



ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION
(Affiliated to All India Bank Pensioners & Retirees Confederation – AIBPARC)
163/4, Kutchery Road, Mylapore, Chennai - 600004
E mail i.d: aiubparf@gmail.com/ ubioatnng@gmail.com/ suryanarayananram@gmail.com

Com. P.B. Thomas
Chairman
Thiruvananthapuram
M: 09447177456

Com. Nitin Desai
President
Ahmedabad
M: 097277 60641

Com. S. Bagchi
Working President
Kolkata
M: 0983081586

Com. N. Govindarajulu
General Secretary
Chennai
M: 09841089111

Dear Comrades,

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News of Interest 24th APR

MOTIVATIONAL QUOTES

“OUR GREATEST WEAKNESS LIES IN GIVING UP. THE MOST CERTAIN WAY TO SUCCEED IS ALWAYS TO TRY JUST ONE MORE TIME”.

THOMAS A. EDISON

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Business Standard

1. PM Modi asks states to speed up clearance of GST Bills

Views sought on changing financial year to Jan-Dec, simultaneous polls

[Sanjeeb Mukherjee](#) & [Indivjal Dhasmana](#)

Prime Minister Narendra Modi on Sunday asked states to work with the Centre as “Team India” to introduce the goods and services tax (GST) in time. He also sought their views on changing the financial year to January-December (from April to March), as well as simultaneous general and Assembly polls.

Chairing the NITI Aayog’s Governing Council meeting, which also comprises chief ministers, he sought their views on the three-year agenda prepared by the body. This lays emphasis on reforms in governance and taxes, with higher spending on health

and education. Its 15-year vision document envisages tripling the country's real (adjusted for inflation) gross domestic product (GDP) and per capita income by 2031-32.

If GDP grows at this rate, every one should ideally have access to at least a two-wheeler and an air conditioner in 15 years, the document says.

The PM was also in favour of putting in place the same start and closing dates for a Pay Commission and a Finance Commission. He also suggested states that they check institutions from encroaching on each other's domain.

Modi said the legislative arrangements at the state level for GST should see no delay. Revenue Secretary Hasmukh Adhia, who made a presentation, added his urging. Parliament has cleared four GST Bills but states are yet to clear their respective ones. Modi termed the final consensus on GST as being in the spirit of cooperative federalism. He said the vision of a "New India" could be realised only through the combined effort and cooperation of all states. He gave credit to all CMs for finally coming together on the issue, keeping aside ideological and political differences.

He said there were suggestions to have the financial year from January to December. He wanted states' reactions and also suggested they take initiative on the idea.

The PM said old ways of governance must change. He asked states to hasten on capital expenditure and infrastructure development, with the Union Budget for the current financial year already effected on allocation, thanks to the presentation of accounts having been pushed forward.

He also mentioned the ending of the distinction between Plan and non-Plan expenditure, based on the recommendation of the Rangarajan committee report of 2011. Several important items of expenditure were included as non-Plan and hence neglected, he said. The emphasis would now be on distinguishing between development and welfare expenditure on the one hand and administrative overheads on the other.

He said there had been a 40 per cent increase in overall fund allocation to states from 2014-15 and 2016-17, while the proportion tied to central schemes had declined from 40 per cent earlier to 25 per cent of the enhanced total. The PM said the theme of regional imbalance was raised by a number of CMs. This had to be addressed on priority, both nationally and within states. He urged states, local governments, and non-government bodies to decide goals for 2022 and work in a mission mode to achieve these. The PM also told the Aayog to look at issues like how to reduce urea usage by 10 per cent by 2022. He called upon states to use the Government e-Marketplace initiative to reduce corruption and increase transparency in procurement. He said the use of technologies such as BHIM and Aadhaar would result in significant savings for states.

Mentioning the District Mineral Fund, the one for compensatory afforestation and the construction workers welfare fund, he said these would be a significant boost to state resources. And, asked the Aayog to come up with a plan for better utilisation of such funds.

The body is working on three-year action agenda and a 15-year long-term vision document, to replace the earlier five-year Plan process. The PM said this needed support of states.

The body has suggested 300 specific action points on accelerating of economic growth. These formed part of a presentation made by its vice-chairman, Arvind Panagariya.

"The first segment of the three-year action agenda will have details on how the country's expenditure can be increased on health, agriculture, etc," he said.

Broad outlines of the 15-year vision document envisage, among other things, housing for all with toilets, cooking gas, electricity and digital connectivity, access to two-wheelers or cars, air conditioners, and other such "white goods" for nearly all, a literate population with access to health care, a much larger and modern network of roads, rail, waterways and air connectivity, and a clean India, with cleaner air in cities and villages.

Aayog Chief Executive Officer Amitabh Kant apprised the gathering of the work done by the think-tank on transforming the economy and cooperation with states in education, health and infrastructure.

2. HDFC Bank headcount falls for second quarter in a row, down by 6,100 in Q4

In the preceding Oct-Dec 2016 quarter, the headcount had come down by 4,581 employees

[Press Trust of India](#) |

For the second successive quarter, there was a massive drop in HDFC Bank's headcount that came down by over 6,000 to 84,325 owing to increased digitalisation in the March quarter and it expects the trend to continue.

