large number of officers from far off areas attended the Meeting and the Meeting hall was full to capacity.

With the ushering of the leaders of UGBOA and GS, AIRRBOF to the dias the leaders were felicitated with flower bouquet. With the welcome address by Com. C.S. Pal, General Secretary the Meeting got underway. Com. Girija Shankar Babu gave his Presidential address. Thereafter, Com. Jagannath Behra, Secretary, Odisha State RRB Officers' Association addressed the gathering and he traced out the long history of the Association with AIRRBOF/AIBOC. He posed his great belief on the strength of AIBOC in ameliorating the problems of officers of UGB.

The Chief Guest of the Meeting was Com. S.K. Bhattacharjee, General Secretary, AIRRBOF & Advisor, AIBOC. In his detailed speech Com. Bhattacharjee covered the entire gamut of issues. He shared the development leading to declaration of strike on 28<sup>th</sup> Feb. 2017 by UFBU/AIBOC/AIRRBOF and highlighted the issues. He narrated in detail the events leading to break in UFRRBU with increasing bonhomie of AIRRBEA & AIGBEA. He told that AIRRBOF tried hard to maintain the unity but failed to do so due to conspiracy of AIRRBEA & AIGBEA. Com. Bhattacharjee exhaustively brought the entire narrative of Pension, our submission of affidavit and the possible result of the SLP(c) 39288 of 2012 before Hon'ble Supreme Court. He exuded confidence that we shall clinch the pension issue in line with the two affidavits submitted by AIRRBOF. He, thereafter, further clarified certain issues raised by the members.

General Secretary, AIRRBOF felicitated Com. Girija Shankar Mohanty and Com. Joydeb Rath on their attaining superannuation. Com. Mohanty also spoke on the occasion. He sought some clarifications from GS, AIRRBOF which GS provided.

Vote of thanks was rendered by Com. Joydeb Rath who thanked all concerned. The Meeting ended with great success.

Circular # 12:2017

27th February 2017

**NOTICE OF STRIKE BY UNITED FORUM OF BANK UNIONS**

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 11 dated 24<sup>th</sup> February, 2017.

Our members are aware that UFBU had given a Strike Notice for industry-wide strike on 28.02.2017. We have already advised that conciliation meeting was convened by CLC (C) on 21.02.2017, whereby, the CLC (C) made an appeal to UFBU to withdraw the strike and settle the issues through negotiations. He also made an appeal to IBA to convene the meeting immediately to resolve the issues through amicable settlement.

Indian Banks' Association vide their communication dated 23.02.2017 proposed to hold a meeting with UFBU in the first week of March, 2017, provided the call of strike is withdrawn and made an appeal to us to call off the strike. This communication was a surprise to us as the withdrawal of

strike was made a pre-condition. Comrades, you are aware that strike call was given as a last resort, after exhausting all available remedies. In view of these facts, leadership of constituents of UFBU unanimously decided that though we are ready to negotiate with IBA to find satisfactory solution at any moment, the calling off of strike cannot be made a pre-condition. Accordingly, our decision has been conveyed to the IBA.

We attach, herewith, both the letters i.e. letter received from IBA to UFBU as well as UFBU's communication to IBA conveying our decision, for your perusal and records.  
Comrades, let us march on with full preparedness and make the strike a grand success!

**WE WILL FIGHT – WE WILL FIGHT TILL WE SUCCEED – WE WILL FIGHT!!**

Circular # 13:2017

27<sup>th</sup> February 2017

**ENHANCEMENT IN GRATUITY CEILING FROM RS.10 LACS TO RS.20 LACS**  
**AMENDMENT IN INCOME TAX ACT FOR TAX FREE GRATUITY**

We reproduce hereunder the text of All India Bank Officers' Confederation Circular No. 12 dated 24<sup>th</sup> February, 2017.

