



**ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION**  
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Dear Comrades,

19 th July , 2018

### News of Interest 19<sup>th</sup> JUL

#### MOTIVATIONAL QUOTES

‘NOTHING GREAT IN THE WORLD HAS EVER BEEN ACCOMPLISHED WITHOUT PASSION. ‘

GEORG WILHELM FRIEDRICH HEGEL

#### HIGHLIGHTS

1. HDFC MUTUAL FUND'S MARKET DEBUT TO BRING A WINDFALL FOR KEY EMPLOYEES
2. MERGER OF ASSOCIATE BANKS WITH SBI TO ENHANCE PROFITABILITY, SAYS MINISTER
3. TWO-THREE MORE PSBS MAY GET CAPITAL INFUSION IN A MONTH
4. ADVERTISEMENT FEATURING BACHCHAN, DAUGHTER RAISES HACKLES OF BANK UNION
5. AFTER PUBLIC OUTCRY, GOVT DROPS FRDI BILL

#### Business Standard

##### 1. HDFC Mutual Fund's market debut to bring a windfall for key employees

HDFC MF has had a history of stock options and gave additional ESOPs to key staff a few months ago

Ashley Coutinho

The debut on the bourses of HDFC Mutual Fund, the country's second-largest asset management company (AMC), will be a windfall for employees. Two of them are chief executive officer Milind Barve and fund manager Prashant Jain.

The value of employee stock option plans (ESOPs) held by eight key staffers would amount to Rs 4.32 billion at the upper end of the price band of Rs 1,100. These employees together hold nearly four million shares.

HDFC MF has had a history of stock options and gave additional ESOPs to key staff a few months ago.

Barve and Jain, the chief investment officer (CIO) got 130,000 and 40,000 options, respectively. The duo would take home more than a billion rupees each if they encashed their holdings in the fund house.

Barve's reported payout was Rs 278 million in FY18. That included a one-time payout of Rs 210 million, while Jain got a one-time payout of Rs 173 million. Both had exercised the ESOPs they were granted between 2012 and 2015 in FY18.

The employee stock option schemes (ESOS) the fund house gave between 2015 and 2017 were aimed to "attract, retain and motivate talented and critical employees, reward performance with ownership in proportion to their contribution, and encourage our employees to align individual performance with company objectives and their interest with those of our company," HDFC MF's draft prospectus says.

AMCs are dangling ESOPs in a bid to hold on to key talent as the sector gears up for the next level of growth and large players look to list on the bourses.

"Until a few years ago, you could count the number of MF employees getting ESOPs on your fingertips. Now, it's a significant number," said a senior official of a fund house.

Companies typically give out 60-100 per cent of cash compensation as ESOPs at the top levels. In some cases, it could be 100-200 per cent.

"ESOPs have become a significant exit barrier for key executives," said Reet Bhambhani, partner, EMA Partners Executive Search. "Over the years businesses have loosened their purse strings in the form of ESOPs and deferred compensation, to attract and retain critical talent."

SBI MF doled out ESOPs to its employees for the first time this year. IDFC MF, another large fund house, is believed to have given these to key employees ahead of a possible stake sale. Smaller fund houses are likely to follow. said experts.

HDFC MF's Rs 28-billion initial public offering (IPO) opens for subscription next month. In the IPO, parent HDFC and UK Standard Life will divest four per cent and eight per cent, respectively. The IPO values the fund house at Rs 233 billion.

## **Financial Express**

### **2. Merger of associate banks with SBI to enhance profitability, says Minister**

The government today said the merger of five associate banks with the SBI would help in enhancing profitability and loan giving capability of the country's largest lender

By: PTI

The government today said the merger of five associate banks with the SBI would help in enhancing profitability and loan giving capability of the country's largest lender. While replying to debate on a bill related to the merger process, Minister of State for Finance Shiv Pratap Shukla told the Rajya Sabha that not a single employee has been retrenched after the merger. The Rajya Sabha passed the bill to repeal the SBI (Subsidiary Banks) Act 1959, State Bank of Hyderabad Act 1956 and to further amend the State Bank of India Act 1955. The Lok Sabha had passed the bill in August last year.

Five associates and Bharatiya Mahila Bank were merged with the SBI on April 1, 2017. The five associates were State Bank of Bikaner and Jaipur (SBBJ), State Bank of Hyderabad (SBH), State Bank of Mysore (SBM), State Bank of Patiala (SBP) and State Bank of Travancore (SBT).

According to the minister, the merger of five associate banks would help in enhancing profitability and loan giving capability of the SBI. It would also enable the lender to offer better services to its customers.

On opposition charge that demonetisation was done in a hasty manner, Shukla said the move helped in bringing out Rs 1 lakh crore from the private lockers back into circulation. Meanwhile, Minister of State for Defence Subhash Bhamre withdrew a bill to amend the Armed Forces Tribunal Act, 2007.

### **3. Two-three more PSBs may get capital infusion in a month**

The government has already decided to provide Rs 2,816 crore to Punjab National Bank. Corporation Bank will be provided Rs 2,555 crore, Indian Overseas Bank Rs 2,157 crore, Andhra Bank Rs 2,019 crore and Allahabad Bank Rs 1,790 crore

By: FE Bureau

After earmarking Rs 11,336 crore for five public-sector banks (PSBs), the government is planning to infuse capital into two-three more state-run lenders within a month to enable them to meet regulatory requirement.

Growth capital will be provided to PSBs that meet performance targets set for them, said a senior government official. For others, the capital infusion will be limited to meeting their regulatory requirements. This means relatively strong banks will get capital to improve lending and help spur economic growth, while small and weak ones will have to be content with bare minimum capital required to avoid drastic regulatory action. The infusion will be in the form of recapitalisation bonds. The official, however, didn't share details of the banks that will be offered the capital in the next one month, over and above the funds earmarked to five PSBs.

The government has already decided to provide Rs 2,816 crore to Punjab National Bank (PNB), which was hit by an over \$2-billion fraud caused by jewellers Nirav Modi and Mehul Choksi. Corporation Bank will be provided Rs

2,555 crore, Indian Overseas Bank Rs 2,157 crore, Andhra Bank Rs 2,019 crore and Allahabad Bank Rs 1,790 crore.

The infusion is part of Rs 65,000 crore allocated for this fiscal, out of a Rs 2.11 lakh crore capital infusion over two financial years, announced in October 2017.

Some of these banks had sought capital urgently, as they are facing pressure due to interest payment to holders of their Additional Tier 1 (AT-1) bonds. Consequently, they were facing the risk of breaching the regulatory capital requirement. Three of these banks — Corporation Bank, IOB and Allahabad Bank — are already under the central bank's prompt corrective action framework.

## **Economic Times**

### **4. Advertisement featuring Bachchan, daughter raises hackles of bank union**

PTI

A one-and-a-half minute long advertisement for a Kerala-based jewellery chain featuring Amitabh Bachchan and his daughter has come under attack from a bank union which termed it "disgusting" and aimed at creating distrust in the banking system.

All India Bank Officers' Confederation, an organisation claiming to have membership of around 3,20,000 officers, today threatened to sue Kalyan Jewellers accusing it of "casting aspersion and hurting the sentiments of millions of personnel" through the advertisement.

AIBOC general secretary Soumya Datta alleged that the theme, tone and tenor of the Ad were "disgusting, derogatory, to say the least and is aimed to create distrust in the banking system, for pure commercial gain."

Kalyan Jewellers rejected the allegation, saying it was "pure fiction." "We understand that your esteemed association feels that the bankers have been portrayed in bad light.

We state it on record that it is a pure fiction and at no point we have intended to generalize the bank officers at large," Kalyan jewellers said in a letter to said in a letter to Datta.

"Please accept our unconditional disclaimer for the same. We shall within three working days from today add 'characters and situations depicted are fictional.

The brand does not intend to disrespect or malign any person or community' before the advertisement," it said.

The advertisement features Bachchan as an old man and Shweta Bachchan Nanda as his daughter.

In the ad, Bachchan, depicted as a person with integrity and honesty, is seen visiting a bank branch along with his daughter to return the extra money credited in his pension account and his bitter encounter with bank employees in the process.

"The advertisement portrays banks in bad light, casting aspersion, hurting the sentiment of millions of personnel, stakeholders and is a direct attempt to ruin the trust and confidence of billions of citizenries in banks," Datta said.

Bachchan had tweeted yesterday the video of the ad, saying "Emotional moment for me . tears welling up every time I see it .. Daughters are the best!!"

Popular Malayalam actress Manju Warriar acts as his daughter in the advertisement's Malayalam version.

AIBOC said in the ad, Bachchan tries to exhibit his honesty by drumming around that 'Honesty doesn't mean when everyone is watching, rather it is about being honest when nobody is looking at you.

But, Mr Bachchan perhaps was unaware that in the process of doing so on screen, he has made a mockery of the entire bankers' community in the ad which is deplorable and culpable," it said in a statement.

Datta said "we express our strong resentment against the management of Kalyan Jewellers and Mr Bachchan who have manifested a negative and false image of the Banks in the ad for their personal aggrandisement."

"We deem it as a case of defamation to all the banks as a whole," it said.

Demanding an unconditional apology from the jewellery group, the AIBOC said if the advertisement was not withdrawn, suitable "organisational action, including dharnas and litigation" would be initiated.

Abraham Shaji John, AIBOC's Kerala unit secretary, also condemned the advertisement, saying "it has defamed bank employees."

## **Business Line**

### **5. After public outcry, Govt drops FRDI Bill**

OUR BUREAU

Controversial 'bail-in' clause had unnerved bank depositors

The government has decided to drop the controversial Financial Resolution and Deposit Insurance (FRDI) Bill, thus allowing bank customers to breathe easy.

The Union Cabinet, which met on Wednesday, decided to drop this Bill, a senior Cabinet Minister told *BusinessLine*. This means the present system of insurance deposits will continue and customers will not have to worry about the 'bail-in' provision in the proposed Bill.

Since introduction and any change thereafter in the Bill would have required Cabinet approval, dropping the Bill also required it.

Two clauses

The Bill was introduced in the Lok Sabha on August 10, 2017, and then sent to the Joint Committee of the Parliament, which is yet to submit its report. There were two controversial clauses in the Bill: a bail-in provision and an insurance on deposits.

The bail-in provision stipulated that if a bank fails, depositors will have to bear part of the liability. Technically speaking, this provision says, "It

amounts to liabilities' holders bearing a part of the cost of resolution by reduction in their claims."

The government repeatedly said that the bail-in provision "may not be required to be used in case of any specific resolution. Most certainly, it will not be used in case of a public sector bank as such a contingency is not likely to arise," Nevertheless, it angered depositors and invited criticism from opposition parties.

Currently, deposits are insured up to ₹1 lakh. The Bill proposed to delete the legal provision for the present insurance system and defined this protection in a new way. Here, too, the government made it clear that "similar protection would continue under the FRDI Bill and the Resolution Corporation is empowered to increase the deposit insurance amount."

It also said that under the provisions of the FRDI Bill, in case of liquidation of a bank, the claims of uninsured depositors will be higher than those of unsecured creditors and government dues. Therefore, "the rights of uninsured depositors will be better protected... in the FRDI Bill."

However, the perception was that there would not be any insurance cover, which prompted the opposition attack. Also, many advocacy leaders advised the government to withdraw the Bill as it had not been well-received. "In an election year, it would not be correct to go ahead with such a controversial Bill," a Minister said.

Arguing for the provision, the Finance Ministry had said that there was no comprehensive and integrated legal framework for resolution, including liquidation, of financial firms in India. The power to restructure public sector banks, and regional rural banks was with the Centre.

#### Resolution regime

The current resolution regime is especially inappropriate for private sector financial firms in the light of significant expansion and many of this acquiring systemically important status in India. With the Insolvency and Bankruptcy Code, 2016, a comprehensive resolution regime for non-financial firms mainly has come in, but there is no such mechanism for financial firms.

This Bill intended to provide a comprehensive resolution regime that would help ensure that, in the event of failure of a financial service provider, there is quick, orderly and efficient resolution in favour of depositors.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)  
GENERAL SECRETARY**

