NATIONAL CONFEDERATION OF BANK EMPLOYEES

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TO ALL GENERAL SECRETARIES OF AFFILIATED UNIONS/ASSOCIATIONS/STATE UNITS

We reproduce hereunder the full text of UFBU/2011/Circular No.5 dated the 17th June 2011, issued by Convenor, United Forum of Bank Unions, the contents of which are self-explanatory.

(P. NANDA KISHORE)
for GENERAL SECRETARY

PROTEST AGAINST OECD'S REPORT ON INDIA ECONOMIC SURVEY 2011

SUGGESTING

- **IMPLEMENTATION OF FINANCIAL SECTOR REFORMS**
- **REDUCTION OF GOVT. CAPITAL TO 33 % IN PSBs**
- **IN STATE BANK OF INDIA ALSO GOVT. CAPITAL SHOULD BE REDUCED TO 33 %**
- **PUBLIC SECTOR BANKS SHOULD NOT BE GOVERNED BY SOCIAL OBJECTIVES**
- **SMALL PUBLIC SECTOR BANKS SHOULD BE SOLD AWAY**
- **PRIVATE SHAREHOLDERS SHOULD RUN THE PSBs**
- **RESTRICTIONS ON THE VOTING RIGHTS OF LARGE SHAREHOLDERS SHOULD BE REMOVED**
- **GRANTING OF MORE BANKING LICENCES TO PRIVATE HANDS**
- **EMPLOYEES OF THE NATIONALISED BANKS SHOULD HAVE THE SAME EMPLOYMENT STATUS AS THOSE IN PRIVATE BANKS**

MONTEK SINGH AHLUWALIA, DY. CHAIRMAN OF PLANNING COMMISSION WELCOMES THESE RECOMMENDATIONS

MAKE THE 7th JULY ALL INDIA STRIKE A DOUBLE SUCCESS

See what the OECD Report says: "The Organisation for Economic Co-operation and Development (OECD) has presented its Report on Indian Economic Survey and has recommended, among other things, wide ranging financial sector reforms to be implemented. The Survey Report prepared by OECD was discussed in a special seminar on 4th April, 2011 **in which representatives of Indian Government participated.**

The Report has recommended speeding up of financial sector reforms and privatization of Public Sector Banks by reducing the Government capital to 33% and thus increase private share holding to 67%. The Report has recommended that in State Bank of India also, Government's capital should be reduced to 33%. The Report says that even though during the recent global crisis, our Public Sector Banks appeared to be sound because of Government backing, it is high time now that they should be privatised. The OECD feels that the Government should become passive shareholders and let private shareholders run these banks**.** The Report says that Public Sector Banks should not be governed by social objectives i.e. priority sector loans to be abandoned.

The report pointed out that in the year the 2000 in the Budget, Government proposed such reduction of its capital to 33% but in the face of strong opposition from the unions it was not implemented. The Reports suggests that "It is high time to push it through now and to go further by completely selling smaller public sector banks in line with the Raghuram Rajan Committee (2009) recommendations".

The Report has welcomed the idea of giving more licences to private players and to increase the competition. The Report also recommends removal of restrictions on voting rights of shareholders in Banks so that they can own and control the Banks. The Report also says that Directors and Chief Executives of Banks should be appointed by the share holders and not by the Government.

The Report further recommends that the employees of the nationalised banks should have the same employment status as those in private banks.

Government already on the move: Bank employees are aware that the Central Government is already taking steps to implement the financial sector reforms and in the Budget 2011, the Government has proposed the following steps:

Quote from Finance Minister's Budget speech on 28-2-2011:

"The financial sector reforms initiated during the early 1990s have borne good results for the Indian economy. The **UPA Government is committed to take this process further**. Accordingly, I propose to move the following legislations in the financial sector:

(i) The Insurance Laws (Amendment) Bill, 2008;
(ii) The Life Insurance Corporation (Amendment) Bill, 2009;
(iii) The revised Pension Fund Regulatory and Development Authority Bill, first introduced in 2005;
(iv) **Banking Laws Amendment Bill, 2011;**
(v) Bill on Factoring and Assignment of Receivables;
(vi) **The State Bank of India (Subsidiary Banks Laws) Amendment Bill, 2009;** and
(vii) Bill to amend RDBFI Act 1993 and SARFAESI Act 2002.