The second largest private lender's senior management hinted this trend of falling staff strength may continue as greater efficiencies set in.

"This is really a function of...What is happening on the digital side. We do believe that with increased digitisation, certain lines of transaction like counters etc actually reduce," deputy managing director Paresh Sukthankar told reporters in Mumbai.

The bank's total headcount came down by 6,096 during the January-March 2017 period - from 90,421 to 84,325 - which was one of the main drivers for the massive improvement in the cost-to-income ratio to 42.4 per cent from 44.9 per cent a year ago.

In the preceding October-December 2016 quarter, the headcount had come down by 4,581 employees, which helped in the cost-to-income ratio improve to 43.8 per cent.

Sukthankar explained that while digital technologies, which helped the bank introduce products like instant personal loans, help reduce reliance on people, network expansion requires additional manpower.

"Natural attrition" leads to drive down the total number of employees as newer hands are not hired as replacements for those who have resigned, he said. "We still believe there is room to continue to go down that path."

It is understood that the bank has an attrition level of 21-22 per cent per year, which is within the industry average.

The bank's staff strength reached a peak in September 2016 at 95,002 employees.

In fiscal 2017, the bank's headcount declined by 3,230 to 84,325, while the same had increased by 10,729 in the previous fiscal.

Economic Times

3. India Post Payments Bank to start selling MF, insurance products by March 2018

BY PTI

India Post Payments Bank (IPPB) will start selling mutual funds and insurance products of other companies by early 2018 and is open only to "non-exclusive" tie-ups, its Chief Executive A P Singh has said.

Nearly 100 firms, both domestic and foreign, have evinced interest in partnering the government-promoted IPPB.

In an interview to PTI, Singh said that IPPB will start full-fledged operations in every district of the country by September 2017. The bank had launched its pilot project with a branch each in Raipur and Ranchi on January 30 this year.

Asked about plans to diversify and sell third party products through its platform, Singh said he is looking at offering only those products which customers can easily understand.

"We will sell third-party products, but it is a question of biting as much as I can chew. We basically will provide a platform and the idea is to open it to everyone on a non-exclusive basis," he said.

Singh said the IPPB will curate third party products before selling it so as to ensure that it is simple for customers.

Also, there would not be any training of staff necessary as no individual product of any specific company is to be sold.

Asked when the IPPB would be ready to sell third party products, Singh said "by first quarter of the calendar year 2018 it should be there".

As per RBI norms, Payments banks have to focus on providing basic financial services, including social security and utility bill payments, remittance functions, and can mobilise deposits of up to Rs 1 lakh.

Also, they can distribute insurance, mutual funds and pension products, and act as business correspondent for other banks for credit products.

As many as 100 entities including IDBI Bank, HSBC, Axis Bank, Deutsche Bank, Barclays Bank, Citibank, SBI and LIC have evinced interest in partnering with IPPB for various functions given the unmatched rural reach India Post has.

The list of insurance companies which have approached the payments bank include HDFC Life, ICICI Prudential, Max Life Insurance and Bajaj Allianz Life.

"I don't want to get into selection bias or exclusive relationships. I am clear that I am built by public money, I am offering a public platform and I don't want to appropriate the Post Office exclusively for a particular company. This infrastructure must remain open for everyone," Singh said.

He said IPPB's sales force would not advise customers on third party products and instead offer just a table depicting the returns that a simple group term insurance product or an Index Mutual Fund would offer to a customer.

"The thumb rule is if you sell you don't advise, if you advise you don't sell. We will basically be selling, we won't be advising. You cannot both advise and sell, it is a conflict of interest," Singh said.

As part of its expansion drive, IPPB plans to open 650 new branches by September. The Postal Department at present has a network of 1.55 lakh post offices and the new branches will be set up within the them.

Business Line

4. YES Bank slips on asset quality

RADHIKA MERWIN

It wasn't all smooth sailing for YES Bank in the March quarter. While core performance was on a strong wicket with loan book growing a robust 35 per cent year-on-year, the nasty jolt on the asset quality front has dampened investor sentiment. Bad loans during the March quarter doubled sequentially to around ₹2,000 crore. The sharp increase was in accordance with the divergences observed by the RBI. The central bank recently issued a circular that requires banks to make suitable disclosures in instances of material divergences in banks' asset classification and provisioning from the norms.

The increase in YES Bank's non-performing assets (NPAs) pertains to one borrower with gross exposure of 0.69 per cent of loans (₹911.5 crore). This slippage could weigh on the stock, even while the robust 30 per cent growth in earnings is a key positive, given the uncertainty surrounding the performance of other private lenders such as ICICI Bank and Axis Bank.

5. SBI merger: Customers bank on better online services; expect crowded branches, too

ASEEM GUJAR

Omprakash Prajapati, an owner of a small enterprise who maintained an account in the erstwhile State Bank of Bikaner and Jaipur (SBBJ), had not even heard about the merger of his bank with the State Bank of India until he visited the Mulund branch here last week. But once there, Prajapati said he realised the importance of the move.

