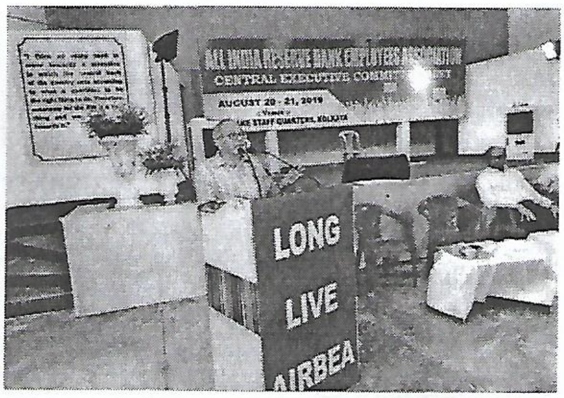
SAVE RBI

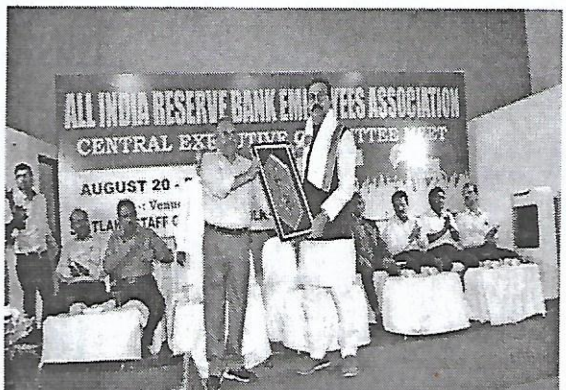
VOICE

SAVE THE NATION

BULLETIN OF
RESERVE BANK EMPLOYEES ASSOCIATION, KOLKATA
SEPTEMBER 2019

Big Moments from CEC Meeting 20-21 August, 2019





One must remember that the countries which destroy their Central Banks destroy themselves.
S. S. Tarapore, former Dy. Governor, RBI

AIRBEA CEC MEETING - GUIDE TO GROWTH AND ACTION

The Central Executive Committee of AIRBEA met in Kolkata on 20th and 21st August 2019. Representatives assembled from all centres (excepting Pune), full of enthusiasm. The meeting was a confluence of seniors and juniors, experience merged with youthful dynamism. The meeting heard with rapt attention the brief but important speech of the inaugurator Sri G. C. Kirtikar, M.P., our Advisor, Chief Guest, Regional Director of Kolkata Office and Executive Director-designate, Sri S. C. Murmu, who highlighted the cordiality of trade unions of staff in the Bank with the management, Sri Rahul Kamble, General Manager of Human Resource Management Department, who deputizing for the Department's in-charge, assured the gathering that they are keeping close watch on developments in the banking industry on wage talks etc., Coms. Ajay Sinha, S. V. Mahadik, Sanjay Chowdhury on behalf of RBIOA, AIRBWF and AIRBOA respectively who applauded the unity of RBI employees and officers on common issues, assuring to strengthen it further, Com. Debashis Basu Chowdhury, the General Secretary of BEFI who gave an overview of developments in the banking industry and bank employees' united struggles both for wage revision and for protecting bank nationalization. The meeting was benefitted by these important deliberations. Before that, General Secretary, AIRBEA welcomed the audience saying, inter alia,

".......the most important issue before the RBI workforce is independence and autonomy of RBI which we have been trying to defend within our limited means. RBI independence and autonomy is at stake, we feel. If RBI is made subservient to the caprices and demands of the Finance Ministry and is made a compartment thereof, that will be hugely detrimental to economy and national interests. We have to protect the independence of RBI......"

Representatives from all centres took part in an unfettered discussion, thirty of them, who had the interest of the Association, well being of our membership everywhere, supreme in their mind. To be aware of developments inside and regarding RBI, events and struggles in the banking industry and other sectors, to associate ourselves with the trade union movement in general and to carry the message and report of activities of AIRBEA and local Associations to each and every member in person, discuss with them, listen to their feedbacks and suggestions for the collective activities, fight relentlessly against discrimination, fight for recruitment in the Bank and expansion of central banking functions - all these were eloquently and firmly articulated in the meeting. Coming from post-2012 young comrades and leaders from all centres, these created a deep impact. Collective awareness ascended new heights. Everybody pledged to carry forward the tasks; the young leaders assured their continuing and long-term dedicated service for the Association. Thank you, friends.

