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**Dear Comrades,**

**26th December, 2016**

**News of Interest 26th Dec**

**QUOTE FOR THE DAY**

**“WHEN SOMETHING IS IMPORTANT ENOUGH, YOU DO IT EVEN IF THE ODDS ARE NOT IN YOUR FAVOR.”**

**ELON MUSK**

- 1. RBI REFUSES TO DISCLOSE DELIBERATIONS OF ITS BOARD ON DEMONETISATION**
- 2. DUE CREDIT NOT GIVEN FOR EXTRA HOURS OF WORK, RUE SBI STAFF**
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Business Line

**1. RBI refuses to disclose deliberations of its board on demonetisation**

PTI

The Reserve Bank of India has refused to allow access to minutes of meetings held to decide on the issue of demonetisation of Rs 1,000 and Rs 500 notes announced by Prime Minister Narendra Modi on November 8.

Responding to an RTI application filed by activist Venkatesh Nayak, the Bankers' Bank refused to disclose the minutes of the crucial meetings of Central Board of Directors on the issue of demonetisation citing section 8(1)(a) of the transparency law.

The Section exempts disclosure of information which would prejudicially affect the sovereignty and integrity of India, the security, strategic, scientific or economic interests of the State, relation with foreign State or lead to incitement of an offence.

Nayak said he will appeal against the decision, adding, "While confidentiality prior to the making of the demonetisation decision is understandable, continued secrecy after the decision is implemented is difficult to understand when crores of Indians including this author have faced difficulties due to the shortage of cash in the economy".

He said the refusal to disclose the minutes of the Board meeting where the decision was taken to recommend demonetisation of the high value currency notes, is perplexing to say the very least

"Cash-starved people have had problems paying hospital charges when mothers delivered babies and bereaved families faced problems paying fees to cremate or bury their dead at cemeteries or crematoria," he said.

## **2. Due credit not given for extra hours of work, rue SBI staff**

VINSON KURIAN

Award staff, including the clerical cadre, of State Bank of India (SBI) is upset that it has 'not been adequately compensated' for the extra hours of work put in post demonetisation.

The arbitrary manner in which overtime wages were calculated came to light only when December salary was credited on Friday, A Jayakumar, General-Secretary, State Banks Staff Union, said.

### **Protest demos**

Fixation of overtime wages based on an individual's designation has created lot of confusion, he told BusinessLine here. The award staff held protest demonstrations in front of the Local Head Office (LHO) here as well as at offices in Ernakulam, Thrissur and Kozhikode on Friday.

The Chief General Manager of the LHO has assured the unions that its concerns would be conveyed to the SBI Corporate Centre in Mumbai, Jayakumar said.

*BusinessLine* has learnt that overtime was allowed for two hours on November 10 and 11 and for a full day on the two holidays of November 12 and 13 to 'associates' (clerical cadre) as following.

### **Overtime wages**

Associates: ₹5,114; Senior Associates: ₹8,485; Special Associates: ₹13,173; and Senior Special Associates: ₹17,786.

Meanwhile, Sanjeev K Bandlish, General-Secretary, All India SBI Staff Federation, has requested the intervention of the management to set right the anomaly.

He said that the the Federation has come to know that all SBI Circles were advised in regard to the amount to be paid to the award staff based on their designation.

### **Hourly basis**

But as per the bilateral settlement dated March 31, 1967, overtime wages are to be paid according to hourly wages as are applicable and not based on the designation.

"We're surprised to note that the overtime amount payable has been reduced unilaterally to the amount mentioned in the message from the Corporate Centre," Bandlish said.

He recalled that business hours had been extended by three hours on November 10 and 11 and the staff had attended to every customer present in the banking hall during this period.

Balancing the day's cash register was another huge task that required the staff to stay put in the branch for even longer.

### **3. Limits on cash withdrawals may continue beyond Dec 30**

PTI

Restrictions on withdrawal of cash from banks and ATMs are likely to continue beyond December 30 as currency printing presses and RBI have not been able to keep pace with the demand of new currency notes.

As the 50-day deadline for completion of demonetisation process draws near, there is a growing consensus among bankers that the restrictions on withdrawal would have to continue even in the New Year so as to maintain orderly working at the banks.

Banks at many places are not in a position to disburse even the current limit of Rs 24,000 per week due to cash crunch and are rationing the valid currency depending on cash availability.

If this limit is withdrawn for individual and businesses from January 2, it is unlikely that banks would be able to disburse the higher demand for valid currencies given the current cash position.

"Most of us think that the withdrawal limit would not be completely withdrawn. It is a possibility that it could be relaxed if the cash situation improves," said a senior public sector bank official.

At a time when banks are struggling to meet the demand of individual customers, it would be impossible to service MSME and big corporates which requires cash in large quantity, the official said, the practical way would be to relax it gradually.

Recently, SBI Chairperson Arundhati Bhattacharya had also indicated that restriction on withdrawals cannot be lifted entirely unless more cash is made available to banks.

After the demonetisation of high value Rs 500/1000 notes, the government has fixed a limit of Rs 24,000 per week on withdrawal from bank accounts and Rs 2,500 per day from ATMs in view of the currency crunch that followed.

The government and the RBI has not specified when the restrictions will be withdrawn. Finance Secretary Ashok Lavasa had said the withdrawal cap would be reviewed after December 30.

Even bank unions are also of the opinion that the restrictions cannot be done away with in one go.

In all likelihood the restriction on withdrawal would continue for some more time in the best interest of banks as well as customers at large, said All India Bank Officers' Confederation (AIBOC) General Secretary Harvinder Singh.

The situation of currency supply is known to everyone and it would be difficult to lift the limit from January 2, Singh said, adding that SME and small businesses are waiting for cap to go so that they can withdraw as per their requirement.

Reserve Bank of India has infused Rs 5.92 lakh crore in the banking system between November 9 and December 19 against Rs 15.4 lakh crore of scrapped notes.

According to RBI, banks had got deposits of Rs 12.4 lakh crore defunct notes by December 10.

#### **4. PFRDA mulls various withdrawal options to optimise pension**

PTI

In its bid to optimise the retirement income of the New Pension System (NPS) members, PFRDA is exploring alternative mechanisms for introducing different variants of the withdrawal options, a senior official said.

This may include systematic/phased withdrawal options, under which different combinations of withdrawal packages with/without annuity options can be offered to the subscribers.

Moreover, Pension Fund Regulatory and Development Authority (PFRDA) is also looking at possibilities of combining other assets like house as source of income for the subscribers together with the pension asset.

"We are looking at all options for optimising the pension wealth for the retirees including SWP/phased withdrawal combined with tax exemption on entire pension wealth as well as housing as a source of supplementary income particularly in view of the subdued and shallow annuities market," PFRDA whole time member (finance) RV Verma told PTI.

"We have already set up a committee to look into housing related retirement incomes for the NPS members," he added.

Under the extant regulations, a minimum of 40 per cent of the pension wealth (AUM at superannuation) has to be mandatorily annuitized and balance 60 per cent may be withdrawn as lump—sum.

However, only 40 per cent of the lump—sum withdrawal is tax exempt. Thus, there is already a built—in disadvantage to the National Pension Scheme (NPS) subscribers by way of tax payable on balance 20 per cent of the lump—sum withdrawal, falling on the lines of EPF/PPF.

This acts as a disincentive for the subscribers for withdrawing more than 40 per cent of the accumulated amount as lump sum. For lack of alternative options, these amounts also have to be annuitized.

Though endeavour is made to provide for optimum pension income by way of annuity—which covers the entire life of the subscriber and his family thereafter (thereby addressing the longevity risk), the annuity market does not offer the kind of return which other financial instruments provide. The retirement income of the NPS subscriber is thus affected by both these factors, which need to be addressed.

"On the first issue, PFRDA is already pursuing the matter with the Government of India for similar tax exemption on lump—sum withdrawal (100 per cent instead of

only 40 per cent). This will considerably enhance the disposable retirement income of the subscribers," RV Verma told PTI.

"On the other hand, the sub-optimal return on the annuitized component results in depressed income for the subscribers. The two together are like a double whammy for the subscribers," he said.

Therefore, there is a compelling need for exploring alternate mechanisms such as combinations of various withdrawal options in a phased manner combined with deferred annuities so as to have a more balanced package for the subscriber combining both factors including optimum disposable income as well as life cover, he said.

Times of India

## 5. Government asks banks to share IT breach info within 2 hrs

[Pankaj Doval](#) | TNN

The government has sounded an alert with all the top banks, including State Bank of India, Punjab National Bank, ICICI and HDFC, and instructed them to inform about any breach in their IT systems within 120 minutes as the firewall against cyber hackers is strengthened in view of the large number of digital transactions.

Also, steps are being taken on an urgent basis to ensure that the vast amount of financial information - including confidential, personal, and financial data - is not leaked out by financial intermediaries for monetary gains, IT Secretary Aruna Sundarajan said.

"Any information collected about consumers cannot be shared at all without seeking the permission of the individual," Sundarajan told TOI as she spoke about measures that are undertaken to ensure that the government's digital transformation push does not result in large-scale leakage of private and financial information.

Among the various steps planned by the government is to make laws that are more stringent and penalty-laden and guard against leakage. "More regulation is needed to make them tougher, especially to fix liabilities and responsibilities of the service providers towards their customers," the IT Secretary said.

"Stringent penal provisions will be mandated for any breach," Sundarajan said, adding that steps have been initiated to overhaul the IT Law of the country to make provisions in tune with the present-day requirements. The review is being undertaken in consultation with the Finance and Home Ministries.

The Modi government's sudden push towards having a digital and a **less-cash economy** has resulted in a massive surge in digital payments, including through mobile wallets, credit/debit cards, and other point-of-sale (POS) methods. The government is also taking steps to sync the payment methods to the Aadhar number which is being linked to the bank accounts.

However, certain breaches in the system have resulted in urgent measures to thwart cyber-attacks. Sundarajan said that the government may come out with technical standards that will spell out the responsibilities as well as liabilities for various financial intermediaries. It would also give details about how to address consumer grievances while also mandating customer awareness measures.

"This is one the highest priority and on a fast-track. We are also taking the help of legal and **cyber security+** experts, as well as the industry."

Regarding the alert to the banking system, Sundarajan said that they have been ordered to ensure that cyber attacks are contained as early as possible.

A full-fledged advisory has been issued to the banks so that they are on a 24X7 vigil. "We have asked them to carry out an audit of their IT security systems, while also appointing chief information security officers. Also, any breach in their IT systems have to be reported almost immediately, in under two hours, to us."

Business Standard

## **6. Demonetisation impact on banks: Asset quality risks will show only in Q4**

The loss of income has severely dented the loan repayment ability of small borrowers

### Abhijit Lele

The asset quality problems for banks and finance companies are rising as small customers continue to struggle with the adverse effect of demonetisation.

But, it might show up only in the fourth quarter numbers, as the Reserve Bank of India (RBI) has given an additional 60 days for lenders to classify accounts as non-performing.

According to public sector bank executives, the work pressure from managing deposits and cash withdrawal is coming down and banks have begun to assess the impact of demonetisation on the loan side – both asset quality and demand for credit. Risks of slippages have increased and a picture will be clear at the end of the financial year. Karthik Srinivasan, senior vice-president of ICRA, said delinquencies have increased as collections have gone down.

The loss of income has severely dented the loan repayment ability of small borrowers. Also, many of those bankers who were deployed for loan recovery were put on the job of managing a sudden surge in activity at branches after demonetisation. The combined effect will be a rise in stressed loans by at least 100 basis points, said Abhishek Bhattacharya, director and co-head (financial institutions) at India Ratings.

According to global rating agency Standard and Poor's (S&P), many advances on banks' watch lists could also slip due to the cash crunch and a slowdown in business. Companies are also affected by rising working capital cycles since they have to support the supply chain, which often deals in cash. Therefore, borrowers at the margin could turn delinquent.

Abizer Diwanji, partner and national leader (financial services) at EY India, said although people will resume payments, it would happen with a lag. It would take a couple of quarters before payment patterns normalise. Highly cash-dependent businesses, especially small and medium enterprises, will have a hard time in making payment. This will push the kitty of stressed loans.

Bank chief executives in their pre-Budget (FY18) presentation to the finance ministry said four sectors need attention. These are: Vegetable growers who depend on cash for their day to day dealings and can't hold their crop for long, as it is perishable; brick-kiln labourers, as their owners used to pay them in cash; the transport sector in rural India; and, plantations in the South.

An IDBI Bank executive said this quarter would see a severe impact of demonetisation on loan demand and slippages.

ICRA estimates 80-85 per cent of retail credit (of finance and housing finance companies) is in the under Rs 1-crore loan size category. Non-banking financial companies and housing finance companies operate largely in the self-employed borrower segment, which conducts business mostly through cash transactions and thus is considerably affected by the withdrawal of Rs 500 and Rs 1,000 notes.

The fallout of demonetisation will be a drop in credit growth. Advances for the banking system are expected to grow at 10-11 per cent in FY17. Now, credit may expand at a slower pace of 5-6 per cent, Bhattacharya said.

Credit offtake has already slowed drastically in the current financial year compared to FY16. Banks disbursed Rs 89,500 crore from April to early December — down from Rs 4,03,220 crore in the same period in 2015-16, according to RBI data.

### **7. IDFC Bank launches aadhaar-linked cashless merchant solution**

Both merchants and customers do not have to pay transaction fees

Press Trust of India

The IDFC Bank on Sunday announced the nation-wide launch of aadhaar-linked cashless merchant solution that uses a retailers' smartphone to enable digital payments.

Aadhaar Pay, launched by the government on Sunday, has been developed by IDFC Bank in association with Unique Identification Authority of India (UIDAI) and the National Payments Corporation of India (NPCI), the bank said in a statement.

It said IDFC Aadhaar Pay will enable millions of merchants across the country to facilitate cashless purchases for customers in a cost-effective and scalable way.

Rajiv Lall, founder MD and CEO, IDFC Bank, said: "It will enable citizens in the deepest corners of the country to participate in the digital movement, even those who do not own a phone but want to pay digitally. People only need to have a bank account and their aadhaar linked to it."

There are no transaction fees for both merchants and customers, he said, adding that IDFC Aadhaar Pay will accelerate the pace of growth for cashless payments.

Over the past three days, over 100 merchant outlets have been using IDFC Aadhaar Pay.

### **8. RBI could bring in 50 bps rate cut by April: BofA-ML**

The report further said that though the RBI is expected to cut 25 bps each on February 7 and April

Press Trust of India

There is room for a 50 basis point (bps) rate cut by the Reserve Bank of India (RBI) over the next few months with 25 bps each likely in February and April, says Bank of America Merrill Lynch (BofA-ML).

The RBI is expected to pause on the December 7 monetary policy review that rate cut would be a "bullet wasted".

According to the global financial services major, the "dovish" RBI monetary policy committee (MPC) minutes released last week signal towards a more accommodative policy stance in the coming months.

"We add a 25 bps RBI rate cut in April in addition to the 25 bps penciled on February 7 after dovish RBI MPC minutes were released last week," BofA-ML said in a research note.

It listed "five compelling reasons" for 50 bps cut. First, growth is weak; second, inflation will likely slip; third, an early 2017 50 bps RBI rate cut should send a signal to banks to cut lending rates; fourth, the rate cut should support the rupee by attracting foreign portfolio investors inflows and finally, the bankruptcy code and goods and services tax legislation should convince the RBI MPC of the government's pursuit of reforms.

The report further said that though the RBI is expected to cut 25 bps on February 7 and April, it is not likely to go too much below the current levels "given that 6.5-7 per cent medium-term CPI (consumer price index) inflation is surely a good proxy for inflation expectations".

The MPC, which has three members nominated by the government and the rest from RBI, lowered repo rate to 6.25 per cent from 6.50 per cent at the end of two-day deliberations on October 4. The next meeting of the MPC is scheduled on December 6 and 7.

Retail inflation based on CPI in September dropped to 13-month low of 4.31 per cent, mainly on account of easing vegetables prices, creating headroom for further rate cut by the RBI in coming months.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)**  
**GENERAL SECRETARY**