Our members were advised vide our Circular No.2016/70 dated 01.12.2016 about a meeting of delegation of AIBOC with Shri Bandaru Dattatreya, the Hon'ble Minister of State for Labour & Employment. It was also advised that apart from our other issues, the issue of enhancement in Gratuity ceiling from Rs.10 lacs to Rs.20 lacs and also making it Tax-free was one of the agenda, which was discussed during the meeting of more than two hours. It was advised in the Circular that we were assured that a tripartite meeting required to be held between the Central/State Governments, Employer and Employees' Organisations shall be held at the earliest to resolve the issues. The seriousness with which we had been following up the issue is evident from the fact that our Confederation insisted for inclusion of this issue in strike notice of 28<sup>th</sup> February, 2017.

We are happy to inform you that the above tripartite meeting of all the stake holders was held on 23.02.2017 and an agreement has emerged to enhance the Gratuity ceiling from Rs.10 lacs to Rs.20 lacs. It is also reported by the officials that the Hon'ble Minister has also agreed to consider the reduction in present minimum 5 years service criteria for Gratuity payment. The Hon'ble Minister is also known to have informed the members attending the meeting that the Bill to amend the Gratuity level may also have a mechanism to ensure automatic revision of Gratuity ceiling as and when the Pay Commission suggests the similar revision for Central Government employees.

However, the provision of Tax exemption on Gratuity falls under Section 10 of Income Tax Act, which needs to be amended if the full Gratuity is to be made exempt from Income Tax. For a change in Gratuity provisions i.e. to enhance the Gratuity limit from Rs.10 lacs to Rs.20 lacs and for increasing the Tax exemption from present level of Rs.10 lacs to full Gratuity, both the payment of Gratuity Act and Income Tax Act would have to be amended. Our demand, as discussed with the Hon'ble Minister and the officials of the Department, was to give back-dated effect of the amendments from 1<sup>st</sup> January, 2016 i.e. from the date of implementation of 7<sup>th</sup> Central Pay Commission. No assurance to this effect is known to have been made by the Hon'ble Minister. We shall try to meet the Hon'ble Minister/Ministry officials once again for follow up of our demand of retrospective implementation of the enhancement in Gratuity ceiling as well as Tax-free Gratuity. We shall keep you apprised of the developments.

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**PRESS CORNER:**

**'BAD BANK' WILL SPEED UP RESOLUTION OF STRESSED ASSETS, SAYS FITCH**

The creation of a 'bad bank' could accelerate the resolution of stressed assets in India's banking sector, said Fitch Ratings. However, the move may face significant logistical difficulties and would simultaneously require a credible bank recapitalisation programme to address the capital shortfalls at State-owned banks, it added

While it has estimated that the banking sector will require around \$90 billion in new total capital by FY19 to meet Basel III standards and ongoing business needs, Fitch said this estimate is unlikely to be significantly reduced by the adoption of a bad-bank approach.

The agency believes that the government will eventually be required to provide more than the \$10.4 billion that it has earmarked for capital injections by financial year ending 2019 — be it directly to State-owned banks or indirectly through a bad bank.

India's banks have significant asset-quality problems that are putting pressure on profitability and capital, as well as constraining their ability to lend.

Fitch expects the stressed asset ratio to rise over the coming year from the 12.3 per cent recorded at end-September 2016. The ratio is significantly higher among State-owned banks.

"Asset-quality indicators may be close to their weakest levels, but the pace of recovery is likely to be held back by slow resolution of bad loans," said the global credit rating agency.

A bad bank that purchases stressed assets and takes them to resolution was featured in the government's latest Economic Survey, and in a speech on Monday by a senior Reserve Bank of India official.

RBI Deputy Governor Viral Acharya said: "It would be better to limit the objective of these asset management companies to orderly resolution of stressed assets with graceful exit thereafter; in other words, no mission creep over time to do anything else such as raise deposits, start a new lending portfolio, or help deliver social programs."

Fitch said the most likely form of a bad bank would be that of a centralised asset-restructuring company (ARC).