The host Kolkata unit displayed youthful vigour and warmth in organizing the event which impressed all.

The meeting has been a milestone. It has definitely taken the AIRBEA to a new height of consciousness and collectivity.

Voice warmly congratulates all. Voice sincerely wishes that we will scale newer and newer heights.

RBI's Annual Transfer of Fund to Government :

2014 - 15	2015 - 16	2016 - 17	2017 - 18	**2018 - 19**
Rs.65,896 Cr.	Rs.65,876 Cr.	Rs.30,659 Cr.*	Rs.50,000 Cr.	**Rs.1,75,987 Cr.**

(*Consequent to demonetization)

RBI Bonanza to Government - Rs.1.76 lakh crores Govt.'s 'Diwali Gift' to Corporates - Rs.1.45 lakh crores Account balanced Almost !

After announcement of RBI's huge benevolence to the Government of Rs.1.76 lakh crores, by depleting its own reserves, analysts were wondering how this humongous sum will be spent by the Government. Some well meaning people and news papers suggested in good faith that Government must not use this money to cover its fiscal deficit, but spend it for essential purposes to create market demand. They need not wreck their heads any more. Government have provided the answer.

On 20th September 2019, the Finance Minister, Smt. Nirmala Sitharaman announced "steeper corporation tax rate cuts than were proposed earlier even as these would hit the exchequer by Rs.1.45 trillion(lakh crore) a year amid a shaky revenue position of the Government." [Business Standard, 21st September 2019] It can be easily surmised that RBI's unprecedentedly huge transfer of fund enabled the Government to provide this largesse to the corporate. RBI's money goes to cheer up the corporates! The Economic Times (21st September 2019) says it Government's 'Diwali Gift'.

On 26th August 2019 forenoon when the Central Board of RBI was meeting to decide on transfer of fund, comprising a whopping Rs.1.23 lakh crores as RBI's "surplus" for the year 2018-19 and Rs.52,000 crores from RBI's contingency fund, as per Jalan Committee Report on "Economic Capital Framework", AIRBEA issued a press statement requesting the Central Board not to "hustle" this vitally sensitive and contentious issue, but to try to build up a "national consensus" by seeking opinions from other former RBI Governors and experts on the recommendation of the Jalan Committee. That, we hold, would have been an eminently reasonable course, since there have been many contrary opinions on depleting RBI reserves, while RBI's own research body - Centre for Advanced Financial Research and Learning (CAFRAL), suggested, after an analysis of balance sheets of as many as 45 central banks of the world, that compared to other central banks "the core capital of RBI is not sufficient". We reasoned that "RBI is the lender of the last resort of the banking sector of this country. Weakening its finances might be very costly during a financial/ economic crisis or any global turbulence. Since the Government itself has a gaping budget deficit and its sovereign credit rating is poor, the risk is heightened".

Besides, now-a-days, with growing international trade and inter-connectedness of business deals between Indian Companies/ entrepreneurs with external outfits, any failure or default in transactions in foreign currencies will devolve on the Government of India and in extension to RBI and as such RBI also serves as the global lender of the last resort which is a highly sensitive area and is vulnerable to external risks. Hence, RBI's reserves deserve to be protected and no Government earlier touched on this, which was absolutely correct.

Another dangerous proposition has been mooted which the nation should feel concerned about. The Chairman of the Jalan Committee, Dr. Bimal Jalan comments recently (Mint, September 20, 2019) that "Norms on RBI reserves not cast in stone". He says that Government can further withdraw money from RBI reserves depending on circumstances. According to him, "If you need it (more money from RBI) in some later years, something requires to be done, there is a defence or security (exigency) as it happens from time to time, then you can do that, next year or year after. All these things are open to consideration depending on what the circumstances are". That means, RBI reserves can be scooped out at will by projecting a situation, real or imaginary. This we very strongly object. Weakening RBI reserve is a recipe for disaster for national economy and country's sovereignty, we firmly hold.

