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**Dear Comrades,**

**8th March , 2017**

**News of Interest 8th MAR**

**MOTIVATIONAL QUOTES**

**"THINGS DO NOT HAPPEN. THINGS ARE MADE TO HAPPEN. "**

**JOHN F. KENNEDY**

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**Business Standard**

**1. Note ban might affect some sectors in Q4: RBI**

Remonetisation should be completed in 2-3 months, says RBI Deputy Governor Viral Acharya

[Indivjal Dhasmana & PTI](#)

The impact of demonetisation might be seen on some sectors of the economy in the fourth quarter (January to March, Q4) of the current financial year (2016-17, FY17), said Reserve Bank of India Deputy Governor Viral V Acharya on Monday. He added the remonetisation exercise should be completed in two to three months.

Prime Minister Narendra Modi had announced the demonetisation of old Rs 500 and Rs 1,000 notes on November 8. Economists and analysts had expected the ensuing

cash crunch to adversely affect gross domestic product (GDP) growth in the third quarter (October-December). But with growth at 7 per cent, note ban seemed to have not affected the economy at all.

Asked if the spillover of demonetisation could extend to the January-March quarter, Acharya, who came to participate in the G-20 preparatory meeting in the finance ministry, said the impact could be felt in some segments. "Ultimately, the cash shortage is like the liquidity shock and unless it had led to a substantial wealth destruction, one would expect its effects to be quite temporary. I'm not saying that the temporary impact is not hard on some parts of the economy; you would expect the effect to be temporary," he said

There may be a couple of sectors, such two-wheeler sales, where there is slightly slower rebound, he said.

Asked about the GDP estimate, he said, "You can see our MPC (Monetary Policy Committee) resolution, which is that our estimate was actually reasonably close to that (of CSO estimate). Of course, the drivers may have been slightly different."

He said there were a couple of issues people have raised — how much of the informal sector gets fully captured other than through its links to the formal sector — which would be interesting and worth thinking about.

For the entire 2016-17, GDP growth was projected to be 7.1 per cent in the second Advanced Estimates, the same as the first Advanced Estimates. This was despite the fact that the first Advanced Estimates did not take into account the impact of demonetisation, while the second Advanced Estimates did so.

Acharya also said the impact of the note ban would only be temporary and would help in bringing informal sector into the mainstream. "I think everyone should keep in mind that the remonetisation is taking place at a very fast pace. We have some way to go, but I think we expect that within two to three months we will reach full currency in circulation. It will be slightly lower, but it is in that ballpark (number)," he said.

The newly appointed RBI deputy governor also said asset quality review (AQR) is on the track. The RBI had set a deadline of March 2017 for completion of the AQR exercise for public sector banks.

It had embarked on the AQR exercise in December 2015 and asked banks to recognise some top defaulting accounts as non-performing assets (NPAs). This has had a debilitating impact on banks' numbers and their stocks. The move resulted in a spike in bad assets with lenders recognising over Rs 1 lakh crore of bad assets in the December quarter alone.

## **2. You can now switch from EPF to NPS and it's not taxable: Here's how**

Pension Fund Regulatory and Development Authority has issued broad guidelines

[BS Web Team](#)

India's pensions regulator in India has allowed members of the Employees' Provident Fund (EPF) option to move their retirement savings to the National Pension System (NPS) giving effect to a proposal mooted by the government two years ago in the Union Budget for 2015-16, an official statement said on Tuesday.

"With the NPS gaining momentum vis-a-vis other retirement products and a number of queries being raised on the transfer of amounts from recognised Provident/Superannuation Funds to NPS, Pension Fund Regulatory and Development

Authority (PFRDA) has clarified the process through a circular dated March 6, 2017," a Finance Ministry statement here said.

As the rules, a member looking to transfer funds from EPF to NPS must have an active NPS Tier-I account, which can be opened either through the employer where NPS is implemented or online through eNPS on the NPS Trust website.

The amount transferred from a recognised Provident Fund or superannuation fund to NPS would not be treated as income of the current year and, as such, would not be taxable.

"Further, the transferred recognised Provident Fund/Superannuation Fund will not be treated as contribution of the current year by employee/employer and accordingly the subscriber would not make Income Tax claim of contribution for this transferred amount," the statement said.

### **How to go about it**

The subscriber must approach the concerned PF office where their account is, through her or his employer and request to transfer their savings to an NPS account.

"The recognised Provident Fund/Superannuation Fund Trust may initiate transfer of the Fund as per the provisions of the Trust Deed read with the provisions of the Income Tax Act, 1961," it added.

In case of a government or private sector employee, the employee should request the recognised provident or superannuation fund to issue a letter to his present employer mentioning that the amount was being transferred from the recognised fund to the NPS Tier I account of the employee. This should be recorded by the present employer or POP as the case may be, while uploading the amount.

While the return on EPF savings this year is expected to be 8.65%, the NPS offers multiple asset allocation options and fund managers for its members to choose from, with varying rates of returns.

So in essence, the subscriber should have an active NPS Tier-1 account.

The present employer ie the nodal office while uploading the fund has to mention the transfer from PF/superannuation fund in the remarks column while uploading. The upload has to be made as per request letter of the ex-employer. In case of private sector employees, including subscribers covered under All Citizen's Model NPS, the employees should request the recognised PF/superannuation fund to issue a letter to the present employer/PoP as the case may be mentioning that amount is being transferred from the PF/Superannuation fund to be credit in the NPS account of the employee/individual Tier-I account.

### **3. Income Tax: Investments of up to Rs 50 lakh in specified bonds tax exempted**

I had entered into an agreement to sell a part of my land (purchased for more than 10 years ago) in January 2013. The sale deed was signed only in May 2016. What shall be the value of the sale consideration?

By: Suresh Surana

I had entered into an agreement to sell a part of my land (purchased for more than 10 years ago) in January 2013. The sale deed was signed only in May 2016. What shall be the value of the sale consideration?

—Ajay Sood

As per Section 50C introduced by the Finance Act, 2016, where the date of the agreement fixing the amount of consideration for the transfer of immovable property and the date of registration are not the same, the stamp duty value on the date of the agreement may be taken for the purposes of computing the full value of consideration. It is applicable only in a case where the amount of consideration has been received by way of an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account, on or before the date of the agreement for the transfer of such immovable property. The sale consideration shall be deemed to the stamp duty value as on the date of agreement to sell i.e. January 2013.

Are investments made in specified bonds beyond the time limit under Section 139(1) eligible for exemption under Section 54EC?

—Siddharth Alag

The exemption under section 54EC up to R50 lakh would be available only if the capital gain arising from the transfer of a long term capital asset, (being the original asset) is invested in the specified bonds within six months from the date of such transfer. No exemption will be available if the said amount is not invested within six months, whether it is under section 139(1) or under section 139(4).

The writer is founder of RSM Astute Consulting Group

#### **4. SBI launches 'Work from Home' facility for employees**

By PTI

Country's largest lender State Bank of IndiaBSE 0.06 % today launched a new facility to enable its employees to work from home.

The Board of the bank has recently approved the 'Work from Home' policy to enable its employees to work while at home using mobile devices to address any urgent requirement they may have, that prevents their travelling to work.

The lender will be using mobile computing technologies and shall have continuous control over all the enabled devices centrally to manage and secure the data and applications on the mobile devices, the bank said in a statement here today.

The use of technology and services shall be monitored through carefully designed MIS and dashboard to enable improvements and refinements, it said.

The bank said going forward cross-sell, marketing, CRM, social media management, settlement & reconciliation, complaints management applications will also be enabled to make the work from home services comprehensive and increase the employee productivity multi-fold.

#### **5. Banks are not Shylocks sucking money, customers need to pay for better service: HDFC's Aditya Puri**

Banks are not Shylocks bent on sucking out money from customers, but those seeking higher levels of service must be open to paying for the convenience, said Aditya Puri, MD of HDFC BankBSE -0.19 %.

India's longest serving bank chief also said strong third-quarter GDP growth has proved demonising of demonetisation was wrong.

Scrapping all banking charges ends up subsidising the wealthy carrying out high-end transactions and reduces banks' ability to offer services to the poor, Puri said.

"We are not here to charge usury costs, let us be very clear. As you go higher up on the type of product, it is perfectly reasonable to charge. There is a segment of the population which should not be charged, which we agree with."

Recent charges levied by banks for ATM transactions and cash deposits beyond a limit have drawn criticism, especially in case of SBI, which restored the minimum balance amount after scrapping it in 2012. Opposition to charges on use of debit and credit cards at merchants is also strong, especially after demonetisation, which has led to a surge in digital payments.

"If I have to put up the (point of sale) terminals and they have to get it free, are you saying I should also subsidise Louis Vuitton or Pantaloons or Taj Hotels? Their sales are rising, he is swiping. Why should I subsidise him?" Puri said.

Demonetisation of high-value notes is pushing digitisation of Indian banking and it has not impacted growth much, though there has been some pain in the informal sector. "Admit that the impact (of demonetisation) has not been drastic," said Puri.

He also rubbished claims that GDP growth was overstated as impact on informal sector had not been accounted for. "Now to start saying impact on parts of the informal economy was not reflected... we are talking about this for 20 years."

## **6. IDFC Bank takes the lead, launches Aadhaar Pay**

K.R.SRIVATS

IDFC Aadhaar Pay, the country's first Aadhaar-linked cashless merchant solution, was officially launched on Tuesday, following successful pilots across 16 States.

Speaking at the launch event, Amitabh Kant, Chief Executive Officer, NITI Aayog, said IDFC Bank had set the trend and all other banks should now roll out a similar facility.

"You will not need micro-ATMs anymore in the country. Anybody with a mobile phone and small dongle can turn into a merchant for everyone else and start accepting payments," he said.

Kant highlighted that the IDFC Aadhaar Pay was significant as it was not charging any merchant discount rate, which was a pain-point for merchants.

"IDFC Bank will have winner's advantage. Other banks should follow IDFC in onboarding merchants throughout the country. If they do not follow the lead that IDFC has set, technology will make them redundant," Kant said.

He said the IDFC Aadhaar Pay launch was significant as it would "enable us to reach the bottom of the pyramid" where people do not have either GSM or mobile phone.

Given the slew of innovative measures taken in the last few months, India is poised to take a major leap towards financial inclusion and revolution in the coming days, Kant added.

Rajiv Lall, Founder Managing Director and CEO, IDFC Bank, said the launch (of IDFC Aadhaar Pay) was an important milestone in the journey to financial inclusion.

He pointed out that all the innovation that one had read about recently was focussed on that segment of population that had smart-phones. Only 350 million have smart-phones out of the total population have 1.2 billion. "The differentiating feature of the

Aadhaar Pay technology that we are launching officially today is that it makes cashless transactions possible even to people who have no phones," he said

Individuals with Aadhaar-seeded savings accounts in any bank can transact on IDFC Aadhaar Pay using fingerprint as digital identity to make cashless payments at merchant points.

Over the next 36 months, IDFC Bank will look to on-board as many as one lakh merchants across the country to its IDFC Aadhaar Pay solution, Lall said.

In the pilot phase spanning three months, over 1,500 merchants have enabled digital transactions for customers of all banks, using IDFC Aadhaar Pay on their smart-phones.

### **How it works?**

IDFC Aadhaar Pay is an Aadhaar-linked interoperable banking software application developed by IDFC Bank. This app is made available on a merchant's smart-phone. Customers can pay the merchant by selecting the bank's name and filling only one field on the merchant's phone — the Aadhaar number. The customer's fingerprint is the password used to authenticate the transaction.

Customers need not use debit or credit cards, download mobile applications or even carry a mobile to make cashless transactions. This solution eliminates the hassles of remembering passwords, account numbers, setting up virtual payment addresses and using USSD codes to transfer money.

Aruna Sundararajan, Secretary, Ministry of Electronics & IT, lauded IDFC Bank for this pioneering initiative, stating that it signalled a paradigm change in the financial inclusion journey.

Describing the launch of IDFC Aadhaar Pay as "historic", Sundararajan said this is equal liberation for the merchant. "We are truly hoping that hundreds of thousands of merchants will benefit and easily accept digital payments," she added.

## **7. Lateral recruitment on the rise in public sector banks**

NS VAGEESH

Chief Ethics Officer, Chief Marketing Officer, Chief Investment Officer, Chief Learning Officer, Head-Analytics, VP-Marketing...

These are some of the roles and designations that are being offered by public sector banks, seeing which one realises that change is afoot. Public sector banks are increasingly recruiting senior management professionals directly or laterally from the market to handle new roles.

### **Earlier trend**

Earlier, they recruited probationary officers who joined in the junior management grade or at the bottom of the corporate ladder and then climbed their way to the top over the next three decades. This was the era of 'generalists' —although specialist officers who had expertise in agriculture, legal or accounting would be recruited periodically and they would have their own separate career paths to the top.

It was hoped that the generalists would acquire experience along the way and use the 'principles of management' to handle whichever department they were posted to

— very akin to how IAS officers get rotated across different enterprises and departments and get a 'rounded perspective'.

But that is changing. With increasing complexities in banking, new specialisations and requirements have come up.

This has necessitated recruiting staff with relevant experience — that is compelling these banks to look outside.

### **From private sector**

Some departments have done this even earlier to get cutting edge experience from the private sector — for instance, information technology. Banks, including SBI, have looked to recruit systems analysts, digital analysts, and even chief technology officers on contract basis. That's been extended a step further now — SBI, Bank of Baroda and Union Bank are in the process of setting up an analytics department in their banks to help analyse their customer base and come up with statistical models and other techniques to improve the sale of their products.

Now, newer roles are being created to recast organisations and their structures and prepare them for a new era. For instance, SBI has recruited a 'Chief Ethics Officer' to propagate a culture of ethics and enhance the bank's brand and reputation.

Similarly, it has recruited a professional for investor relations — to liaise with brokerages, rating agencies and monitor their reports, brief the top management, benchmark SBI against competition and facilitate improvement in perception of the bank as being investor friendly. Earlier, this may have been done informally by the CFO as part of his or her many duties.

Other public sector banks have also followed this lead for functions, such as marketing, legal, risk management, 'learning', investments, economic research, fraud management, etc. A little over a year ago, under the government's active encouragement, two public sector banks – Bank of Baroda and Canara Bank — even got their chief executives from the private sector.

### **Compensation package**

Typically, all these appointments are on contractual basis for a period of three years. In some cases, these are extendable by another two years.

While there is the usual line about compensation not being a limiting factor for the right candidate, some posts mention a lumpsum compensation package with a variable component linked to performance.

This is in contrast to regular jobs of a permanent nature where the compensation is structured at different pay scales with periodic hikes at intervals of a few years and other associated perks, such as housing, medical, et al. Some posts, in deference to market realities, carry a package that would be higher than those drawn by MDs in public sector banks.

## **8. Now, getting forex is just a click away**

VINSON KURIAN

Ajin Baby, Ashwin Narasimha, and Nisanth Issac studied together at college where they had floated a tech start-up.

Before going on a trip to Amsterdam, Baby needed a travel card, and found himself at the door of George Zacharia, who had quit banking service to run his own forex store.

When Baby recounted to the latter how getting forex was a cumbersome and long-drawn process, the latter could not agree more.

The entrepreneurial spark convinced them that there was a good market for a product that addressed the issue of cheap and easily accessible forex.

Then followed an exchange of ideas involving all, giving birth to an online forex start-up, ExTravelMoney ([www.extravelmoney.com](http://www.extravelmoney.com)) in Kochi.

It aggregates forex services by various banks and money changers on its online platform, compares quotes, and also books the service.

### **Brick-and-mortar**

"We have information on more than 4,500 forex stores, their locations, exchange rates and quotes for performing forex services.

"One may select the forex service type on our portal, enter the amount needed and give one's location to generate a list of stores, exchange rates and final quotes for service."

This is otherwise difficult to be done online, says Zacharia. Most forex vendors do not have an online presence as forex is still a brick-and-mortar business.

It is also not easy a proposition to find out online on one's own the exchange rates of a bank or a money-changer.

### **Hidden charges**

One has to search for them, call them up or visit them directly to learn about exchange rates, and compute the final amount for the service based on that information.

There could still be a few hidden charges which could drive up the final figure.

"Our solution is a very elegant alternative. Just state your requirements on our portal to get the best deals lined up," says Zacharia.

ExTravelMoney is fast becoming the single-stop point for travellers, students, and business people travelling abroad.

"We cover all domains, ranging from sending money abroad for film shooting, to medical treatment, maintenance of close relative, and college tuition fee."

### **Free delivery**

Orders above a certain volume automatically become eligible for free-home delivery. Even if it is low volume, one can avail home delivery by paying a small fee for the service.

The days immediately following demonetisation saw a sharp spike in queries from people who were looking for ways to buy foreign exchange, Zacharia notes.

"This increased our traffic organically, and a lot of people discovered us online without our having to spend specifically for marketing."

Demonetisation has also benefited the portal with *hawala* losing its grip in the market, bringing more transactions under the legal route.

With kind regards,

Yours Comradely,



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