In my last Budget speech, I had announced that Reserve Bank of India would consider giving some additional banking licences to private sector players. Accordingly, the RBI issued a discussion paper in August 2010, inviting feedback from the public. The RBI has proposed some amendments in the Banking Regulation Act. I propose to bring suitable legislative amendments in this regard in this session. RBI is planning to issue the guidelines for banking licences before the close of this financial year."

Khandelwal Committee Report – Attacks galore: Bank employees are also aware that the Government appointed Khandelwal Committee has made sweeping and retrograde recommendations and has unleashed wholesale attacks on all our rights and benefits like dismantling of industry-level bipartite wage agreement, bundling up all agreements on transfer of employees, total freedom to outsource all our routine jobs, introduction of performance based differential wages, elitism in recruitments, etc.

What is our alternative than to fight back: It is in this context that the UFBU has given the clarion call for All India Strike on 7th July, 2011 to save our Banks, to save our jobs and job security, to protect our hard-won rights and to resolve our pending issues.

March on to 7th July Strike: Comrades, let us march on to make our All India Strike on 7th July a double success."

With greetings,

REMINDER:

- **Submit Mass Memorandum in all Branches**
- **Hold Demonstrations and Mass Rallies**
- **Badge Wearing on 30th June, 2011**

Montek pitches for more financial sector reforms

BUSINESS LINE, OUR BUREAU NEW DELHI, JUNE 14:

India should continue with the process of financial sector reforms and not look at further tightening the existing controls in the financial system, the Planning Commission Deputy Chairman, Mr Montek Singh Ahluwalia, has said.

"I am a bit concerned that **we should not be reading the wrong lessons from the crisis** (global financial crisis). There is a point of view that we avoided the crisis because we had lot of financial controls and we would be well advised to tighten these controls further. This would be in my view wrong. **We need to liberalise the financial system**," **Mr Ahluwalia said** at a OECD-NIPFP organised symposium here on Tuesday.

Mr Ahluwalia said that he agreed with the view expressed in the OECD's latest India economic survey that **financial sector reforms should be continued**. The Planning Commission Deputy Chairman noted that India did very well in following a cautious programme of reform of the financial sector, but now felt there was need to further open it up.

"We need to liberalise the financial system. There is lot of questioning about the usefulness of financial liberalisation, which is actually well positioned. But some of the latest work I have seen suggests that at early stages of development, generally more liberal financial system contributes to growth.

"Of course there is a turning point beyond which further financial liberalisation will have no impact whatsoever. We have an ideal system and not continuing to move forward will be a serious mistake."

Banking reforms

On the banking sector, the OECD's second **India Economic Survey**, which was released today, **has recommended that the Government should reduce its stake in public sector banks to 33 per cent,** as suggested by the Narasimham Committee report, to make them more dynamic.

The report pointed out that the 2000 budget proposed such a measure but in the face of strong opposition from the unions it was not implemented.

"It is **high time to push it through now** and to go **further by completely selling smaller public sector banks** in line with the Rajan Committee (2009) recommendations," the OECD survey said.

The recent performance of these banks suggests that in addition the **Government should become passive shareholders** and **let private shareholders run these banks**, the survey said. **Reduction in the Government share should also apply to the State Bank of India,** it added.

Public sector banks, with reduced Government holding, **should no longer be governed by social objectives**. The **employees of the nationalised banks should have the same employment status as those in private banks**.

Reducing the Government shareholding to one-third would be insufficient. The corporate governance norms too have to be improved so that **directors and chief executives are appointed by shareholders and not the Government**.

Also, **restrictions on the voting rights of large shareholders need to be removed**, so that ownership can equate with control, the Survey has said.