Central Banks' Finances: An Overview

Introduction

Jean Claude Trichet, the then President of the European Central Bank on 12 June 2009 in Sofia, discussing the origin and evolution ofGlobal financial crisis of 2007-009 visualised a neutral observer "who looked at the financial sector about a decade ago and then did not look at it again until the eve of the financial crisis, he would have discovered a financial system that had moved away from its traditional role of supporting trade and real investment. **He would have found a financial system in which speculation and financial gambling had run rife. He would have encountered a system transferred - a system no longer managing genuine economic crisis but one actually creating and assuming financial risks - risks resulting from arbitrage and international exposure to asset price changes.**

Coming as it is from horse's mouth, we can really understand how crafty, devious the financial world has become today. It is clear that a central bank, that too of an emerging economy working in the midst of such an untrustworthy globally integrated situation must have more than adequate financial strength and operational freedom (of course, with necessary accountability to the country's parliament) to get to its policy mandates.

Central Banks' Finance

Theoretically, a central bank can function with very little equity, and even with negative equity. Usually such central banks have understanding with their respective governments to provide financial resources whenever need arises. Obviously, in such cases the government must be financially very strong, having enough assets over their liabilities to provide adequate funds to the central banks. No doubt in such situations the central banks cannot be said to be financially weak.

The Bank for International Settlements(BIS) had organized a workshop on central banks' finances inBasel on 12 November 2013. There was a panel discussion on : "How real is a threat to policy capacity arising from financial outcomes? What are realistic options for threat management?" It will be very interesting to revisit what Mr. Pentti Hakkarainen, Deputy Governor of the Bank of Finland had to say regarding the central banks" finances.

Let us take the opportunity to reconsider his views in nutshell :

When considering potential threats to the policy effectiveness of the central banks, the key concept is credibility. **Credibility of the central bank is almost synonymous with its ability to make its actions effective in the market**. This is equally important for the effectiveness of policy commitments as for the effectiveness of actual monetary policy operations.

Credibility has three components :

1. The financial position of the central bank : **Sound finances are important for the de facto independence of the central bank**. The reason for this is clear. An independent central bank should be able to fund its operations independently and not become dependent on the government discretion for its financial resources.
2. The institutional position of the central bank as a public institution, its prerogatives and its legal independence must be ensured. Independence protects the bank from political influences and makes it possible for the bank to pursue its mandate in a consistent way. Only consistent policy can be fully effective.
3. The quality of the bank's operations and communications should be such that it should be able to influence the market, the central bank's policy intentions must be transparent and the practical implementation of the policy must be perceived as professional. Otherwise the market reactions to policy may not be as desired. So, a sound financial position is not the only condition for policy effectiveness.

There seems to be a mutually reinforcing relationship between these three factors of credibility.

Further, being the **Lender of Last Resort (LLR)** for the banking sector its financial position must be very strong. This need of financial strength of a central bank is more heightened if the respective government's fiscal position is weak, since as the owner of central bank it is considered as a major financial source for the central bank.

Hiroshi Nakaso, the Deputy Governor of Bank of Japan had presented remarkably the expansion of LLR function of a central bank while delivering his keynote address in a seminar on "Financial Crisis and Central Banks' LLR function" hosted by the World Bank on 22 April, 2013. He explained (a) that in light of deepening financial market and globalization the contagion effect (whereof a financial problem at one point swiftly spreads across a whole system in a domino-like fashion) of financial crisis is magnified through mutually reinforcing declines in funding and market liquidity and (b) the crisis spills over across national border and assumes global shape.

Not only banks and financial sector, the lack of liquidity (cash crunch or non-availability of such assets which can easily be converted into cash) during a crisis usuallyfreezes markets too. During the Crisis of 2007-09 the central banks (particularly US Fed Reserve) had to purchase private corporate bonds to inject liquidity in the market. As such a central bank may now also be called the Market maker of Last Resort.

Further, owing to globalization, banks often have to intermediate in foreign currencies. The central banks have to provide foreign currencies to these banks. In such a situation the central banks resort to currency swaps (currency exchanges) between central banks of different currencies. In this sense a central bank may now also be termed as "Global Lender of Last Resort".

