

ALL INDIA BANK OFFICERS' CONFEDERATION

(Registered under the Trade Unions Act 1926, Registration No.:3427/Delhi)



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Letter No. 2016/197

Date: 08.12.2016

The Governor,
Reserve Bank of India,
Mumbai.

Dear Sir,

DEMONITISATION AND ITS IMPLICATIONS ON BANKING SECTOR

At the outset, we hail the decision taken by Reserve Bank of India of withdrawal of 100% CRR requirement on incremental deposits with effect from the fortnight beginning from 10th of December, 2016. This will certainly provide relief to the banking sector which was suffering without any fault of theirs and for the reasons explained by us in our letter No. 2016/181 dated 28.11.2016. However, we did not find any relief on account of incidence of interest loss due to the maintenance of 100% CRR on incremental demand and time liabilities w.e.f. 26.11.2016. We would like to once again reiterate that the incidental expenses due to demonetization – including additional establishment expenses and interest loss due to 100% CRR – must be borne by the Government and this additional load should not be passed on to the banks which are already bleeding due to policy paralysis of the Government and harsh provisioning norms of the Regulator.

You are aware that heavy amounts of demonetized currency were received and processed during the period after 8th November, 2016. Pressure of work and long working hours all these days might have resulted in shortage or delay in remittances. Even fake notes might have been processed due to non-availability of infrastructure and shortage of sorting machines. In view of the exceptional circumstances, levy of any penalty to the banks by Reserve Bank of India may further adversely affect the profitability of the banking industry and also the morale of its work force. We, therefore, request you not to levy any penalty in view of special circumstances. Any shortage or loss due to fake currency should in no case be passed on to the officers, who otherwise also are not processing either deposits or disbursements of currency notes and are simply custodians of the currency overnight.

You will kindly agree that the fear of accountability for any procedural or processing mistake is the highest in banking industry. For any loss occurred, even unintentional, the search of a scapegoat starts. We will request you to issue necessary guidelines and ensure that there is no witch hunting exercise against officers in case of any lapse in handling of currency or credits/debits in the accounts, including Jan Dhan accounts, in which KYC has been complied. We sincerely hope that a pre-emptive approach of Reserve Bank of India will go a long way in maintaining the credibility of the Public Sector Banks and their employees, who have proved that they are far ahead in implementing the policies of the Government and Regulators than their peer New Generation Private Sector Banks.

With best regards,

Faithfully Yours,

A handwritten signature in black ink, appearing to read 'Harvinder Singh', with a horizontal line extending to the right from the end of the signature.

(HARVINDER SINGH)
GENERAL SECRETARY