The agency elaborated that "its proponents believe it could take charge of the largest, most complex cases, make politically tough decisions to reduce debt, and allow banks to refocus on their normal lending activities."

Similar mechanisms have previously been used to help clean up banking systems in the US, Sweden, and countries affected by the Asian financial crisis in the late 1990s.

Senior European policy-makers have recently discussed the prospect of a bad bank to deal with non-performing loans (NPLs) in the EU.

Fitch believes that a bad bank might provide a way around some of the problems that have led Indian banks to favour refinancing over resolving stressed loans.

"For example, large corporates often have debt spread across a number of banks, making resolution difficult to coordinate. The process would be simplified if the debt of a single entity were transferred to one bad bank. This could be particularly important in India's current situation, with just 50 corporates accounting for around 30 per cent of banks' stressed assets," it explained.

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The agency observed that several small private ARCs already operate in India but they have bought up only a very small proportion of bad loans in the last two years, as banks have been reluctant to offer haircuts on bad loans even where they are clearly worth much less than their book value. This is, in part, because haircuts invite the attention of anti-corruption agencies, making bank officials reluctant to sign off on them. Reduced valuations also increase pressure on capital.

Fitch felt that a larger-scale bad bank with government backing might have more success. However, it is unlikely to function effectively without a well-designed mechanism for pricing bad loans, particularly if the intention is for the bad bank to be run along commercial lines and involve private investors.

One estimate from the Economic Survey suggests that 57 per cent of the top 100 stressed debtors would need debt reductions of 75 per cent to make them viable. Fitch underscored that banks would need capital to cover haircuts taken during the sale of stressed assets, and the bad bank would most likely require capital to cover any losses incurred during the resolution process.

**Source – The Hindu Business Line, 25<sup>th</sup> February 2017.**

### **BANKERS AGAINST MOVE TO ENGAGE FAIR PRICE SHOPS AS BUSINESS CORRESPONDENTS**

The Finance Ministry's proposal that fair price shops (FPS) should be engaged as business correspondents (BCs) across the country has not enthused public sector banks. Bankers fear that if the proposal becomes a reality, it will be detrimental to the viability of existing BCs, which have been providing banking services in rural areas on behalf of banks for many years.

The discretion to take a call on the individual/entity they can engage as a BC should be left to the banks, said a senior Bank of India official, adding that engaging FPS as BCs should not be made mandatory.

Banks are already reaching their services to the vast hinterland via banking outlets opened through BCs and don't want this arrangement disturbed, the banker quoted above said.

BCs are intermediaries engaged by banks to provide banking services such as collection of small-value deposits, receipt and delivery of small-value remittances/other payment instruments, disbursement of small-value credit, and recovery of principal/collection of interest. The BC model allows banks to do 'cash in-cash out' transactions at a location much closer to the rural population, thus addressing the problems of last mile reach.

Reserve Bank of India data show that 69,589 villages with population of over 2,000 have banking outlets opened through BCs. Further, 4,16,636 villages with population of less than 2,000 have outlets opened through BCs. A senior public sector bank official said: "While fair price shops do come under the category of eligible entities which can be engaged as BCs, engaging them now, at a time when many villages are already being provided banking services through existing BCs, may not be a good idea as business will get fragmented. Existing BCs may suffer as a result."

Alluding to reports that some FPS have been either denying existing customers their full quota of commodities, such as rice, wheat, and sugar or supplying sub-par foodstuff to the common man, the official said banks will be mindful of such sharp practices creeping into banking services when engaging FPS as BCs. There are over five lakh FPS across the country.

**Source – The Hindu Business Line, 2<sup>nd</sup> March 2017**

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### **ASH TRANSACTIONS: DEPOSITORS' BODY WANTS RBI TO REGULATE FEES CHARGED BY BANKS**

To protect retail depositors' interests, the Reserve Bank of India (RBI) should swing into action to regulate the fees and charges imposed by banks, said a bank depositors' body.