Review of Literature

Though there have been many research works on central bank finances, we will restrict our scrutiny over only those papers emanating from a few international financial bodies like Bank for International Settlement (BIS), International Monetary Fund, World Bank etc.

"Financially weak central banks generate losses which undermine macroeconomic stability and call into question the credibility of their policies" says Peter Stella in his famous work "Central Bank Financial Strength, policy constraints and inflation" **(IMF Working Paper WP/08/49)**. In this paper he further argues that "Roughly speaking, the importance of central bank financial strength for policy outcomes increases exponentially as central bank finances become weaker or policy commitments become more ambitious. More generally, the financial strength of an independent and credible central bank must be commensurate with its policy tasks and the risks it faces."

We repeat what PenttiHakkarainen said in the **Workshop on the Finances of Central Banks, organised by the Bank for International Settlements, Basel, 12 November 2013** : "Sound finances are important for the de facto independence of the central bank. The reason for this is clear. An independent central bank should be able to fund its operations independently and not become dependent on the government discretion for its financial resources"

David Archer and Paul Moser-Boehm in their paper **(BIS Papers No.71)** commented that : "While financial exposures and losses do not hamper central banks' operational capabilities, they may weaken the effectiveness of central bank policy transmission."Against this backdrop, the paper analyses the determinants of a central bank's financial position and the possible implications of insufficient financial resources for policymaking.

It will be quite pertinent at this point to recall what Stanley Fischer (Professor MIT, Deputy Managing Director of IMF) who introduced the new central bank doctrine of 'Inflation Targeting' that weathered even the Great Financial Crisis of 2008 had said regarding central bank autonomy and financial strength in his famous paper "Modern Central Banking" delivered in London in 1994 at the Tercentenary Symposium of the Bank of England; he said in unequivocal terms that Central banks need operational independence in the deployment of monetary policy instruments such as interest rates, to achieve their objective. **Independence also requires that central banks must not be obliged to finance the government fiscal deficit.**

Why central banks need enormous fund

The central banks build up adequate funds for the crisis period. In tranquil time it would seem sub-optimally high. But it has been observed that during not so major crises 50 per cent of the fund is wiped out and in major crises the whole fund is exhausted. Let us see what quantity of money the major central banks expended (or created) during the meltdown.

- US - USD 3.9 trillion (nearly Rupees 280 lakh crore)
- Japan - USD 2.9 trillion (approx Rupees 208.8 lakh crore)
- ECB - USD 2 trillion (approx Rupees 144 lakh crore)
- UK - USD 580 billions

It is a fact that if these central banks generously contributed to the blasting of the crisis, it too saved the whole system from collapsing. This was precisely done through injecting unprecedented quantum of liquidity in the banking, financial system and even in the markets. These operations by the central banks brought their role to centre-stage in any economy.

From the above we can well understand why the central banks need a credible contingency reserve, which is actually savings of the nation for rainy days. It has been observed that during not so major crises 50 percent of the fund is wiped out and major crises completely exhaust the fund.

Contingent Risk Buffer (CRB) :

Out of its operation the surplus or profit generated by RBI are allocated as per the RBI Act, 1934. It clearly allows it to make provision for bad and doubtful debts, depreciation in assets, contributions to staff and superannuation funds and for all other matters for which provision is to be made by or under the Act and the rest amount to be transferred to the government.

In view of our above observation there can be no doubt that RBI requires a strong and enough big contingent risk buffer which may be expanded or shrunk as and when warranted so that during any financial crisis it could save the nation and its people, particularly the toiling millions who are worst hit during such crises.

Dr. Bimal Jalan committee on Economic Capital Framework

Dr. Bimal Jalan committee on Economic Capital Framework has recognized the importance of theContingent Risk buffer : "The Committee recognized that the RBI's Contingency Risk Buffer (CRB) is, inter alia, the country's savings for a 'rainy day' (a financial stability crisis) which has been consciously maintained with RBI in view of its role as Lender of Last Resort (LoLR)

Financial stability risks are those rarest of the rare, fat tail risks whose likelihood can never be ruled out, especially in light of the Global Financial Crisis (GFC) and whose impact can be potentially devastating. Public policy prudence and extant statutory provisions require the RBI to maintain appropriate level of risk buffers for this purpose."

