



## **STATE BANK OF INDIA OFFICERS' ASSOCIATION CHANDIGARH CIRCLE**

C/O State Bank of India, Local Head Office, Sector 17, Chandigarh  
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Circular No. 2017/35

Date: 28.03.2017

TO ALL UNITS/MEMBERS,

### MEMORANDUM OF UNDERSTANDING (MoU) SIGNED BY 10 BANKS

We reproduce hereunder the Circular No 2017/19 dated 28.03.2017 issued by All India Bank Officers' Confederation on the captioned subject, contents of which are self-explicit.

(Deepak K Sharma)  
General Secretary

#### **QUOTE**

Greetings

You are all aware that the Department of Financial Services (DFS), GoI has instructed 10 Banks to sign an MoU for infusing capital and for a turnaround plan to be signed by the Associations/Unions. We immediately called for a meeting which was held on 24.03.2017 at Kolkata. It was decided that we can sign the MoU only if some changes are made and our concerns are addressed. We also wrote to the Finance Ministry on this issue and sent copies to Indian Banks' Association (IBA). We also gave a press release which was widely covered in the media. We were contacted immediately by the IBA and on 27.03.2017, many rounds of talks took place with IBA over phone. We were also in touch with the other constituents of United Forum of Bank Unions (UFBU). The meeting of UFBU has been convened on 29.03.2017 at Mumbai.

In spite of tremendous pressure, our affiliates in these banks stood very firm, which culminated in forcing the government to amend and also accept a letter as Annexure to the MoU, expressing our concerns. Initially, a detailed letter was submitted to the respective managements, followed by another letter expressing our reservations about the content of the MOU. In every Bank detailed discussion took place with the top management.

Today, the revised MoU was received by the Banks and our affiliates were advised to sign the MoU along with a letter to be submitted as annexure. We also advised them to coordinate with the other associations / unions and take a common stand. At our level, we were in touch with many of the other constituents of UFBU, which helped us to stand strong and ensure certain modifications in the MoU. All our concerns have been conveyed to the management, IBA and the Govt. in clear terms.

The battle has just begun. We have still many serious issues which have to be addressed. These issues will be discussed in the UFBU meeting tomorrow and the developments will be shared with you all. For your information, we are enclosing some of our correspondence on the matter, because what has been started in 10 Banks may spill over to the other Banks. Let us be battle ready.

With warm greetings. Always at your service.

Comradely yours

--sd--  
(D.T. Franco)  
General Secretary

**UNQUOTE**

**(Letter written by AIBOC to Ministry of Finance)**

To:  
**The Secretary**  
**Dept of Financial Services**  
**Government of India**  
**New Delhi.**

No: AIBOC/2017/3

Date: 26.03.2017

Madam,

**Turnaround Plan for 10 Banks - Our Concerns and Suggestions**

Greetings from All India Bank Officers Confederation.

Please refer to GOI Letter DO.NO.F.NO.F38/2014 BOA dated March 16, 2017 and draft MOU circulated to the Banks.

All India Bank Officers Confederation, the largest officers` organization having membership of around 280000 officers met in Kolkata to discuss the proposal of the Dept. of Finance for 10 Banks for a turnaround plan. These, ten banks have been identified by the government where capital infusion in future will be conditional. The unions/ Associations of these banks are asked to sign a MOU in respect of what they say a Turn-around Plan. Thus unions/ Associations are asked to take responsibility for turnaround whereas they were not party to the decisions. It is the policy of the government due to which the entire banking industry today is facing the menace of NPA, in which employees have very little role. While the major portion of the NPA are big ticket loans which includes Corporates and infra projects, steel, telecom etc, the credit decisions in such cases are not taken by employees represented by the respective unions but by senior executives and the Boards of the Bank. The standing committee on finance recommended in Feb 2016 for accountability of nominee Directors of RBI / Ministry on the Bank Boards as well as the CMDs / MDs of banks. The list of top willful defaulter as suggested by the standing committee is yet to be published. Except for Bank of India, none of the Boards of these Banks have employee / officer director appointed by the Govt. The responsibility of the rising NPA cannot be shifted to the employees to shield those who are accountable for wrong decisions along with the willful defaulters.

AIBOC has objections to the conditions like mobilization of capital from market and closure of Branches, as it may lead to privatization and reduction of staff. One of the conditions contains reorientation of perks / perquisites of employees and officers of these banks till their turn around. Both the officers` and employees` unions have been asked to sign a MOU. Even if all officers and employees forego their salaries and perquisites for one year that will not turn around the Banks.

If the NPA recovery is speeded up by implementing the recommendation of the Parliamentary Standing Committee on Finance, there won't be need for additional capital.

We would like to have certain changes in the MOU

**Our suggestions:**

1. We assure to recover smaller NPAs, through follow up.
2. Let senior executives and directors take responsibility for larger NPAs.
3. Increase credit deposit ratio by giving more loans to smaller borrowers.
4. Demand for credit is huge for rural and semi urban areas which should be part of turnaround plan.

5. Recruit more staff to cater to more borrowers.
6. Reduction in expenditure is possible without touching staff expenses.
7. Avoid meetings in star hotels, reduce electricity expenditure, reduce expenses on travel by top executives, directors etc.
8. Stop cross selling and concentrate on NPA recovery, for few years.
9. Banks shall not be placed under undue pressure to amend their MCLR matching to any change in Policy rate and Banks should be freed to fix their MCLR as it has to be the reflex of the AssetLiability of the Individual Banks, but, not to the market sentiments, as the interest collection constitutes 70% of the total income of any Bank.
10. SLR and CRR cut have to be decided bank-wise in consultation with the respective banks and it shall be based on the Asset-Liability position of the individual banks. Interest shall be given to CRR at least matching the Savings bank rate.
11. No advances need to be granted at ROI lesser than MCLR.
12. Income tax shall be levied on the net profit but not on the operating profit.
13. No provision will be maintained on standard assets.
14. Till all the banks attain total turnaround, any dividend on the Government stake shall be retained as reserve.
15. Make public the willful defaulters list
16. No defaulter to hold public office.
17. Government business and resources shall be restricted to the Public sector Banks only.
18. A common Accountability policy shall be finalised which would act as a tool to erase the fear psychosis in the minds of the Bank officers and would be a morale booster to take bonafide credit decisions which always posses an inherent risk.
19. No merger or closure of PSBs.
20. Uniform perks, allowances and benefits to all the officers in the PSBs

**We also demand**

- Immediate meeting with Unions/ Associations by Dept. of Finance, GOI.
- Immediate appointment of officer/ employee Directors in the board of the Banks.
- Immediate implementation of the recommendations of the Parliamentary Standing Committee on NPA.
- Immediate publication of names of willful defaulters.
- Immediate release of compensation to Banks for the expenditure incurred in opening 27 Crore Jandhan Accounts, Implementation of Pension Yojanas and cost incurred and opportunity lost cost due to demonetization.

We request your good self to kindly convene a meeting urgently to discuss the issues.

--sd--

**(D. T. Franco Rajendra Dev)**  
**General Secretary**

First Draft letter (to be given by our affiliates)

Dear Sir,

**Turn around plan**

We welcome the proposal for a turnaround plan with the involvement of Unions/ Associations.

However, after perusing the draft MOU and GOI letter DO. No/F/No. F/38/2014 BOA dated March 16, 2017 we feel that there is a need for further discussion as the proposal is incomplete and one sided. There is an attempt to make the employees fully responsible for the present state whereas the real decision makers in Govt. and Banks who are responsible for the mounting NPA are not held responsible.

The content of the proposal for turnaround is not made available whereas we are asked to sign an MOU, undertaking to mobilise capital from market which may lead to privatisation. In the name of rationalisation, an attempt is visible to close branches in a country which has low Branch density. In the name of realignment, some perquisites are likely to be withdrawn or postponed. This will not help to increase profitability even by 0.1%.

Hence we propose a detailed discussion in which we will come up with concrete proposal for a time bound Turnaround plan. We will stand with the management in its endeavour to improve performances of the Bank.

**General Secretary**

**DRAFT LETTER**

(Annexure to MOU)

The MD &CEO/CMD

\_\_\_\_\_Bank

Dear Sir,

We refer to the Memorandum of Undertaking to be signed between GOI, Bank Management and Union/ Association for infusion of capital and implementation of the turnaround plan to be prepared by the SBI Capital Markets Ltd. We are agreeable to sign the MOU. However, as we have some apprehensions on certain issues, we request you to keep our concerns on various issues like filling up of Employee/Officer representation on the Board, HR issues, realignment of remuneration, public disclosure of willful defaulters list among other things, in mind and to discuss the same while finalizing the turnaround plan.

Yours faithfully

General Secretary