This plea comes in the wake of private sector banks ICICI Bank and HDFC Bank imposing charges if cash transactions (cumulative of deposit and withdrawal) at a branch exceed four a month.

Ashok Ravat, Member, All India Bank Depositors' Association, said at a time when millions of bank accounts have been opened under the Pradhan Mantri Jan Dhan Yojana and people at the bottom of the pyramid are getting gradually used to the habit of banking, imposing charges on cash transactions if they exceed a certain number is a retrograde step.

Ravat emphasised that there is no scientific rationale for imposing these charges.

For example, ICICI Bank is charging customers Rs. 5 per Rs. 1,000 or part thereof, subject to a maximum of Rs. 150 a month, from the fifth transaction (cash) onwards at the branch. HDFC Bank is charging Rs. 150 per transaction (plus taxes and cess) from the fifth transaction onwards. "The Reserve Bank of India should start regulating the charges....It cannot say that this is a liberalised era and each bank is free to do whatever it wants.

"Nobody really knows what is the cost of providing a banking service. How have the banks arrived at these transaction charges?

"Why should the regulator close its eyes to such an important issue? This (development) should be nipped in the bud," said the Association member.

The principle for moving the country towards a digital economy should be to incentivise digital payments and not penalise cash handling, he said, and cautioned that if cash transactions are penalised, people will shy away from banking.

"Charges should not be left to individual banks. We have not come to an era of deregulation. In the banking sector, regulation is needed and that can only be provided by the RBI," said Ravat.

**Source – The Hindu Business Line, 4<sup>th</sup> March 2017.**

### **NPS FUND MANAGERS: ALL BIDDERS TO GET LICENCE**

In a significant move, pension regulator PFRDA has decided to award pension fund manager (PFM) licences to all the nine entities that had bid for managing private sector schemes of the National Pension System, a top official said.

"All the nine are going to get it. Our board had recently discussed it and decided to this effect. They (nine bidders) were meeting all the criteria and there is no reason to reject any of them," Hemant Contractor, Chairman, PFRDA, told *BusinessLine* here on Wednesday.

Contractor said the names of these nine entities would be formally announced in the next 10 days by when the minutes of the board meeting are expected to be ready.

This PFRDA decision is significant as it will be for the first time ever that PFMs will operate under a "differential pricing" model for managing the private sector schemes of NPS.

Ushering in "differential pricing" is expected to make the pension sector more "market-driven" and ensure that NPS subscribers can make an informed choice. Allowing differential pricing is expected to open a new area of competition, bring in competition among PFMs in terms of fee structure and service standards.

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PFRDA had, in September last year, issued the request for proposals (RFPs) for appointing new PFMs.

This was also the first time that PFRDA had invited bids for appointment of PFMs, post its statutory recognition (PFRDA Act 2013) and the framing of Pension Fund Regulations in 2015.

There were nine bidders — six from the private sector and three from the public sector. They had bid for a management fee that ranged from 0.07 per cent to 0.1 per cent. In the RFP, the pension regulator had capped the investment management fee at 0.1 per cent per annum (10 basis points).

Currently, private sector schemes — with assets under management (AUM) of about Rs. 15,000 crore — are being managed by eight professional pension funds, including three from the public sector.

The new PFMs — who will operate under the differential pricing model — will have to again register with the PFRDA. They have to fulfil a minimum net worth of Rs. 50 crore for both the sponsor and the Pension Fund. Also, this time round, it has been specified that a PFM can be appointed for a maximum period of five years. No specific time period was earlier mentioned.

Contractor said the PFRDA has made two recommendations to the government so as to expand the scope of Atal Pension Yojana (APY), a guaranteed pension scheme for the unorganised sector.

“We want to increase the eligibility age band from 18 to 40 years to 18 to 50 years. We also want to increase the amount of pension. Right now it is available from Rs. 1,000 to Rs. 5,000.

The feedback we are getting from the market is that pension of Rs. 5,000 at age of 60 is not much,” Contractor said.

As on date, the number of APY subscribers is 46 lakh with contribution of about Rs. 1,400 crore.

Meanwhile, Contractor said he was quite hopeful that government employees (who had subscribed to NPS) too would soon be allowed to have a wider choice of PFMs with flexibility of higher percentage of their contributions going into equities.

As on date, government subscribers account for 88 per cent of the total NPS corpus. “The government seems to be favourably inclined to the idea. We are hopeful,” Contractor added.

**Source – The Hindu Business Line, 9<sup>th</sup> March 2017.**

### **FINANCE MINISTER TO DISCUSS BAD LOANS WITH BANK CHIEFS TODAY**

Concerned with the rise in bad loans, Finance Minister Arun Jaitley will meet chiefs of public sector banks on Friday.

The meeting, which will also be attended by Financial Services Secretary Anjuly Chib Duggal and officials from the Reserve Bank of India, comes at a time when the government is also understood to be looking at various ways of capital infusion in public sector banks.

Gross non-performing assets of PSBs rose to Rs.6.3 lakh crore by September 30, 2016, as against Rs. 5.5 lakh crore at the end of the June quarter. Concerns have emerged that the bad loan situation of banks may have deteriorated further after the cash crunch following demonetisation of high-value currency notes in November last year.

This would be the second meeting of bankers with Finance Minister Arun Jaitley in as many months on bad loans. Heads of top banks had also met the Minister last month to take stock of the banking sector’s health.

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Chief Economic Adviser Arvind Subramanian had recommended setting up a bad bank but the proposal does not seem to have gained much currency in the Finance Ministry.

The meeting, which comes ahead of the start of the new fiscal, could also discuss the plan of action of banks for the coming months.

**Source – The Hindu Business Line, 10<sup>th</sup> March 2017.**

### **DEPOSITS IN BANKING SYSTEM ROSE BY RS. 10-LAKH CRORE IN APRIL-DECEMBER**

Call this demonetisation effect. The banking system in India saw deposit increase of nearly Rs. 10 lakh crore between end March 31 and December 31 last year, confirming fears that demonetisation may have led to this deposit gush in banks.

Many economy watchers believe that a substantial portion of this deposit gush could have happened post November 8.

However, the government and the RBI are yet to give an exact number on the quantum or value of old demonetised notes ( Rs. 500 and Rs. 1,000) that returned to the banking system after the note ban announcement on November 8.

Public sector banks alone saw their aggregate deposit base increase to the tune of Rs. 7.20 lakh crore, with State Bank of India (excluding its associate banks) seeing deposits rise by about Rs. 3.15 lakh crore, Lok Sabha was informed on Friday.

The private sector banks saw their aggregate deposit base increase by nearly Rs. 2.90 lakh crore.

HDFC Bank, ICICI Bank, IndusInd Bank and YES Bank were among the largest beneficiaries of this deposit gush in the private banks space, official data showed.

While the demonetisation period is over for resident Indians (between November 8 and December 31), it is still open for non-residents (till June 30 this year).

This deposit gush has actually complicated life for the tax administration with several economy watchers contending that a significant portion of this money that returned to the banking system may be unaccounted ones.

On its part, the government had — largely prompted by the deposit gush into banks — already formulated a Pradhan Mantri Garib Kalyan Yojana (PMGKY), an amnesty scheme launched in December 2016.

The PMGKY scheme provides an opportunity to declare unaccounted wealth and avoid prosecution after paying a fine of 50 per cent on the undisclosed income. An additional 25 per cent of the undisclosed income is invested in the scheme which can be refunded after four years.

The PMGKY is open from December 16, 2016 to March 31, 2017. It can be availed of only for declaration of income in the form of cash or bank deposits and not for jewellery, immovable property or deposits in overseas accounts.

Also, not declaring undisclosed income under PMGKY will attract a penalty of 77.25 per cent if the income is shown in tax returns.

**Source – The Hindu Business Line, 11<sup>th</sup> March 2017.**

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