

ALL INDIA BANK OFFICERS' CONFEDERATION



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Circular No. 2018/68

Date: 25.09.2018

To All Affiliates (Please Circulate)

Dear Comrade,

PUBLIC SECTOR BANK'S ENGAGEMENT IN CROSS SELLING OF INSURANCE / MUTUAL FUND BUSINESS

We reproduce hereunder the joint note dated 25th September, 2018 submitted by the Four Officers' organisations to the Secretary, DFS, Govt. of India, on the captioned subject for your information.

With greetings,

(Soumya Datta)
General Secretary

Text of Joint Note dated 25.09.2018

ALL INDIA BANK OFFICERS' CONFEDERATION (AIBOC)
ALL INDIA BANK OFFICERS' ASSOCIATION (AIBOA)
INDIAN NATIONAL BANK OFFICERS' CONGRESS (INBOC)
NATIONAL ORGANISATION OF BANK OFFICERS (NOBO)

Date: 25.09.2018

The Secretary
Department of Financial Services
Ministry of Finance
Government of India
New Delhi

Dear Sir,

PUBLIC SECTOR BANK'S ENGAGEMENT IN CROSS SELLING OF INSURANCE / MUTUAL FUND BUSINESS

At the very outset, we wish to convey our sincere thanks for issuing suitable guidelines to State Bank of India and other Public Sector Banks vide communication F. No 14/42/2015-Vig/Vp dated 10th September 2018, from ShriGurdeep Singh, Under Secretary (Vigilance), Govt of India, Ministry of Finance, Department of Financial Services, not to pay commission on cross-selling business to the employees of the Bank as they are full time employees and are paid fixed salaries. The communication has been widely appreciated by Bank employees and officials across rank and file.

2. You will recall that the representatives of all four Officers organisations viz. AIBOC, AIBOA, INBOC, NOBO had met your good office and other senior functionaries on 16th July, 2018 and had submitted a memorandum on this issue.

3. In this connection, we wish to express certain apprehensions regarding the interpretation of the communiqué. A similar communiqué was issued to all banks in 2015 in which it was clarified by RBI that there is a statutory restriction on payment of commission to bank staff under the Banking Regulation Act 1949 and it will amount to violation of BR Act if commission is offered to Bank staff for selling insurance products. Thereafter, the Banks had clarified that no commission was paid to any employees. Incentives were paid as reward/recognition of their efforts in cross selling business. We have been given to understand that in Public Sector Banks, employees are rewarded for their performance in cross-selling business through payment of incentives and the amount equivalent to such reward/incentive is loaded in a prepaid card (also termed achiever card) after deducting the TDS as applicable. The term commission is not mentioned anywhere. Thus, the Banks are likely to circumvent the instruction and continue to pressurise employees to focus only on cross selling for individual gains.

4. Besides the above, employees of all categories of the Banks are also being rewarded with one or two foreign tours every year in the name of 'educational tours' for their performance in cross selling of insurance and mutual fund products and the cost of which is entirely borne by the concerned Insurance/Mutual Fund Company.

5. Against the above backdrop, we shall be glad to have a few lines from your esteemed office as to whether incentive and commission are having same meaning and whether foreign tours provided by Insurance Companies fall within the ambit of commission/incentive. The interpretation of the communiqué in its letter and spirit would be instrumental in ensuring ethical selling of third party products and reduce the pressure of bank employees and officials to force sell third party products to customers resulting in rampant mis-selling. We again reiterate that, we have no issues against cross-selling per se; we are only concerned about the way it is being forced on bankers resulting in unethical practices.

We once again thank you for the most sought for direction in this regard from the Government. We do hope that the Public Sector Banks will henceforth abide by the said instruction in letter and spirit and undue pressure on employees for increasing cross selling business for personal gain will stop forthwith and more focus will be given on quality advances/other core products and recovery of monies.

With regards,

Yours sincerely,

sd/-
General Secretary
AIBOC

sd/-
General Secretary
AIBOA

sd/-
General Secretary
INBOC

sd/-
General Secretary
NOBO