But after recognizing the importance of CRB what does it recommend: "The Committee recommended that the same be maintained at a range of 5.5 per cent to 6.5 per cent of the RBI's balance sheet"

Unfortunately, no central bank is there which is restricted to hold no more than a defined limit of capital. The committee itself has emphasized in its report that financial stability risks can be potentially devastating, yet it contradicts itself by binding RBI within a set limit of CRB. More interestingly, the RBI Board have chosen the lower band of the range of 5.5 percent of RBI balance-sheet thus transferring more money to the Government and keeping less for RBI. **RBI think tank, CAFRAL contradicts Jalan Committee's findings.**

Centre for Advanced Financial research and Learning (CAFRAL), promoted by the RBI and University of British Columbia have jointly made a study enquiring the necessary

amount of capital a central bank should hold. The study reviewed the balance sheets of 45 central banks around the world to describe actual practices. Their main findings are: (a) the average capital-asset ratio of central banks globally (net of revaluation capital which is purely an accounting entry) is 6.56 percent while the number in emerging economies is 6.96 percent. RBI at 6.60 percent is 5 percent under-capitalized relative to the emerging economy average; (b) Over one in every seven central banks suffers operating losses in any given year with the average loss being 50 percent of core capital; and (c) our Value-at-Risk estimates for the RBI excluding exchange rate risk indicate that **the current level of the core capital of the RBI at 6.6 percent is too low**. The target number of the RBI core capital should be above 16 percent. Value-at-Risk estimates including exchange rate risk suggest that the overall level of capital including revaluation capital may also need to be raised.

Conclusion :

One eminent member of the Jalan committee, the former Deputy Governor of RBI, Dr. Rakesh Mohan has commented that it would have been better if the RBI Board had chosen the upper band of the range i,e., at 6.5 percent.

One of the major shortcomings of the Jalan Committee is that it has not measured the fiscal position of India vis-à-vis the advanced as well the emerging economies. After all the government is supposed to be a major source of finance to the central banks. If the government itself is short of money, how can it finance its central bank during major crisis? In fact, the governments with large fiscal deficits have the natural tendencies to demand money from central banks' income.

As a matter of fact, the CAFRAL study shows that India has a fiscal deficit 65 per cent higher than international average and 128 per cent higher than that of emerging economies.

In the given state of economy which clearly shows symptoms of deep recession, when the banking sectors is burdened with huge non-performing assets when manufacturing sector is almost collapsing, the huge transfer of money from RBI surplus and contingency risk buffer is fraught with real serious risk for the nation.

On Consolidation and Merger of Banks : What did RBI Say earlier?

Merger of banks have been imposed on the emerging economies by the present International Financial Architecture (The IMF, the World Bank, the Bank for International Settlement and lately the Financial Stability Board) in the name of Technological advances, Deregulation, Globalization to ensure entry of multinational banks to developing countries. Not only that, **the merger and consolidation of banks changed the character of the domestic banks**. Conventionally, the banks collect public deposits which may be called our national savings and from this fund the banks steadily supply finance to the manufacture and trade that develops the nation's economy. **The multinational or mega-banks relegate this main function of banks to insignificance** and use the huge deposit fund or funds to invest in various financial products including very risky and volatile derivatives and other off balance sheet activities which in other words may be called financial speculation and gambling. In doing so the mega banks expose the whole national economic and financial system to huge risks and vulnerability. Let us see what Reserve Bank of India thought in this regard in their own parlance :

"The financial services industry, particularly the banking industry, has undergone significant transformation all over the world since the early 1980s under the impact of technological advances, deregulation and globalisation. An important aspect of this process has been consolidation as a large number of banks have been merged, amalgamated or restructured. Although the process of consolidation began in the 1980s, it accelerated in the 1990s when macroeconomic pressures and banking crises forced the banking industry to alter its business strategies and the regulators to deregulate the banking sector at the national level and open up financial markets to foreign competition. This led to the blurring of distinctions between banks and non-bank financial institutions, various products and the geographical locations of financial institutions. The resulting competitive pressures on banks in the emerging economies led to deep changes in the structure of the banking industry, including, among others, privatisation of state-owned banks, mergers and acquisitions (M&As) and increased presence of foreign banks."

[Report on Currency and Finance, 04 Sept 2008, a RBI publication]

Bank Consolidation and its implication for Financial Stability and Monetary Policy : RBI's Views as above -

1. It is emphasized that even though there are several potentials for reducing the financial risk through geographical and product diversification at the individual firm level, **consolidation leading to creation of megabanks could heighten various types of financial risks at the macroeconomic level.**
2. **Operational risk could increase** with the size of operations as the distance between management and operational personnel is greater in large companies and its administrative systems are more complex.
3. The transparency of the operations could also deteriorate with increase in size, particularly with regard to cross-border mergers, **rendering detection of potential crises in time by authorities difficult.**
4. **The contagion risk,** i.e., problems arising in an individual bank spreading to others, also increases with size, as banks' exposures against one another rise along with the size of operations.
5. Further, the consolidating institutions are found to shift their portfolios towards higher risk-return investment. Consequently, the concern about systemic risk are heightened, as **concentration of banking activities in few megabanks would mean that given their wholesale activities, any shock could have repercussions to the financial system and the real economy**.
6. The increased potential for systemic risk further intensifies the concerns for these banks being

considered "too big to fail", which gives rise to the problem of moral hazard. Because of the increased potential for systemic instability from impairment of such large banks, whatever be the ex-ante declaration, the perception of the general public would be that the government would not allow these banks to fail, and therefore, ex post provide bailout. Because of this perceived implicit or explicit guarantee by the government, the risk taking behavior of these banks could increase, there by **further enhancing the systemic risk.**

7. Consolidation leads to greater concentration of payment and settlement flows among few parties within the financial sector. Such concentration implies that **if a major payment processor were to fail or were not able to process payment orders, systemic risks could arise.**

[Excerpts from the Report on Currency and Finance, 04 Sept 2008, a RBI publication]

Will the advocates of bank merger clarify about these danger signals and warnings from the country's banking regulator?

Bank Union sources say, rightly :

a) The argument that by merging our banks, they will become globally big banks and globally competitive, is a mere myth. Even all our banks are merged into one bank, the capital base would be 4 billion USD whereas most of the global banks operate with capital base of 60 billion $, 70 billion $, 80 billion $ etc.

b) After merger of banks, the Government might say that since banks are big now, they have a wider deposit and client base, they have to fend for themselves without Government coming to their rescue with "tax payers' money" in case of any criticality. So, the FRDI Bill which was put on hold due to public outcry and resistance by bank unions, may be resurrected, putting at risk depositors' money.

c) Bank merger is a step towards bank privatization.

d) **Now, upto Rs.one lakh of deposit in Public Sector Banks is insured. With risk factors increasing due to mergers, the deposit insurance should be raised adequately - upto Rs.10 lakh at least.**

Greetings to Com.Prabir Roy

Prabir Roy, an activist, a committee member and a staunch supporter of our Association retired in September 2019. As a token of love for Association, Com. Prabir Roy has donated Rs 1 lakh to the RBEA, Kolkata. He has also donated Rs. 25,000 to Reseve Bank Retired Employees Association, Kolkata.

Joining in 1981, Com. Roy has played varied roles in helping the Association and on most occasions from behind the curtain. He has been our Committee member but never craved for any post. We greatly value such characteristics of our members and consider their unending support as the most essential foundation of our organization.

Greetings comrade. We know that you will continue to offer your most valuable service to the cause your beloved Association pursue. VOICE wishes you an active and healthy retired life.

Congratulations, dear sister

Ayhika Mukherjee, joining Kolkata Office in July 2017, member of our Sports' Club, won -

- Gold medal in the Women's Singles and Bronze in Mixed Doubles at the Commonwealth Table Tennis Championships - Cuttack, Odisha from July 17 - 20, 2019.
- Gold at the South Zone National Ranking Table Tennis Championships held at Thiruvananthapuram, Kerala from August 14 - 21, 2019.

We wish her more and more success in the days to come.

Some Observations worth noting :

"Institutions are under attack and their autonomy is being eroded. The resilience of the RBI will be tested after its record transfer of Rs.1.76 lakh crores to the Government, which claims that it does not have a plan on what it will do with this windfall.

-Dr. Manmohan Singh *[The Hindu, September 01, 2019]*

Former RBI Governor, **Dr. Y. V. Reddy** on 6th September 2019 said that merging State-run-banks will not solve the issue of governance and consolidation should be based on synergies with boards driving the initiative. Reddy also said that global experience has so far shown that half of bank mergers have been ineffective.

[The Economic Times, September 06, 2019]

Former RBI Governor, **Dr. D. Subba Rao :** *[September 05, 2019]*

"The Finance Minister's announcement last week of the merger of public sector banks, coming in the wake of growth sinking to a six-year low, was meant to be seen as a big bang response to arresting the slowdown. On the contrary, it's a needless distraction.

In the short-term, the mergers will contribute nothing towards engineering a turnaround of the economy. Worse still, the administrative and logistic challenges of mergers will divert the mind space of bank managements away from their most pressing task at the moment - of managing the NPAs and aggressively looking for lending opportunities. Down the line, bank staff will be worrying, notwithstanding the finance minister's assurance, about their jobs and career prospects even as their morale will be sapped by the complexity of coping with a new banking culture and new practices at a time when they should be giving their undivided attention to scouting for borrowers and improving service delivery.

A follow-on question is this : Even if the short-term outcome is not promising, are mergers a net positive in the long term? That is not unambiguously clear.......

On the flip side, the biggest argument against big banks is that they can become too big to fail. The financial sector is all inter-connected and a risk in any part of the system is a risk to the entire system. If a large bank were to fail, it could bring down the whole financial sector with it, as was evident from the near death experience following the collapse of Lehman Brothers in 2008, which triggered the global financial crisis. No country can therefore afford the failure of a big bank. The tacit knowledge that the sovereign will be forced to rescue it encourages irresponsible behaviour by big banks."

India staring at silent fiscal crisis, says PM's Advisor Rathin Roy :

"The Government should not issue foreign sovereign debt without getting into larger public consultations, and the many arguments it has given in favour of issuing such securities do not hold, Rathin Roy, member of the Economic Advisory Council to the Prime Minister, said.

Roy, who is also the director of National Institute of Public Finance and Policy, said India was staring at a silent fiscal crisis .....

"I would pay very careful attention to what several Governors of the Reserve Bank are saying, that these are sovereign liabilities in perpetuity. I think there are serious issues regarding loss of sovereignty, which need to be addressed. I do not think that the argument that it is cheaper is a good one. I think it doesn't even hold if you add hedging costs and I don't buy the simple argument that if something is cheaper, it is good," Roy said at an event by five think tanks on the Union Budget. Roy added that there was a reason why the country hadn't issued overseas debt 70 years 'despite huge provocations to do so".

"I would urge, very respectfully, a public consultation on the subject and a public discussion rather than imperial announcements of borrowing programmes being made without taking into account these factors," he said. Roy also said no country that had issued sovereign bonds, be it in Latin America or Europe, had a pleasant experience with the liabilities that was created.".....

[Mr. Roy has since been removed from the PM's Advisory Council, presumably because of his comments as above - Ed. Voice]

"Yeh dil mange more"

Not content with huge RBI transfer of Rs. 1.76 lakh crore, Government may seek an interim dividend of Rs. 30,000 crore from RBI towards the end of financial year to meet its fiscal deficit target, reports PTI on September 29, 2019. (Financial Express, September 30, 2019)

Not surprising, however. Buoyed by its success of extracting record sum from RBI, the Government might look at RBI as the cash-cow. Moreover, the Chairman of Jalan Committee, Dr. Bimal Jalan has already hinted that money would be easily available from RBI on "emergency" reasons. So, emptying RBI coffer seems to be a matter of time only!

Bank Merger Spree :

			PSB rank by size
Already Done :	1)	SBI & Associate Banks + