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Dear Comrades,

29th June , 2017

News of Interest 29th JUNE

MOTIVATIONAL QUOTES

“WHEN UNHAPPY, ONE DOUBTS EVERYTHING; WHEN HAPPY, ONE DOUBTS NOTHING. “
JOSEPH ROUX

HIGHLIGHTS

- 1. 7TH PAY COMMISSION: HIGHLIGHTS OF CABINET NOD ON ALLOWANCES FOR GOVT STAFF**
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Business Standard

1. 7th Pay Commission: Highlights of Cabinet nod on allowances for govt staff

Here are the details of the 7th Pay Commission recommendations as approved by the Union Cabinet

IANS

Following are highlights of the approval given by the Cabinet to the recommendations of the 7th Central Pay Commission (CPC) on allowances with some modifications.

* House Rent Allowance will be paid at 24, 16 and eight per cent for X, Y and Z categories of cities, respectively.

- * HRA will not be less than Rs 5,400, Rs 3,600 and Rs 1,800 for X, Y, and Z categories of cities, respectively, calculated at 30, 20 and 10 per cent of minimum pay of Rs 18,000.
- * The CPC recommended revision of HRA when DA reaches 50 per cent and 100 per cent. The government decided to revise rates when DA crosses 25 per cent and 50 per cent, respectively.
- * Siachen Hardship Allowance increased to Rs 42,500 per month.
- * For JCOs and Other Ranks, the hardship allowance for Siachen will be Rs 30,000 compared to the 7th Pay Commission's recommendation of Rs 21,000. The JCOs and ORs were getting Rs 14,000 per month as hardship allowance for Siachen at present.
- * For the defence personnel in peace areas, Ration Money Allowance will now be given in "cash" and it will be directly transferred to their bank accounts.
- * Allowances like washing, uniform, kit maintenance, outfit have been rationalised and subsumed in the newly-proposed dress allowance to be paid annually in four slabs Rs 5000, Rs 10,000, Rs 15,000 and Rs 20,000 per annum for various categories of employees.
- * Rate of Children Education Allowance has been increased from Rs 1,500 per month per child (maximum 2) to Rs 2,250. Hostel Subsidy will also go up from Rs 4,500 to Rs 6,750 per month.
- * Existing rates of Special Allowance for Child Care for Women with Disabilities has been doubled from Rs 1,500 to Rs 3,000 per month.
- * Higher Qualification Incentive for Civilians has been increased from Rs 2,000 and Rs 10,000 (grant) to Rs 10,000 and Rs 30,000 (grant).
- * Technical allowance of Rs 3,000 to Rs 4,500 per month being paid to defence personnel belonging to technical branches has been merged with Higher Qualification Incentive.
- * The facility of one additional free railway warrant (Leave Travel Concession) presently granted to personnel of defence forces serving in field/ high altitude/ counter-insurgency shall also be extended to all personnel of Central Armed Personnel Forces (CAPFs) and the Indian Coast Guard.
- * Rates of high altitude allowance granted to defence forces and CAPF personnel will go up from Rs 810 and Rs 16,800 per month to Rs 2,700 and Rs 25,000 per month, respectively.
- * The rates of field area allowances will go up from Rs 1,200 to Rs 12,600 per month to Rs 6,000 to Rs 16,900 per month, respectively. Classification of field areas for this allowance will be done by the Ministry of Defence for defence personnel and by Ministry of Home Affairs for CAPFs.
- * The rates of Counter-Insurgency Operations Allowance granted to defence and CAPFs will go up from Rs 3,000 and Rs 11,700 per month to Rs 6,000 and Rs 16,900 per month, respectively.
- * The rates of MARCOS and Chariot allowances granted to marine commandos of the Indian Navy will go up from Rs 10,500 and Rs 15,750 per month to Rs 17,300 and Rs 25,000 per month, respectively.
- * The 12-hour conditionality for determining the eligibility of Sea Going Allowance granted to the Indian Navy has been reduced to four hours. The rates will go up from Rs 3,000 and Rs 7,800 per month to Rs 6,000 and Rs 10,500 per month, respectively.

* The rates of Commando Battalion for Resolute Action (COBRA) Allowance granted to Central Reserve Police Force personnel deployed in Maoist-hit areas will go up from Rs 8,400 and Rs 16,800 per month to Rs 17,300 and Rs 25,000 per month, respectively.

* Special Incident/ Investigation/ Security Allowance has been rationalised. The rates for Special Protection Group (SPG) have been revised to 55 per cent and 27.5 per cent of basic pay for operational and non-operational duties, respectively.

2. India needs own path to implement global banking norms: Y V Reddy

India needs to develop its own path to attain capital adequacy for public sector banks (PSBs) as required by the Basel III global norms, former RBI Governor Y V Reddy said today

By: PTI

India needs to develop its own path to attain capital adequacy for public sector banks (PSBs) as required by the Basel III global norms, former RBI Governor Y V Reddy said today. The finance ministry, incidentally, had made a case recently for pushing back the Reserve Bank's deadline for implementing these norms in view of higher capital requirement to deal with bad loans which have reached unacceptable levels. "Basel III banking norms are sort of guidelines in international standards. In principle we want to go towards the Basel III banking norms. The pace of implementation is left to each country," Reddy told PTI in an interview.

"I think it is appropriate that India decided its own path to the comprehensive Basel III norms. So I would not consider it as an unwelcome thing, if it is being done wisely, I am sure," he said. In a recent meeting with RBI, senior officials from the finance ministry pitched for deferring the implementation of Basel III norms beyond March 2019, saying it will help banks meet the capital needs and increase credit flow to productive sectors along with balance sheet clean-up. These global capital to risk norms, called Basel III capital regulation, are being implemented in phased manner by Reserve Bank of India since April 1, 2013. They are to be fully implemented as on March 31, 2019.

As per the norms, banks have to maintain a minimum common equity ratio of 8 per cent and total capital ratio of 11.5 per cent by March 2019. Most of the 21 state-owned banks are already above the average prescribed by RBI as of now but there are 6 PSU banks including IDBI Bank, Bank of Maharashtra and Central Bank of India, which have been put under prompt corrective action (PCA) requiring course correction and higher capital to come out of poor financial health. However, provisioning levels for the Indian banking sector have risen sharply over the last few quarters in response to rising bad loans, with the RBI's asset quality review initiated in December 2015 pushing the bottom line of several PSBs into the red.

Their toxic loans rose by over Rs 1 lakh crore to Rs 6.06 lakh crore during April-December of 2016-17, the bulk of which came from power, steel, road infrastructure and textile sectors. Gross nonperforming assets (NPAs) or bad loans of PSBs nearly doubled to Rs 5.02 lakh crore at the end of March 2016, from Rs 2.67 lakh crore at the end of March 2015. Finance Minister Arun Jaitley has announced capital infusion of Rs 10,000 crore for PSBs in the current fiscal in line with the Indradhanush scheme. This will be over the Rs 70,000 crore that banks will get as capital support from the government. Of this, the government has already infused Rs 50,000 crore in the past two fiscals and the remaining will be pumped in by the end of 2018-19.

As per the scheme, PSBs need to raise Rs 1.10 lakh crore from markets, including follow-on public offer, to meet Basel III requirements, which kick in from March 2019. According to sources, discussions are ongoing with RBI and the finance

ministry has made the point of deferring Basel III norms given the circumstances. RBI had already extended the deadline from March 2018 to March 2019 in 2014 after getting representation from various quarters. The implementation may necessitate some lead time for banks to raise capital within the internationally agreed timeline for full implementation of the Basel III capital regulations, RBI had said.

RBI believes that there is a set framework and it should not be disturbed and any divergence from Basel III norms by the RBI can impact the perception on Indian banks and the central bank globally. Basel III reforms are the response of Basel Committee on Banking Supervision (BCBS) to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spill over from the financial sector to the real economy.

Following the global financial crisis 2007-08, during Pittsburgh summit in September 2009, the G20 leaders committed to strengthening the regulatory system for banks and other financial firms. They aimed at implementing strong international compensation standards aimed at ending practices that lead to excessive risk-taking, to improve the over-the-counter derivatives market and to create more powerful tools to hold large global firms to account for the risks they take. As a result of this Basel II replaced Basel III reforms on capital regulation.

3. UCO Bank to raise ₹3,000 crore this fiscal; plans to turn profitable in FY19

OUR BUREAU

Kolkata-based UCO Bank is planning to raise Rs. 3,000 crore this fiscal and turn profitable by FY19. The turnaround plan will be finalised within a week.

According to sources, the Reserve Bank of India (RBI)'s directive to UCO Bank to take prompt corrective action (PCA) could impact the lender's fund-raising plans.

PCA means strictures on lending and branch expansion, change in management and reduction in assets in order to improve the financial health of the bank.

Also, rating agency ICRA has downgraded the bank's tier-II bonds worth Rs. 1,300 crore due to weak financial performance in the past year. The agency believes that losses in the last two fiscals and high levels of non-performing assets (NPAs) will keep the bank's capitalisation levels and solvency profile weak going forward.

Fund raising

According to Charan Singh, Executive Director, UCO Bank, the PSU lender will look to raise a part of this Rs. 3,000 crore from Life Insurance Corporation of India (LIC), while it will also explore other fund-raising options like follow-on issue or QIP .

In FY17, LIC had pumped in a little over Rs. 270 crore in the bank by way of preferential allotment of equity shares.

UCO Bank has already got approval from its board and shareholders to sell up to 75 crore equity shares. Accordingly, it plans to sell shares to raise Rs. 3,000 crore of fresh capital.

"We will not go for rights issue as it will further raise the Government's stake in the bank. We may look to raise fresh capital by approaching the LIC where we have some headroom. This apart, we are exploring other possible options," he told reporters on the sidelines of the bank's annual general meeting

UCO Bank needs capital not only to support credit growth but also to provide for non-performing assets (NPAs). The bank's gross non-performing asset level (GNPA) stood at 17.12 per cent, while net NPA was 8.94 per cent in FY17. The bank had reported a net loss of Rs. 1,851 crore last fiscal.

Turnaround plan

Meanwhile, the turnaround plan – that the bank is working on with SBI Caps – is likely to be finalised in the “next two-to-three days”.

The turnaround plan envisages branch rationalisation – merger of unprofitable branches or merging many branches in the same location, bringing down the number of zonal offices and so on.

Already 14-odd branches have been merged, Singh said, adding that the process was an “on-going one”.

In terms of credit growth, the bank is eyeing a modest 6-7 per cent in FY18, while the immediate focus would be bring down non-performing assets. “We should be profitable in FY19,” he said.

4. Bank unions plan strike on Aug 22

VINSON KURIAN

The United Forum of Bank Unions (UFBU) has decided to strike work on August 22 against what it called attempts to destroy the banking sector. The decision was taken at a meeting of the UFBU held in Mumbai on Wednesday.

Ahead of August 22, the UFBU said that it proposes to launch other forms of agitation from July 19, the bank nationalisation day. It wants an immediate stop to moves aimed at merger of banks and their privatisation.

The Financial Resolution and Deposit Insurance Bill in its current form is another matter of contention. The UFBU wants this Bill scrapped altogether. It also opposed all ‘moves’ to write off corporate loans.

While demanding that wilful defaulters be declared as criminals, it wanted the government to implement recommendations made by the Parliamentary Standing Committee in the matter of resolving the issue of non-performing assets (NPAs).

The UFBU criticised what it called moves to pass on the NPA burden to customers in the form of service charges. It further demanded that the GST rate of 15 per cent on banking services be rolled back.

Reimbursement of expenses incurred during the demonetisation and Jan Dhan campaigns was another major demand. Employees need to be paid extra for working on holidays and sitting later hours during demonetisation.

Employees and officers had worked under lot of stress, endured a lot of difficulties, braved manpower shortage, and took up increased volume of work to see that the campaigns reached their logical conclusion.

Other demands included recruitment of adequate staff, amendment of Gratuity Act, and restoration of compassionate appointments in banks.

5. Experts, bankers differ on liability for loss of locker items

PTI

Consumer rights experts feel that banks are shirking their liability towards loss or damage of items kept in their lockers and not taking responsibility for it amounts to 'deficiency in service'.

Days after an RTI response by the RBI and several banks that there is no compensation for loss of valuables in lockers, officials of both the PSU and private banks are passing the buck to the consumers, saying clients do not disclose the contents of the safe deposit box.

The bank officials, who did not want to be identified, were of the view that burglary beyond the security cover provided by a bank was not covered under the agreement between the customer and the bank.

The RTI disclosure by the Reserve Bank of India (RBI) and 19 PSU banks had said that they were not liable for damage to the locker contents by any cause, including fire or natural calamities.

Consumer experts say it will be prudent to bring transparency on what is kept in lockers so that the banks can insure the contents against any damage or loss by burglary, as bank officials are taking refuge under the reason of non-disclosure of locker contents.

Disagreeing with the experts that annual fee charged for lockers made the bank liable for all safety aspects, including loss and damage to valuables, the bank officials said that the annual fee in respect of lockers was only charged for 'safe keeping'.

However, they have not elaborated on what is meant by 'safe keeping' and whether failure to do so will entitle the consumers for compensation.

Consumer rights expert and founder of Consumer Online Foundation, Bejon Misra, told PTI, "The government, the RBI and the banking industry cannot wash off their hands and earn money from consumers and not be made liable or accountable for quality of service for which the customers are paying rental."

Kush Sharma, a lawyer who handles consumer cases, said the banks should take the responsibility of insuring the locker contents.

To achieve this objective, he said, "There should be transparency in what is being kept in the lockers, especially when the government is focused on bringing in transparency in all financial activities."

Sharma said that once there is transparency regarding articles kept in the locker, the banks can opt for group insurance.

Misra, who also shared a similar view, said there should be a law mandating the people to declare what is being kept inside the lockers so that the same can be insured by the banks.

He also claimed that the present policy of the banks of not accepting responsibility for the contents of the lockers was due to the reason that this business was "no longer lucrative".

He said that since the November 8, 2016 demonetisation and with the government's focus on declaration of wealth, including jewellery and property, the use of lockers to store undeclared assets has been reduced by the public.

"Therefore, the business of lockers is no longer profitable," Misra said and added that the banks are now trying to wriggle out of the liability.

"It (a bank not being liable for loss of locker contents) is an anti-consumer policy," he said.

Misra said the compensation can be determined by the consumer commissions or forums according to the facts of each case.

The facts of a case can be verified by the police when the consumer or the bank lodges an FIR subsequent to a burglary, he said.

Sharma, a locker user, said he felt cheated after he came to know that the banks were not liable for the damage or the loss of the content in the safe deposit boxes.

He said he was under the impression that the contents in the locker would be secure and insured and added that now he felt that it would be better to keep his valuables at home after insuring them.

Lawyer Kush Kalra, who had sought information under the transparency law, has now moved the Competition Commission of India (CCI) alleging 'cartelisation' and 'anti-competitive practices' by the banks in respect of the locker service.

He has informed the CCI that the RTI response from the RBI has said it has not issued any specific direction in this regard or prescribed any parameters to assess the loss suffered by a customer.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY