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Dear Comrades,

7th September, 2017

### News of Interest 7th SEP

#### MOTIVATIONAL QUOTES

“WHEN THE POWER OF LOVE OVERCOMES THE LOVE OF POWER THE WORLD WILL KNOW PEACE. “ JIMI HENDRIX

#### HIGHLIGHTS

1. 10 YRS JAIL FOR DEREGISTERED SHELL FIRMS' DIRECTORS CAUGHT SIPHONING FUNDS
2. SBI TAPS OWN USER BASE TO SELL CREDIT CARDS
3. RAGHURAM RAJAN QUESTIONS GOVERNMENT'S PLAN TO MERGE PUBLIC SECTOR BANKS
4. RAJAN REGRETS HE DIDN'T DO WHAT HE COULD FOR RBI RETIREES
5. RBI UNION SLAMS MOVES FOR 'ENHANCED TRANSFERS' TO CENTRE

#### Business Standard

##### 1. 10 yrs jail for deregistered shell firms' directors caught siphoning funds

Govt struck off names of over 2 lakh companies that have been lying dormant for years

[Press Trust of India](#)

The government on Wednesday said directors or authorised signatories of deregistered companies who try to siphon off money from the firms' bank accounts can face up to 10 years imprisonment.

Besides, the directors of shell companies that have not filed their returns for three or more years would be disqualified from holding such position in any other firm.

The government has also identified chartered accountants, company secretaries and cost accountants associated with shell firms in certain cases.

Continuing its crackdown on the black money menace, the government said identification of more shell companies is in progress and efforts are on to find the "actual beneficiaries and persons" behind such entities.

The Corporate Affairs Ministry has struck off the names of more than 2.09 lakh companies from the records as they have not been carrying out business activities for long and banks have been directed to freeze their bank accounts.

"In case the director or authorised signatory of any 'struck off' company tries to unauthorisedly siphon-off money from its bank account, he/she may attract punishment of imprisonment of not less than six months extendable to 10 years," an official release said.

The government also said that if the fraud involves public interest, the punishment would not be less than three years of imprisonment and the quantum of penalty would be three times the amount involved.

Already, the directors or the authorised signatories of such companies have been restricted from operating the firms' bank accounts.

"However, even prior to such action, if they have siphoned off any money, strict action would still be taken against them," the release said.

During a review meeting chaired by Minister of State for Corporate Affairs P P Chaudhary here today, it was also decided that directors of such shell companies which have not filed returns for three or more years, would be disqualified from being appointed in any other company in that position.

Further, such persons would be barred from being reappointed as directors in any of the companies where they had been directors, "thereby compelling them to vacate office".

"It is expected that as a result of this exercise, at least two to three lakh of such disqualified directors shall get debarred," the release said.

Noting that all efforts are also being made to identify the actual beneficiaries and persons behind shell companies, the government said the profiles of directors are being gathered by the agencies.

Details such as background, antecedents and their role in the operations/functioning of shell companies are being compiled in collaboration with enforcement agencies.

"The professionals, chartered accountants/ company secretaries/ cost accountants associated with such shell companies and involved in illegal activities have been identified in certain cases," the release said.

Action being taken by the apex institutes concerned against such individuals is also being monitored by the ministry.

The exercise of weeding out of shell companies would not only help in checking the menace of black money but also promote an ecosystem of ease of doing business and enhancing investors' confidence, Chaudhary said.

Further, the minister said that financial status of the companies would be reflected in a true and fair manner which would minimise the possibility of frauds and tax evasion.

**Economic Times**

## 2. SBI taps own user base to sell credit cards

By [Gayatri Nayak](#), ET Bureau

State Bank of India which saw the fastest growth in its card business post demonetisation, is now looking at tapping its own customer base to sell cards. At present, in-house account holders have 35% of the share for SBI Cards, the subsidiary through which SBI sells cards.

The number of credit card transactions rose by more than four times since demonetisation from 41 lakh transactions in November'16 to 1.7 lakh transactions in July'17, according to RBI data. Spends have risen by 60% from Rs 3,574 crore to Rs 5,727 crore. Its market share in card spend went up from 13.4% in November'16 to 16.7% in July'17. With a card base of close to 49 lakh, SBI Cards is the second largest issuer of credit cards after HDFC Bank and holds the second place in terms of number of transactions and value of spends. But unlike other competitors, card sales to SBI's own customers account for 35% of its total card sale. The balance is from open market sales accounting for 45% of its card base and co-branded products, accounting for the balance.

SBI is looking at a stronger presence in the cards business especially since demonetisation after which payments and settlements of transaction has moved away from cash to digital. Credit card accounts for a chunk of the growth. SBI Cards has entered into a tripartite agreement with State Bank of India and CIBIL to offer preapproved credit cards to eligible SBI customers.

"Pre-approved cards will be given to SBI customers based on their risk profile analysis through various risk models we have developed," said Vijay Jasuja, CEO, SBI cards.

## 3. Raghuram Rajan questions government's plan to merge public sector banks

ECONOMICTIMES.COM

Reserve Bank of India's former governor Raghuram G Rajan has questioned government's move to merge public sector banks. While saying consolidation is not unwarranted, Rajan stressed the government should be clear what purpose would it solve.

In an interview to ET, Rajan said bank mergers would be a complex process. "Consolidation itself requires a whole lot of time and effort by bank CEOs and bank managers throughout the system. You have to merge IT systems, you have to merge cultures, you have to merge HR systems etc that involves a tremendous amount of work," he said.

He said the fact that banks were already weak would make mergers even more problematic. "You have explain how it is going to be easy to do that. Why this is going to be helpful and not just another distraction which weakens the entire entity," he said.

The government is keen to reduce the number of PSU banks from 21 to 15 through consolidation so that they achieve economies of scale. Finance minister Arun Jaitley had said that the objective of the merger is to create stronger banks.

Nine banks reported losses of Rs 18,066 crore in FY 2016-17 and nearly six banks are facing restrictions on expanding banking operations. Even among the acquiring banks, junk assets of two banks are close to the regulatory trigger to imposing restrictions. Post -provisions, PNB's bad loans is 7.8% of total loans, while Canara

Bank's net bad loans is 6.3% as on March 2017.

Banks too have expressed concerns on weakness to the government. As reported by ET, top brass of prominent state-run banks like PNB, 0.68 %, Canara Bank and Bank of Baroda, which are positioned as acquiring banks, have set certain pre-conditions to acquire smaller banks. A key condition for taking over peer banks is that the target bank must be making profit. The acquiring banks have also demanded capital from the government, even if the target bank is well-capitalised.

Talking to ET, Rajan also questioned the dominant role of government in mergers. "Are all these plans going to be decided by the North block? If so, if they are all going to be decided by the North Block, isn't it going to instil sameness in the banks which means we haven't really moved to the Gyan Sangam requirement that we need to have some differentiation? If North Block decides then where the differentiation is?" he asked.

Banks too hope mergers would be board-driven rather than decided by the government. In the last week of August, the government said that the boards of the bank would have to initiate mergers while a panel of ministers would be set up to examine and give in-principle approval to the consolidation plan.

Rajan said yesterday it is better to do mergers when banks are healthy than when they are unhealthy.

#### **4. Rajan regrets he didn't do what he could for RBI retirees**

VINSON KURIAN

Raghuram Rajan may not be RBI Governor any more but he might just have sown fresh hopes in the minds of Reserve Bank retirees that their long-pending demand for pension updation would get a fresh look-in.

The hopes stem from the former Governor's expression of regret in his book, *I do what I do*, for his failure to do what he probably could, with respect to pension updation in the RBI.

On page 211 of the book, Rajan states as follows: "...On the internal front, my biggest regret is that I could not solve a long-pending matter that I inherited from my predecessors: securing for retired RBI staff the same pension benefits that government employees enjoy, despite repeated government assurances that the matter would be addressed. I hope the government will do the right thing here..."

#### **Periodically augmented**

The RBI had committed to its employees through a circular of March 13, 1992, that pension will be revised as and when serving employees' wages are revised.

The pension fund maintained was periodically augmented taking into account current and future liabilities towards payment of committed pension.

Pension updation was granted on wage revisions effected in 1987, 1992 and 1997 in the RBI. Therefore, pre-1997 retirees continue to draw the benefits of pension revision.

The status quo was disturbed when the Centre later told the RBI that it had no powers to revise pension without seeking its prior approval.

#### **Senior citizens' group**

This put a cloud over the wage revision decisions of 2002 and 2007, which stays unresolved till date. The issue affects a senior citizens' group comprising a few ex-gratia beneficiaries (aged 90 plus), family pensioners and pensioners numbering a few thousand.

The RBI maintains a pension fund created out of surrendered value of its contribution to provident fund, otherwise payable to employees, and additional contributions from its income every year based on actuarial calculations to meet present and future pension liabilities.

"Among retirees who have died and those who survive are individuals who have contributed to the RBI's growth and reputation, which, if converted into 'equity' would get converted to several crores considering its present value," says a retiree. Another wrote to the Governor, saying, "The waiting has been gruelling. It would be graceful on the part of the bank to be kind enough to give the final word, positive or otherwise, without further delay and allow us the luxury of a peaceful exit."

## **5. RBI union slams moves for 'enhanced transfers' to Centre**

VINSON KURIAN

Reported moves to force the Reserve Bank to part with 'enhanced transfers' to the Centre have invited sharp criticism from the All India Reserve Bank Employees' Association (AIRBEA).

The Association has castigated the statement of Subhas Garg, Secretary, Economic Affairs, saying that the Centre proposed to discuss with the RBI the scope for further transfers.

### **'FURTHER TRANSFERS'**

Garg has been quoted as saying that the RBI has calculated a surplus Rs. 44,000 crore for 2016-17 and has transferred Rs. 30,000 crore to the government.

The scope for further transfers is being sought since the government has budgeted Rs. 58,000 crore under this head.

Samir Ghosh, General Secretary of AIRBEA, said most probably, the government is eyeing an amount of Rs. 13,140 crore that the RBI has transferred to its Contingency Fund after a gap of three years.

During the last three years (2013-14, 2014-15, 2015-16), the RBI had transferred its entire surplus of Rs.52,679 crore, Rs. 65,896 crore and Rs. 65,876 crore respectively to the Centre.

Adding up to a humongous Rs. 1.85 lakh crore, this amount was transferred by the RBI without any addition to its vital Contingency Fund, Ghosh said.

### **'NO REASON TO BUDGE'**

In fact, many knowledgeable people had criticised this omission, arguing strongly that the Fund must not be starved of the annual RBI contribution.

The Fund is a cushion against financial exigencies and is a guarantee for the financial independence and, by extension, the autonomy of the central bank.

"We strongly feel that the RBI has no reason to budge or compromise or withdraw the allocation and hand it over to the Centre to meet its budgetary requirement," Ghosh said.

Any readjustment after allocation of RBI funds to various accounts as approved by its central board cannot be accepted.

The same bureaucrats, who have been repeatedly scuttling financial relief to RBI retirees from its own pension corpus, are now seeking financial accommodation from it. The irony here is too obvious to be missed, Ghosh said.

With kind regards,

Yours Comradely,



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