"I think it is a good step. Also, my other accounts in the State Bank (of India) can now be easily linked with this account." he said as he walked out.

Customers of the former associate banks are, by and large, finding the merger of their banks with the SBI beneficial. "I don't really mind as long as the staff is not changed. This bank was very homely." said Bhagyashri Kale, a senior citizen who gets her pension at the same branch.

On April 1, the SBI merged its five associate banks and the Bhartiya Mahila Bank into itself, and began operations as a single entity. The branches of the former associate banks are presently easily distinguishable, with their re-branded signage set against a navy-blue backdrop.

Asked whether there was an added sense of security and stability by being with a larger bank, Rajendra Sagvekar, a Central Railway employee, said the only matter of concern for customers like him would be the possible over-crowding at the branches. "As other SBI customers can also avail themselves of services from my bank, there could be more crowd. But it's a good move, no doubt. SBBJ did not have much of online services; but now, SBI's apps will come in handy." Sagvekar said.

Over the past two weeks since the merger, customers have not been through much hassle as there has been no change in account numbers or even IFSC codes. In fact, most branches still use stationery with the old branding.

Umesh Kumar, Chief Manager at the corporate accounts branch of the former State Bank of Mysore at Church gate, explained this is not an overnight change. "Right now, only the name of the banks has changed. The SBI will start the data-merging of the six banks from April 24, one by one. Then it decide on which branches to keep and which to close down. The bank has also announced a Voluntary Retirement Scheme, and about 800 employees of our bank have applied for it. So this way, the staff will also get reduced. And some employees will get transferred to branches which have shortage of staff. It is a matter of pride, as an employee, to be associated with such a big institution."

A corporate customer of the same branch said: "State Bank of Mysore had limited branches — there were only 25-30 branches in Mumbai; but now we can use any SBI branch," emphasising the ease of transaction that comes with the 22,000-strong branch network of the SBI.

6. Are bank frauds a technology lapse?

R. K. RAGHAVAN

The hacking of the IT system of the Union Bank of India that occurred in July 2016 has been revealed to the public only now. The reasons for this abnormal delay are not readily known.

From the face of it, the attack was not just a daring misadventure by unknown miscreants. It was also a culpable goof-up by one or more bank employees, raising serious questions about the security drill and training in place at the institution. It throws up huge concerns about the quality of online security that banks in India provide to their customers.

The only redeeming feature of the unfortunate episode was that the bank ultimately did not lose any money because of some smart and quick action on its part, which denied payment to those who formed part of the conspiracy. The commendable response to a crisis may mitigate the failure of the security system. It does not however allay misgivings about future arrangements at the bank.

Not technological

From the facts admitted to by Union Bank, the intrusion was not because of a lack or the failure of technology. It was the product of intruder ingenuity and the carelessness of one or more bank employees.

According to facts known till now, this was a triumph for the art of pure and simple phishing which, in simple terms, meant the generation by criminals of a deceptive and fraudulent mail addressed to the victim (either an individual or an organisation).

Everything on the mail would appear normal, as if it emanated from an authorised and trustworthy source, in this case, the RBI (@rbi.org.in). Union Bank was not a specific target, it was chosen at random. The mail in question sought some sensitive information (passwords, user names from the recipients (about 15 Union Bank employees). Three employees smelt a rat and promptly reported it to the bank's IT department. At least one committed the supreme folly of opening the mail and facilitating entry of a malware carried by the bogus mail into the bank's servers.

Thereafter it was a kill for the hackers, who transferred nearly \$170 million to two Cambodian banks, and one bank each in Thailand, Taiwan and Australia. The *modus operandus* seen here had a lot of parallels to the heist reported by the Central Bank of Bangladesh in February 2016, when marauders gained access to the SWIFT

(Society for a Worldwide Interbank Financial Telecommunication) code that regulates receipt and despatch of details on international bank transactions.

Timely detection

The fraud at the Union Bank was detected before the transfer could be made. This was possible due to the healthy bank practice of preparing a reconciliation statement at the end of each working day. The blunder committed by the fraudsters in deleting from that statement the six criminal transactions made earlier in the day was an utter giveaway.

Investigations revealed that there was no insider collusion, nor was there a technical glitch. This was basically an act of deceit perpetrated on unwary and possibly ill-trained bank employees. It is easy to blame the bank management. I wouldn't do that.

It is the experience world over that no amount of education and training can help prevent such mishaps. It is difficult to find a single hard-working and devoted human worker who does not relax his vigil even for a second.

Mind you, banking is a stressful calling, and this accounts for the extreme vulnerability of banks. What was admirable was the ability of the senior management of Union Bank to react swiftly to a first class crisis. It is this capacity that should be built up assiduously by any organisation.

In this respect, VIP security and bank security have something in common. Both can fail in a moment due to lack of care and the extreme stress and fatigue of the arduous exercise of protection. It is ironical that, at the end of the day, technology takes a back seat to criminal skill.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY