

# COMMON BOND AUGUST- 2012





## BANKING REFORMS

The Indian Banking system has absorbed the aftermath of the reform process that commenced in the year 1991. The Government buckled under pressure from the World Bank and went ahead with the reforms in the financial sector, before taking up the larger issue of liberalization, globalization and privatization in other sectors of the economy. The leaderships of Mr. Narasimha Rao and Mr. Manmohan Singh felt that it would be easier to impose the changes in the Banking Industry in the name of reforms than in the other sectors of the economy to begin with. The duo were well supported by Mr. Narasimham, who undertook a study of the Banking Industry with a view to come out with his own prescription for the smooth handing over of the banking industry to the private sector wholly and to provide a red carpet welcome to the new generation banks and also the foreign banks. He was surprised to note the spectacular performance of the Banking Industry and its robust participation in the implementation of almost all the schemes of the Government to their entire satisfaction. While, appreciating the performance of the banks in particular the Public Sector Banks, he suggested in the name of the reduction of the number of the banks, classifications of banks based on their size and performance, into groups to restrict their jurisdiction, the need for increased capital, classification norms, capital adequacy requirement etc. He was perhaps confident that with his prescription, the Banks themselves will collapse and fall into the lap of the private investors, multinationals etc. However, thanks to the robust foundation of the Banks and above all with the militant unions in the Banks led by the UFBU, and the major role played by the Confederation, in campaigning against the ill advised moves of the Government to hand over the banks to the private sector, did not materialize as

required by the world Bank.

It is now more than two decades since the commencement of the reforms in the banking industry. Much water has flown in the Ganjes there after and the industry has absorbed the shock of initial as well as the subsequent attempts of the Government to denigrate the industry and prepared a case for handing over the same to the private sector. To-day, the Government themselves has realized the need to continue control their stake in the Banks and to utilize the sector for the better performance of the economy. The other sectors of the economy suffered heavily due to the reform process attempted particular is the Public Sector units. There are now attempts to revive those sectors in particular the defence and other core units under the ownership of the Public Sector units. There is a need to step up the campaign for protection of the Public Sector units in view of the excellent performance of the banks in the Public Sector.

The great economic recession in US came as an acid test to the banking industry in India. It not only withstood the impact of US recession but also the subsequent collapse of several big European economies and has now become an object of appreciation and a lesson for others in the world. The performance of the Banks during the last decade was on the rise, as the banks not only consolidated their base but also are now in a position to face stiff competition from the other parts of the globe.

It is in this background, there is a need to revisit some of the steps that the Government has taken in the name of reforms and restructure the same with a view to provide a better opportunity for the Indian Banks to compete and also expand its base beyond the borders of the

country. There is a need to redefine competition and the areas of jurisdiction to avoid uneconomical operations in the banking industry. The Reserve Bank of India, no doubt has relaxed its regulatory strangulation in several sensitive areas. There is a need for further liberalization in some of the sensitive areas by the Reserve Bank of India. The Government should therefore set up a tripartite committee consisting of the representatives of the Unions, the Management and

the Government to take a pragmatic view on larger issues including the issue of Human Resources in order to take the banking industry to further heights in the interest of the healthy growth of the economy. The Government should also have a re-look into some of its directives in the area of HRM on the basis of the unilateral recommendations, that was received by it from the various committees from time to time, including that of the Khandelwal Committee in the recent past. ■

## **COM.RISHABADAS CO-OPTED AS THE GENERAL SECRETARY OF THE CONFEDERATION**

The 68th Executive Committee meeting of the All India Bank Officers' Confederation was held on 30th and 31st May, 2012 at Bangalore.

The Executive Committee unanimously co-opted Com.D.S.Rishabadas, the General Secretary of the All India State Bank Officers' Federation as the General Secretary of the Confederation, in the vacancy caused by the superannuation of Com.G.D.Nadaf, on the eve of 31st May, 2012; in terms of the by-law No. 6.3(a) of the Confederation.

Com.P.K.Sarkar, President of the Confederation will be the Chief spokesperson for negotiations with the IBA/Government and also our nominee to the convenorship of the UFBU.

Com.D.T.Franco Rajendra dev, Dy.General Secretary of SBIOA, Chennai Circle and Executive Committee Member of AISBOF has been co-opted as the Treasurer in the vacancy caused by the retirement of Com.T.S.Nagaraj, who also laid down his office on 31.05.2012 on account of his superannuation.

Com.G.D.Nadaf, General Secretary was given a warm felicitation on the occasion, placing his services on record by the Executive Committee of the Confederation. Com.B.S.Ravindra read out the felicitation in honour of Com.G.D.Nadaf highlighting his achievements and his efforts in taking the movement to great heights. Com.P.K.Sarkar, the



President of the Confederation speaking on behalf of the entire Executive Committee paid rich tributes to the valuable contributions made by Com.G.D.Nadaf, the General Secretary on the occasion and wished him and the members his family all happiness, wealth and health for all the days to come.

Com.G.D.Nadaf, extending a warm welcome to Com.D.S.Rishabadas, on his assumption of the office of the General Secretary, expressed his gratitude and happiness over the smooth succession and wished all the best to the new General Secretary in view of the impending salary revision talks and other challenges before the banking industry. He also recollected his past connections and the journey that he completed in the organization over three and half-decades since his promotion to the Officers' grade in the Bank. The entire Executive Committee was touched with the felicitation programme and gave a standing ovation as token of love and honour. The affiliates also took the opportunity to bid him farewell on the occasion and felicitated him.

Com.D.S.Rishabadas, the General Secretary of the Confederation expressing his gratitude and thanks to the Executive Committee, for the confidence reposed on him, assured to carry forward the tasks that are ahead of us and sought the support of the entire committee for taking the Confederation to greater heights in the days to come. ■

**WORK IS WORSHIP, DO YOUR DUTY**

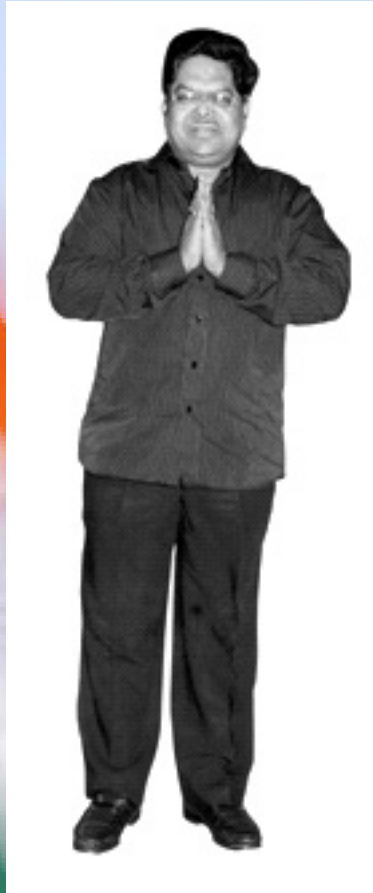
## THANK YOU ONE AND ALL

*Dear Comrades,*

I am overwhelmed with the good wishes, love and affection showered upon me, by the members of the Federation/Confederation on the occasion of my superannuation from the Bank's Service as on 31st May, 2012. I have the deep sense of satisfaction that, during my last four decades of service, I have served State Bank of India, the pioneer Bank of the Country and the Trade Union Organisations with utmost sincerity and honesty and to the best of my ability.

I am Lucky that during my tenure, maximum benefits have accrued to members and the long cherished dream of 2nd Option on Pension came to a reality, along with highest increase in wages during 9th Bipartite settlement. I am proud to be part of history of the Bank Officers Movement on many counts, such as successful conduct of Conclaves of Presidents and General Secretaries of AIBOC & AISBOF to further strengthen the bondage in the movement, finalization of Vision, Mission & Value Statements for Confederation, birth of All India Nationalised Banks Officers' Federation as Sectoral Federation under confederation, formation of All India Banks Pensioners' and Retirees Confederation and in providing Sectoral Federation status to the National Women's Wing etc.,

While joining the bank as a cashier on 19.06.1972, I never dreamt that, I will be reaching such a pinnacle in my career, as President of SBIOA(K), General Secretary of our mighty organizations, AIBOC and AISBOF, Convenor of UFBU and above all as an Officer Employee Director on the Central Board of the biggest Bank of the country. But for the unstinted support, timely guidance and the unshakable trust bestowed on me, by each and every one of you; it would not have been possible for me to shoulder such high responsibilities and deliver the goods to the best of my abilities.



Because of my position in the organisations, I had an opportunity to travel across the country and to mingle with cross section of all my comrades and colleagues and enjoyed their hospitality in abundance. I have never discriminated between any one and never denied an opportunity to share the responsibility. I have always worked with positive frame of mind and good intent for the benefit of all comrades. I am really indebted to all the colleagues for their abundant love and affection shown towards me and forgiving all my lapses and mistakes that would have crept-in during the course of my functioning.

I will be failing in my duty, if I do not acknowledge and thank all the past and present executives in the Bank, past and present leadership in trade union organisations, who supported me in carrying out my duties for the benefit of my colleagues. My first and foremost duty is to express my gratitude to the Almighty, who stood by my side in all good and trying times with helping hand and choicest blessings. I am also very much indebted to my family members, especially, to my late parents, elder brother who took care of me just like a father, my wife, who was always a guiding force and children who extended ample support, whenever I needed. I should not forget to express my gratitude to all my teachers and well wishers who trained, guided and shown me the right path.

My sincere thanks to the Presidents with whom I had an opportunity to work; leadership of affiliates and constituents of UFBU, Staff of the Federation/Confederation and Secretaries, who supported me in carrying out my duties.

I know how difficult it is for me to repay the debt of love and affection shown towards me by my well wishers in the same measure. Words are too short to reciprocate such love and affection to you all. I am a firm believer

**SELF HELP IS BEST HELP**

of God I believe that, one who serves others, will be taken care by the Almighty always. Therefore, I wish to re-dedicate my 2nd innings of my life to the service to the society. It is my earnest desire that if there is any option to choose my profession in the next life, without hesitation, I will choose to serve you all, once again, in any capacity. Let me humbly pray the Almighty to provide me similar opportunities to continue my service to the humanity.

I am retiring from the service of the Bank with full satisfaction and contentment. What I have done is nothing but my duty under limitations. It is your magnanimity in appreciating my efforts to improve the welfare of the Bank Officers that gave me inspiration. You may miss one person now onwards but I will be

missing you all. I hope that, you will definitely continue to bless me for success in my future endeavours. Please pardon me if I have hurt any one of you, knowingly or unknowingly, in the course of performing my duties.

**May God bless you all.**

**May I say a big THANK YOU to one and all, ..... but I fall short of words.**

**JAI HIND – INQUILAB ZINDABAD**

**(G.D.NADAF)**  
**Former General Secretary**  
**AISBOF/AIBOC &**  
**Convener of UFBU**

## **IBA REQUESTED TO SEEK MANDATE FROM BANKS PREPARATIONS FOR SUBMISSION OF CHARTER OF DEMANDS ARE ON**

The Sub-committee on Charter of Demands met on 13th June, 2012 and had discussed the initial preliminaries as to how to go about the preparation of Charter of Demands, and also to ensure an early resumption of negotiations and conclusion of the 10th bipartite settlement at an early date.

2. Confederation have been receiving a number of enquiries as to the status of the preparation with regard to submission of the Charter of Demands, who have already taken necessary initiatives to ensure that the Charter is prepared well in time. The Committee insists for an early commencement of negotiations and regular sittings in order to speed up the entire process of negotiation. All the Officers' organizations are in regular touch with the Confederation for finalization and submission of the Charter of Demands.

3. The issue also came up for discussion in the last Executive Committee meeting held at Bangalore on 31st May 2012 and the members of the Committee were of the unanimous view that the Confederation should pitch for a good salary settlement, considering the current environment in the financial sector. The Executive Committee also authorized the Sub-Committee to take all necessary steps to initiate the dialogue on the 10th Bipartite as early as possible.

4. Confederation has sent a communication to the Chairman, Indian Banks' Association, advising them about the change in the incumbency of the General Secretary of the Confederation and also sought their co-operation in ensuring an early settlement of salary revision due with effect from 01.11.2012. ■

## **UFBU STRIKE CALL CLC MEETING AT DELHI ON 18TH JULY, 2012 Strike on 25/26 July Temporarily postponed**

**Text of UFBU Circular.No.18 dated 19th July, 2012**

Parties attended as per the attendance sheet. Prolonged discussions were held. The representatives of the

United Forum of Bank Unions submitted their view points on the demands and the reasons for serving notice of strike.

**BE TRUTHFUL, BE FEARLESS**

2. The representatives of Indian Banks' Association submitted written statement. A copy of the written statement was given to the representatives of UFBU. In addition to the above the representatives of IBA have also submitted their view points.

3. At the outset of the conciliation proceedings it was informed to the parties that due to health condition, Chief Labour Commissioner was unable to attend the office and preside over the conciliation proceedings. But Chief Labour Commissioner has spoken to the convenor of UFBU and made an appeal not to resort to strike.

4. The Deputy Chief Labour Commissioner has also made an appeal to UFBU not to resort to strike. The Dy.

Chief Labour Commissioner during the discussion suggested that IBA should discuss all the demands with the UFBU bilaterally preferably before 31st July, 2012. On my suggestion the representatives of the IBA stated that meeting with unions (UFBU) will be convened at the earliest but not later than 31st July, 2012.

5. On the assurance given by the IBA representatives, and appeal made by Chief Labour Commissioner and Dy. Chief Labour Commissioner, UFBU agreed to temporarily postpone/defer the proposed strike of 25th and 26th July, 2012.

6. The Unions (UFBU) requested not to take further action in the matter for the present. ■

### *Organisational Issues*

## **COMPENSATION TO BANKS EMPLOYEES/GENERAL PUBLIC WHO ARE KILLED IN BANK ROBBERY, TERRORIST INCIDENTS INCLUDING LEFT - WING EXTREMISM**

**Text of UFBU Circular.No.16 dated 12th July, 2012**

You are aware that the compensation paid by bank to the family of the employees killed in Bank robbery, Terrorist attack etc is as per Govt. guidelines issued long back. The quantum of such compensation was inconsistent as compared to the collateral damage which takes place to the family of employees. The matter was discussed with the Govt. of India by UFBU time and again. We are pleased to inform you that the Govt. of India vide letter FNo. 6/4/2012-IR dated 3rd July, 2012 has revised the scheme and instructed the CMD of different banks to get the scheme approved in their respective Boards. We request our different constituent unions to take up with the respective banks for its early approval in their Board for immediate implementation. The salient features of the scheme are furnished below:

i. In case of death of an employee as a result of or during bank robbery or attacks by terrorists, including left-wing extremism on bank employees, the family of deceased will be given compensation by the bank as follows:

In case of death of Officers : 20 Lacs  
In case of Clerical/Sub-Staff : 10 Lacs

ii. The banks concerned will look after educational expenses of the children of the deceased upto and inclusive of graduation.

iii. The bank will give immediate employment to one member of the family of the deceased in accordance with the guidelines of compassionate appointment. In case none is able to immediately take up employment, the Entitlement will be held in abeyance till one of the members of the family becomes eligible for and is in a position to take up such appointment. In case compassionate employment is not taken up, the pay and allowances last drawn by the deceased may be extended to the family till one of the children of the family reaches 21 years of age or till the date on which the deceased would have retired in normal course, whichever is earlier. Such payment of pay and allowance will be available only if the dependent is not gainfully employed elsewhere.

**SUCCESS COMES ONLY TO THOSE, WHO DARE AND ACT**

- iv. The loans for housing etc. which might have been availed of by the employee may be transferred to the family member if any compassionate appointment is given, irrespective of his/her normal eligibility. If compassionate employment is not sought by the family, the interest part may be waived and only principal be recovered from the compensation/other dues payable.
- v. In respect of the persons other than the Bank employee who may get killed as a consequence of or during robberies and/or attack of terrorists, the bank will pay a lumpsum compensation of Rs. 3 Lacs to the family of the deceased.
- vi. In case of Bank employees/customers/members of public who actively resist bank robberies and terrorists attacks on bank, the bank may consider a Cash reward not exceeding 2 Lacs. In addition, the bank employees may be given an out of turn promotion, if they satisfy the minimum conditions of eligibility prescribed for direct recruits to the post but without reference to the number of years of service rendered. Employees not covered for criterion for promotion may be allowed three advance increments in their existing grade on a permanent basis.
- vii. All expenses for treatment of injury caused during or at the time of resisting bank robbery/terrorist attack on banks, including hospitalization of the victims (bank employees/members of public/customers) shall be borne by the bank.
- viii. The cash reward mentioned in clause (vi) above will be in addition to the compensation, if any, to which the person may be entitled to under the provisions of various Acts/Rules governing him/her.
- ix. These guidelines shall be uniformly applicable throughout the country including North-East and in left-wing extremist areas. It may also be ensured that no parallel scheme may be run by the Bank in this regard. ■

## Banking

### e-TRANSACTIONS MUST FOR PSU BANKS FROM JULY 1- Finance Ministry

The finance ministry has issued directives to banks that from July 1, banks should migrate totally to the electronic transactions for all major banking services provided to their customers. The directives are aimed at reducing the cost of transaction for banks which the finance ministry has pegged up to ₹ 8,000 crore depending on the size of the bank.

“The cost of handling cheque during its entire life cycle comes around ₹ 25 to ₹ 40. Banks have significantly invested into technology and develop various applications for electronic payment and that should be put to use,” said a finance ministry official. Under the new directives all payments handled by banks to their customers, vendors and suppliers will be done electronically. Further all disbursements of loans and payments towards instalments and investments area also be done electronically.

“Banks have been told to undertake the audit of

adoption of e-payment and action must be taken against officers concerned where cheque based systems are found to be in use,” the official said. Banks have been advised to popularize ECS instead of post dated cheques.

Banks will now identify branches accounting for the highest share in business and top 20% branches in terms of business volume will have to reduce cheque based transaction by at least 20% in 2012-13.

“We have also told banks to reduce the charges for NEFT transaction to zero for value up to Rs one lakh. Any loss of revenue in such cases can be made up through higher savings on the cost of cheque or ATM transaction,” the official said. Banks have also been directed to revisit their incentive schemes to include the promotion and transition to electronic transfer as one of the performance parameters for officers at branch level and zonal level.

**NEVER BEND BEFORE THE INSOLENT MIGHT**

“The advise of the finance ministry is not well thought out. How do you discourage customers in smaller towns from using cheques, as they feel it is a kind of security,” said a general manger with Bank of India.,

Data compiled by RBI shows that during 2011-12 the number of cheque transactions was 134 crore valuing around ₹98 lakh crore and that for electronic

transactions was 1160 crore valuing around ₹ 22 lakh crore. “ The number of cheque transactions have declined by only 4% in the last four years and this needs to be corrected,” the official said. In its advisory, the government has asked banks to explain to customers that on the legal front the users of electronic funds transfer system are not in any disadvantageous position. ■

*Source: Economic Times 28.6.12*

## NEW PENSION SCHEME: MINISTRY SETS SUBSCRIPTION TARGETS FOR PSB

Poor subscriptions garnered by public sector banks under the new pension scheme (NPS) have prompted the Finance Ministry to set targets for them. According to data collated by the Ministry, out of the total subscription of 6.44 lakhs in 2011-12, public sector banks (PSBs) could garner only 501 subscriptions under NPS. These subscriptions were generated through PSB branches which have been designated as Points of Presence (PoP).

Given the dismal performance of PoPs, the Ministry said every rural and urban branch of PSBs will have to generate 150 and 50 subscriptions, respectively, every year. This is to ensure that the NPS is available to all citizens in the unorganized sector and the economically disadvantaged sections of society.

As on September –end 2011, out of the 26 PSBs, 12 had registered about 8,000 branches as PoPs with the Pension Fund Regulatory and Development Authority. In 2010-11, the Government rolled out an NPS (called

Swavalamban Yojana) for all citizens (18-60 years) in the unorganized sector who are not covered by any social security scheme, including the Employees Provident Fund. NPS has been developed with the objective of providing old age income security to all citizens.

The Finance Minister then announced that all subscribers registered in FY2010-11 will be eligible for getting a contribution of ₹ 1,000 a year from the Government for four years beginning the same financial year.

Subscribers registered after 2010-11 will get the contribution up to 2013-14.

The abovementioned contribution benefit is available only to persons who join the NPS with a minimum contribution of ₹ 1,000 and maximum contribution of ₹ 12,000 per annum. ■

*Source: Business Line 25/6/2012*

*Article*

## POLYMER BANKNOTES A NEW ERA OF CURRENCY

Counterfeiting of currency and efforts to mitigate it are centuries old. In the history of medieval India, the great Muhhamad Bin Tughlaq attempted to introduce ‘token currency’ modelled after the Chinese example, using brass or copper tokens, backed by the silver and gold kept in the treasury. However, the experiment failed drastically because the token currency was easy to forge and it is said that every house became a mint resulting in huge



losses to treasury. The moral of this historical anecdote is incorporation of adequate security features in currency to curb counterfeiting.

In India, counterfeiting of India rupee has been a menace since independence and the Reserve Bank of India (RBI) has been incorporating several security features to mitigate forgery of currency and also working on financial literacy through

**SAVE PUBLIC SECTOR, SAVE INDIA**

**Common Bond, August - 2012**



“Know Your Bank Note’ campaigns. Nevertheless, counterfeiting of Indian Rupee in neighboring countries has remained a cause of concern.

To address this, the RBI has given introduction of polymer notes a high priority since 2009. In 2010, the government has decided that INR 100 crore worth of plastic banknotes will be introduced on a trial basis across 5 select locations in the country. All the plastic banknotes in India will be in the denomination of INR 10. These notes are more durable than the paper currency and also difficult to counterfeit. Now that India may soon have a polymer currency it would be worthwhile to know more about polymer banknotes.

### **WHAT IS POLYMER BANK NOTE?**

Polymer banknotes or plastic banknotes are made from a plastic polymer. They aim to incorporate a lot more convenience, durability and enhanced security features as compared to paper banknotes.

### **ORIGIN OF POLYMER BANKNOTES**

The first patent arising from the development of polymer banknotes was filed in 1973. The Reserve Bank of Australia (RBA) developed polymer banknotes with an objective to increase the security of Australia’s paper currency against counterfeiting. In 1967 forgeries of the Australian \$10 note were found in circulation and the RBA was concerned about an increase in counterfeiting with the release of colour photocopies that year. In 1968 the RBA started collaborations with the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and funds were made available in 1969 for the experimental production of distinctive papers. In 1988, the RBA, CSIRO and the University of Melbourne developed the polymer banknotes. The RBA first issued \$5 as currency in 1992 later followed by \$10 in 1993. These banknotes are made from the polymer biaxially-oriented polypropylene (BOPP). The RBA traders BOPP as Securrency, for countries with their own banknote printing facilities. An alternative polymer of polyethylene fibers marketed as Tyvek by DuPont was developed for use as currency by the American Bank Note Company in the early 1980s. Tyvek did not perform well in trials; smudging of ink and fragility were reported as problems. Only Costa Rica and Haiti

issued Tyvek banknotes; test notes were produced for Ecuador, El Salvador, Honduras and Venezuela but never placed in circulation. Additionally, English printers Bradbury Wilkinson produced a version on Tyvek but marketed as Bradvek for the Isle of Man in 1983; however, they are no longer produced and have become collectors’ items.

### **ORIGIN OF THE TERM**

The term polymer in place of plastic to describe banknotes was introduced by the RBA at the launch of its \$10 note on November 1, 1993. Jeffrey Bentley-Johnston and his firm were retained to assist in the launch the \$10 note after a cool reception for the preceding \$5 note. He held the view that plastic and banknote were close to being oxymoronic and recognized the polymer nature of the new banknote and so proposed use of the term. The transition from plastic to polymer is evidenced in the launch of the \$5 note in July 1992 (plastic) to the launch of the \$10 note in November 1993 (polymer)

### **POLYMER BANKNOTES IN CIRCULATION**

As of 2011, at least seven countries have converted fully to polymer banknotes which are Australia, Bermuda, Brunei, New Zealand, Papua New Guinea, Romania and Vietnam. Other countries and regions with notes printed on Guardian polymer in circulation include Bangladesh (10 Taka), Brazil, Canada, Chile, Dominican Republic, Hong Kong (for a 2-year trial), Indonesia, Israel, Malaysia, Mexico (100 Peso), Nepal, Solomon Islands (no longer issued), Sri Lanka, Thailand, Samoa, Singapore and Zambia. Canada released its first polymer bill (\$ 100) on November 14, 2011.

### **BENEFITS OF POLYMER BANKNOTES**

The polymer banknotes greatly enhance durability of the banknotes. They are made of BOPP which is a non-fibrous and non-porous polymer. Compared to paper currency, banknotes made using BOPP are more durable, harder to tear, more resistant to folding, more resistant to soil, waterproof, easier to machine process, and are shreddable and recyclable at the end of their useful lives. The benefits are given in detail in the following points.

**NATION FIRST, ORGANISATION NEXT, INDIVIDUAL LAST**

★ **LONGEVITY-** These notes would have an average life span of 5 years compared to one year for the currency notes which would effectively mean reduced quantity of soiled currency in the country.

★ **HARDER TO TEAR-** Polymer banknotes are much harder to tear than their paper counterparts. One cannot simply tear away a plastic banknote, it would require considerable effort. So, obviously they will last much longer than normal paper notes.

★ **WATERPROOF-** Polymer banknotes are waterproof, in fact washing machine proof. So a holder of polymer notes no longer have to worry about letting money get wet in the train or even forgetting money in the pockets of one's apparels.

★ **DURABILITY -** Plastic notes are more durable than paper banknotes. This would be a top advantage especially for a country like India where dust and other wear and tear is quite rampant. Thus, it would also reduce operational cost of exchanging soiled currency at bank counters.

★ **DIFFICULT TO COUNTERFEIT -** Polymer notes also enabled new security features unavailable at the time on paper, such as transparent windows, and diffraction grating. The transparent window where the optically variable device (OVD) is located is a key security feature of the polymer banknote. It is easily identifiable allowing anyone to be able to authenticate a banknote thereby making counterfeiting much more difficult. It cannot merely be scanned, copied or reprinted. This is great news for India because it will benefit government agencies in terms of security and traceability.

★ **RECYCLABLE -** The polymer that is generally used in plastic bank notes is a biaxially-oriented polypropylene which is recyclable hence making the polymer notes environmentally sustainable as against paper currency.

★ **CLEAN NOTES-** In India, a lot of money is getting lost due to soiled, badly mutilated and torn notes. In addition, these soiled notes carry bacteria and germs that can cause diseases like TB, Pneumonia, Peptic ulcers etc. The introduction of polymer notes in lower currency denominations which are used more often by large strata of population would address these concerns as polymer currency is cleaner than paper currency and thereby would ensure better implementation of Clean Note Policy by the Banking system.

## CONCLUSION

To sum up, the decision to introduce polymer notes in the country is a welcome decision. It is high time that Indian currency after introduction of a symbol in July 2010 and thus entering a select club of countries having a currency sign also enter into a new era of polymer banknotes which would differentiate Indian rupee currency from other rupee currencies viz Pakistan, Sri Lanka, Indonesia etc. The complexities of counterfeiting polymer banknotes are proposed to act as a deterrent to counterfeiters and would address the concerns of terrorism financing, insurgency and black money creation. The polymer technique of currency printing would become a hallmark of India's robust and resilient economy. ■

*Source: Indian Banker, May 2012*

## Judicial Verdicts

### **PAYMENT OF GRATUITY TO THE OFFICERS WHO RETIRED BETWEEN THE PERIOD 01.07.1993 TO 01.11.1994 UNDER 6TH BIPARTITE SETTLEMENT**

**T**he Hon'ble High Court of Karnataka at Bangalore has delivered a landmark Judgement in the case of WA Nos. 1758 – 1785/2003 (S-RES) 2145 – 2174/2003, and has ordered that:

*"Payment of Gratuity on revised salary only to persons who retired post 01.11.1994 is arbitrary and illegal as*

*retired employees, all of whom are within the purview of the subject wage negotiations and settlement forms a single class and cannot be fragmented. It is certainly clear that all retiral benefits including pension and gratuity must be given to all employees evenhandedly. Arrears of Gratuity must be paid to the petitioners within four weeks failing which these dues shall earn interest*

## DUTY FIRST, RIGHT NEXT

**Common Bond, August - 2012**

**10**

at the rate of six percent per annum with effect from 23.06.1995.”

2. In the background of this judgement, confederation

**Text of our letter No.1452/127/12, Dated. 03.07.2012, Addressed To, The Chairman, Indian Banks' Association, Stadium House, 6th Floor, Veer Nariman Road, MUMBAI – 400 020.**

Dear Sir,

**PAYMENT OF GRATUITY TO THE OFFICERS WHO RETIRED BETWEEN THE PERIOD 01.07.1993 TO 01.11.1994 UNDER 6TH BIPARTITE SETTLEMENT**

The Hon'ble High Court of Karnataka at Bangalore has delivered a land mark Judgement in favour of the petitioners vide W.A.Nos.1758-1785/2003 (S-RES), and 2145-2174/2003, wherein the Court has ordered that:

*“Payment of Gratuity on revised salary only to persons who retired post 01.11.1994 is arbitrary and illegal as retired employees, all of whom are within the purview of the subject wage negotiations and settlement forms a single class and cannot be fragmented. It is certainly clear that all retiral benefits including pension and gratuity must be given to all employees evenhandedly.*

*These benefits are meant not only as a recompense for past loyal service, but also as a means to tide over the time when old age makes it practically impossible to earn a living. We do not live in a utopia where the retired or aged members of society enjoy purchasing power frozen to the date on which they had retired. Ever escalating and increasing prices take their toll on society as a whole, indeed it is relentlessly more cruel to the aged to whom the vicissitudes of failing health are unwanted and unwelcomed company which has to be endured. Arrears of Gratuity must be paid to the*

has addressed a letter to the Chairman, IBA, urging upto him to instruct all the Banks to honour the orders of the Hon'ble Court and provide relief to all the affected officers. ■

*petitioners within four weeks failing which these dues shall earn interest at the rate of six percent per annum with effect from 23.06.1995”.*

2. In view of this judgement all the officers who retired during the period 01.07.1993 to 31.10.1994 are entitled for payment of Gratuity on the revised salary which was given effect from 01.07.1993.

3. As the judgement has been delivered by the Hon'ble Bench comprising Justice Vikramjith Sen, Chief Justice and Mrs.Justice B.V.Nagarathna, as per the National litigation policy, any further Appeal in the Supreme Court will not be entertained. Therefore, we request you to instruct all the Member Banks to extend the Benefit of differential Gratuity taking into account the revised salary with effect from 01.07.1993.

4. As the number of aggrieved officers is very small, we request you to implement the orders of the Court and instruct the Banks to pay the arrears of Gratuity to all the aggrieved Officers at the earliest.

Please expedite.

Thanking you,

**Yours faithfully,  
Sd/-  
(D.S.RISHABADAS)  
GENERAL SECRETARY**

**KARNATAKA HIGH COURT DELIVERS A LANDMARK JUDGEMENT:  
EMPLOYEES WHO RESIGNED FROM SERVICE OF THE BANKS AFTER COMPLETING  
20 YEARS OF SERVICE ARE ELIGIBLE FOR PENSION**

**T**he Hon'ble High Court of Karnataka at Bangalore, in a landmark Judgement in the case of WP No. 24158–24160/2011, Vijaya Bank Vs. Sri.C.Narasimhappa, have ordered that the petitioners,

who resigned from service of the Bank, are eligible for pensionary benefits as they have completed the minimum qualifying service of 20 or more years of service, though they have resigned from service of the

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Bank. The Hon'ble Court has averred that merely because the petitioners have resigned from service of the Bank, they cannot be denied the pension benefit.'

2. Confederation recall the spate of letters they addressed to IBA urging upon them to consider pension option to the resignees who have completed the minimum qualifying service for pension of 20 years or more but

IBA remained silent on the issue. The judgement has vindicated our stand.

3. Once again Confederation had addressed a letter to IBA urging upon them to honour the verdict of the Hon'ble High Court and instruct all the Banks to pay pension to all the officers who resigned from the service of the Bank. ■

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**Text of our letter No.1452/124/12 , Dated.29.06.2012, Addressed To  
The Chairman, Indian Banks' Association, MUMBAI – 400 020.**

Dear Sir,

**KARNATAKA HIGH COURT DELIVERS  
A LANDMARK JUDGEMENT  
EMPLOYEES WHO RESIGNED FROM SERVICE  
OF THE BANKS AFTER COMPLETING 20 YEARS  
OF SERVICE, ARE ELIGIBLE FOR PENSION**

The High Court of Karnataka at Bangalore in a landmark judgement in the case of Sri. C.Narasimhappa and others Vs Vijaya Bank, have ordered that the petitioners who have completed 20 years or more of service, though have resigned from the service of the Bank are entitled for Pension and the respondent Bank should extend the benefit of pension to all the petitioners.

2. We have enclosed a copy of the Judgement in the case of WP No.24158 – 24160/2011 and draw your kind attention to the order of the judge who, perusing the evidence placed before him has given a very well reasoned order that, the petitioners are eligible for pensionary benefits, as all of them have completed more than 20 years of service, the minimum qualifying service for pension and merely because the pensioners have

resigned from service, is not a ground for denying the pension.

3. Keeping the foregoing in view we request you to instruct the respondent Bank, i.e., Vijaya Bank to extend the Pension benefit to all the petitioners at the earliest.

4. As the case has been decided on the basis of legal facts, the respondent Bank may be instructed not to file an Appeal before the Bench in Karnataka High Court or in the Supreme Court of India.

5. Please advise other Public Sector Banks to extend pensionary benefit to all similarly placed Officers/Employees. As the number of such Officers/Employees in the Banking Industry is very small, there will not be any financial burden on the Banks.

Please expedite.

Thanking you,

Yours faithfully,  
Sd/-  
(D.S.RISHABADAS)  
GENERAL SECRETARY

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**NOMINEE TO RECEIVE PAYMENT ON BEHALF OF LEGAL HEIRS-SC  
Ram Chander Talwar Vs Devender Kumar Talwar**

The appellant, who was the nominee in the bank account held by his deceased mother claim full rights over the money lying in the account, to the exclusion of the respondent who is none else than his

full brother. The claim is based on section 45 ZA of the Banking Regulation Act, which according to him, makes the nominee of the depositor the sole beneficiary, vested with all the rights of sole depositor.

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**KNOWLEDGE IS POWER**

**R.N.I. No. 36648/82.**

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The appellant, strenuously argued that by virtue of the sub section 2 of section 45 ZA, the nominee of the depositor acquires all his / her rights to the express exclusion of all other persons and, therefore, the respondent cannot lay any claim to the money in the account or in regard to the articles that might be lying in the bank locker held by their deceased mother.

The submission is quite fallacious and is based on a complete misconception of the provision of the Act. Sub section 2 of the 45 ZA reads as follows.

Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such deposit, where a nomination made in the prescribed manner purports to confer on any person the right to receive the amount to deposit from the banking company, the nominee shall, on the death of the sole depositor or, as the case may be, or death of all the depositors become entitled to all the rights of the sole depositor or, as the case may be, of the depositors in relation to such deposit to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner. The Supreme Court held as under;-

Section 45 ZA(2) merely puts the nominee in the shoes

of the depositor after his death and clothes him with the exclusive right to receive the money lying in the account, it gives him all the rights of the depositor so far as the depositor account is concerned. But it by no stretch of imagination makes the nominee the owner of the money lying in the account. It needs to be remembered that the Banking Regulation Act is enacted to consolidate and amend the law relating to banking. It is in no way concerned with the question of succession. All the monies receivable by the nominee by virtue of section 45 ZA (2) would, therefore, form part of the estate of the deceased depositor and devolve according to the rules of succession to which the depositor may be governed.

We find that the High Court has rightly rejected the appellants claim relying upon the decision of this court in **V N Khanchandani Vs V L Khanchandani** (2000) 6 SCC 724. The provision under section 6(1) of the government saving certificate, 1959 is materially and substantially the same as the provision of section 45 ZA (2) of the Banking Regulation Act 1949 and the decision in **V N Khanchandani** applies with full force to the facts of this case. ■

***Finding no merit, the appeal was dismissed.***

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**13**