



ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION
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Dear Comrades,

30th September, 2016

NEWS OF INTEREST 30TH SEP

QUOTE OF THE DAY

“I DON'T BELIEVE YOU HAVE TO BE BETTER THAN EVERYBODY ELSE. I BELIEVE YOU HAVE TO BE BETTER THAN YOU EVER THOUGHT YOU COULD BE.”

KEN VENTURI

1. BBB SEEKS BIGGER SAY IN BANK GOVERNANCE
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3. RBI PULLS UP BANKS FOR PUBLISHING PHOTOS OF DEFAULTERS
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Business Standard

1. **BBB seeks bigger say in bank governance**

Wants to appoint non-official directors

Abhijit Lele & Anup Roy

The Banks Board Bureau, tasked to advise the government on selecting bosses of public sector banks, has sought a wider role. The original terms of reference for the bureau headed by Vinod Rai have not been made public yet. The bureau and government are in discussions to amend the scope of work, according to bank executives.

Appointments of non-executive directors and a greater role in governance of banks were expected to be part of the bureau's revised terms of reference, an official said.

The bureau was set up as an autonomous body to improve the governance of public sector banks. Its mandate, as spelt out by the government, was to

recommend names for selection as heads of state-owned banks and financial institutions and help them develop strategies and capital-raising plans.

While the bureau has taken over a part of the appointment process, the final decision is taken by the Appointments Committee of the Cabinet. Also, the government on its own chooses non-official directors for bank boards. Raghuram Rajan, during his stint as governor of the Reserve Bank of India, had strongly favoured a role for the Banks Board Bureau in selecting non-official directors. As the bureau gained experience, it would make sense to allow these decisions also to be taken by it, Rajan had said. Over time, as the bank boards were professionalised, executive appointment decisions should devolve from the bureau to the boards themselves, Rajan had said.

Public sector bank executives said the bureau's working pace was perceived as slow. The time taken between selection and recommendation of candidates is considerable.

Plus, Rai has been speaking on a range of topics, from consolidation in banking to bad loans to governance. This has created the impression the bureau is working on all fronts, diluting its focus as a talent hunter. The bureau is not specifically engaged in driving banks to clean up their books, but Rai has commented on that as well with some authority. In August, Rai said banks' clean-up should precede their consolidation.

But the bureau has not been very proactive in building strong bank boards, going by the number of vacancies in key positions.

An RBI official familiar with the bureau's operations said work would gather pace in the second half of this financial year. Much of it will involve appointments and, perhaps, capital raising. Many top slots at public sector banks will become vacant in 2017 and 2018 and work has to start now.

RBI Deputy Governor SS Mundra warned about the severe talent crunch in public sector banks on Wednesday. "Of 20 CEOs, eight are retiring in 2017 and 10 are retiring in 2018," he said at the State Bank of India's banking and economic conclave.

"Executive directors, either already retired or retiring in 2016 is five; 2017- is seven; 2018-10; 2019-12; and only three remaining will retire in 2020, he said.

BOARD FOR WIDER ROLE

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2. Govt notifies Monetary Policy Committee

The MPC has been tasked with deciding benchmark interest rates, something which the RBI governor used to decide till now

Arup Roychoudhury

The government on Thursday notified the six-member Monetary Policy Committee (MPC), paving the way for it to decide key interest rates from the October 4 policy meeting onwards. Additionally, Reserve Bank of India Governor Urjit Patel also met Finance Minister Arun Jaitley in New Delhi ahead of the policy meeting.

The MPC has been tasked with deciding benchmark interest rates, something which the RBI governor used to decide till now.

"As per the provisions of the RBI Act, out of the six members, three members will be from the RBI and the other three members of MPC will be appointed by the central government," the finance ministry said in a statement on Thursday.

"The central government has accordingly constituted, through a gazette notification dated 29th Sept 2016, the Monetary Policy Committee of RBI," it said.

The three RBI members of the MPC are Patel, Deputy Governor R Gandhi, and Executive Director Michael Patra. The central government's nominees to the MPC are Chetan Ghate, an Indian Statistical Institute professor; Pami Dua, who teaches at the Delhi School of Economics; and Ravindra Dholakia, a professor at Indian Institute of Management-Ahmedabad.

The central government appointees to the MPC shall hold their posts for a period of four years. The MPC "would be entrusted with the task of fixing the benchmark policy rate (repo rate) required to contain inflation within the specified target level. A committee-based approach for determining the monetary policy will add lot of value and transparency to monetary policy decisions," the finance ministry said.

The meetings of the MPC will be held at least four times a year and it will publish its decisions after each such meeting.

The inflation target for the MPC and RBI to meet, of 4 per cent (+/-2 per cent) had already been notified by the government earlier. The target stands till March 31, 2021.

3. RBI pulls up banks for publishing photos of defaulters

Chided banks for publishing photos of defaulters & guarantors in newspapers even as they may or may not be categorised as wilful defaulters going by RBI's methodology

Anup Roy

The Reserve Bank of India (RBI) on Thursday chided banks for publishing photos of defaulters and guarantors in newspapers even as they may or may not be categorised as "wilful defaulters" going by RBI methodology. RBI, in a notification on its website, said there was "sensitivity involved" in publishing such photographs there was a need to "prevent the publishing of photographs of defaulting borrower/guarantor in an indiscriminate manner."

A lending institution can consider publication of the photographs of only those borrowers, "including proprietors/partners/directors/guarantors of borrower firms/ companies, who have been declared as wilful defaulters, following the mechanism set out in the RBI instructions referred to above," RBI said, adding the mechanism does not apply to the non-whole time directors who are exempted from being considered as wilful defaulters unless under special conditions.

Banks should therefore formulate a policy that clearly sets out the criteria based on which the decision to publish the photograph of a person is taken “so that the approach is neither discriminatory nor inconsistent,” the central bank said in its statement.

Financial Express

4. Here’s how to maximise tax benefits with 2 home loans

If you are thinking of buying your second home, here is some information to drive you in the right direction in terms of managing two home loans and increasing your tax benefits.

By: [Adhil Shetty](#)

If you are thinking of buying your second home, here is some information to drive you in the right direction in terms of managing two home loans and increasing your tax benefits.

Tax benefits with two home loans

The tax treatment for home loans is determined based on which of your properties is self-occupied. The other property is automatically considered rented out, whether or not it has actually been rented. For the property that you have deemed self-occupied, you are liable for tax relief both on the interest and principal amount you’re paying towards your home loan. You can claim a tax deduction of up to R1.5 lakh under Section 80C on principal repayment and R2 lakh under Section 24(B) for interest repayments.

For a second home loan, you will get tax deductions only on the interest repayment and not on the principal repayments. There’s no ceiling to the deductions towards interest payments on the second home loan. Therefore you can claim deductions on the actual interest paid. Also, tax benefits for the second home loan are limited for an under-construction property. You can avail a deduction on 20% of the total interest paid during the pre-construction phase for a five-year period.

Eligibility and managing debt

Let’s assume that you’ll take another home loan to fund the purchase of your second property. This could mean that you are servicing two or more loans simultaneously, and this could strain your finances. Let’s take a look at how best you can manage this situation.

Settle your existing debts:

It’s rarely easy paying multiple equated monthly instalments (EMIs). If you can close existing debts—be it your loans for car or home, a personal loan, or an outstanding credit card balance—it would strengthen your financial position, and also increase your eligibility for a new loan.

Use the 40% yardstick:

You should avoid over-leveraging. Ideally, your total loan EMI payments should not cross 30-40% of your monthly salary. If they do, it may be advisable to not take further credit. Lenders also will not be inclined to provide you further credit.

Calculation of second loan:

Banks will check your first home loan EMI payments and decide on the EMI for your second home loan. They will consider your monthly salary minus your first

EMI and other fixed loan obligations as your repayment capacity irrespective of your monthly earnings. If you are paying a high home loan EMI for your current loan, your repayment capacity would get reduced proportionally, impacting the EMI of your second loan.

Reason for your investment:

Have clear reasons for buying a second home. If you are looking for a second home as an investment, compare the returns on such an investment with returns from other financial instruments. If the idea is to earn a rental income, make sure to check your tax liability.

5. After crackdown on Bank of Baroda, PNB, HDFC, RBI turns on NBFC

The Reserve Bank of India on Thursday directed non-banking financial companies (NBFCs) to put in place a reporting system for recording frauds without delay and asked them to report frauds above Rs 1 lakh within three weeks of detection.

By: FE Bureau

The Reserve Bank of India on Thursday directed non-banking financial companies (NBFCs) to put in place a reporting system for recording frauds without delay and asked them to report frauds above Rs 1 lakh within three weeks of detection.

In case of frauds exceeding Rs 1 crore, NBFCs will have to file a demi-official letter to the chief general manager in charge of the department of banking supervision within a week from the date of detection, in addition to filing a report.

The central bank said instances of misappropriation, criminal breach of trust, fraudulent encashment, forgery, and manipulation of account books, cash shortages or irregularities in foreign exchange transactions must be reported by NBFCs as well as their subsidiaries and must be followed up frequently.

NBFCs are required to maintain progress reports on detected frauds and conduct quarterly and annual reviews of these events and ensure their security systems are up to date and adequate to catch frauds.

Meanwhile, the regulator also expects fraud reports in cases where central investigating agencies have begun criminal proceedings. Cases are permitted to be closed only after clearances from the police, court and other authorities, completion of examination of staff accountability, amount being recovered or written off, insurance claims being settled and the NBFC identifying the causes behind the fraud.

The measures from the RBI come after similar directions were given to all banks. In recent times, the central bank has cracked down on Bank of Baroda, Punjab National Bank and HDFC in connection with a foreign exchange scam last year.

6. Life insurance policy: Check out what magic of final additional bonus is all about

A life insurance policy is a long-term contract between the policyholder and the insurer for financial protection to the dependents if the policyholder dies during the tenure of the policy.

By: Kamalji Sahay

Life insurance policy is a long-term contract between the policyholder and the insurer for financial protection to the dependents if the policyholder dies during the tenure of the policy. Ideally, a policy should be for 25-30 years covering the earning span of a person's life.

It is argued by insurance customers that the sum assured fixed during the beginning of the term of the policy loses its economic value over a period of time and this financial protection may be inadequate when the need arises. This argument is valid as inflation erodes the purchasing power of a currency. It is a genuine apprehension that the sum assured under any policy may effectively look very small if claim arises after 20 to 25 years. The sum to be received on maturity may not adequately serve the purpose of supporting the policyholder during his post-retirement period.

Insurers have come out with the 'participating policy', which is profit sharing from the returns on the investment of the life fund in the markets. The life fund comprises premium amount left with the insurer at the end of each year after meeting its expenses, claims outgo and statutory obligations. The investment returns are also added to the fund every year subject to actuarial, regulatory and statutory guidelines. Policyholders who opt for with-profit plans enjoy the benefit of allocation of bonus to their policy as simple reversionary bonus which is vested in the policy every year and which enhances the total sum payable to the policyholders or their families on maturity, surrender or death. In long-term policies, the bonus amount often exceeds the amount of premium paid. But there is a further reward known as Final Additional Bonus (FAB) payable only on death or maturity. Insurers pay this amount for policies with a term of 20 years or more. In India, LIC, as the only insurer with policies maturing after 20 years, has been announcing FAB.

Policyholders may be entitled to an additional sum amounting to 33-180% of the sum assured under their policy if the term is 25-35 years and sum assured is R50,000-plus. The rate goes up with increase in term and sum assured. This amount, added to the sum assured and simple reversionary bonus, fully neutralises the effect of inflation on the final amount in the hands of the beneficiary.

This benefit only reinforces the fact that insurers act as trustees of the funds of policyholders. Insurers in the private sector are likely to follow LIC in this respect and reward their loyal customers. To experience the magic of the FAB, one must opt for long-term traditional plans and not exit by way of surrender or lapsation before maturity.

7. Small savings schemes interest rate cut by 0.1%

ET Bureau

Rate of interest on small savings schemes have been cut marginally by 0.1%. The popular National Savings Certificate and Public Provident Fund (PPF) will see their interest rates come down to 8.0% in October-December quarter from 8.1% in April-Jul quarter. Interest rates for small savings schemes are reset every quarter now.

The Kisan Vikas Patra will now pay out 7.7% instead of 7.8% and mature in 112 months instead of 110.

Senior citizens deposit scheme will now fetch 8.5%. Interest rate on Monthly Income Account scheme will come down to 7.7% from 7.8% in the previous quarter. The new rates will come into effect from October 1 and will remain in force till December 31. Interest rate for savings deposit remains unchanged at 4%, according to the notification issued by the finance ministry late Thursday.

Business Line

8. RBI Governor meets Jaitley ahead of monetary policy review

K.R. SRIVATS

Ahead of the monetary policy review on October 4, Reserve Bank of India Governor Urjit Patel met Finance Minister Arun Jaitley here on Thursday. This will be Patel's first monetary policy review after assuming charge as Governor on September 4.

Patel did not offer any comment on his meeting with Jaitley.

The upcoming monetary policy review assumes significance as it is likely to be the first meeting when the newly-formed monetary policy committee (MPC) will go about with the task of setting interest rate — a decision hitherto taken by the RBI Governor.

The Government had last week named three academics to join the RBI Governor, his deputy in charge of monetary policy and another RBI executive, on the new MPC.

There are expectations that policy rates would be cut in the upcoming review in the backdrop of easing inflation.

The RBI had since January 2015 reduced policy rates by 150 basis points with an aim to boost economic growth.

Monetary policy committee

The Centre on Thursday notified the constitution of the monetary policy committee (MPC) with six members. While the RBI Governor will be the Chairperson (ex-officio) of the MPC, the Deputy Governor of RBI in charge of monetary policy and one officer of the RBI to be nominated by the central board will be ex-officio members.

Chetan Ghate, Professor, Indian Statistical Institute (ISI); Professor Pami Dua, Director, Delhi School of Economics (DSE), and Ravindra H. Dholakia, Professor, Indian Institute of Management (IIM), have been notified as members of the committee.

MPC members shall hold office for a period of four years, with immediate effect or until further orders, whichever is earlier, according to the notification.

It may be recalled that the Reserve Bank of India Act, 1934 (RBI Act) had been amended by the Finance Act, 2016, to provide for a statutory and institutionalised framework for a MPC for maintaining price stability, while keeping in mind the objective of growth.

The MPC would be entrusted with the task of fixing the benchmark policy rate (repo rate) required to contain inflation within the specified target level. It is felt that a committee-based approach for determining the monetary policy will add lot of value and transparency to monetary policy decisions. The meetings of the MPC would be held at least four times a year and it shall publish its decisions after each such meeting.

The Centre had, in August, this year, in consultation with the RBI, notified the inflation target of 4 per cent till March 31, 2021. An upper tolerance level of 6 per cent and lower tolerance level of 2 per cent has also been specified.

9. Govt invites applications for RBI Deputy Governor's post

OUR BUREAU

The Government has invited applications for the post of Deputy Governor in the Reserve Bank of India.

Going by the eligibility criteria listed out in the notification, which calls for people with work experience in public administration or with Indian/ international public financial institution to apply, it appears the government is looking to fill the vacancy that will be created in July 2017 when SS Mundra completes his three-year term as Deputy Governor.

Among the four Deputy Governors, two are from RBI. The third Deputy Governor is an Economist, who could either be an external or internal candidate, and the fourth Deputy Governor is usually a commercial banker. Persons with at least 25 years work experience in public administration, including experience at the level of Secretary or equivalent in the Government of India, will be eligible to apply.

Merit, track record

The other candidates who can apply are — those who have at least 25 years work experience in an Indian or international public financial institution or those of exceptional merit and track record at the national or international level in the relevant fields.

The term of appointment will be for a period of three years, with eligibility for re-appointment.

According to the notification, the Financial Sector Regulatory Appointments Search Committee can also make nominations of eligible and qualified candidates for the Deputy Governor's post. This Committee can also recommend relaxation in the eligibility and qualifications/ experience criteria in respect of outstanding candidates.

Strong contender

The vacancy created by the elevation of Urjit Patel as Governor is also likely to be filled soon by the government. According to RBI insiders, MD Patra, Executive Director, is a strong contender for the position of Deputy Governor in the Economist category.

With kind regards,

Yours Comradely,

A handwritten signature in blue ink, appearing to read 'N. Govindrajulu', with a long, sweeping flourish extending to the right.

(N. GOVINDRAJULU)
GENERAL SECRETARY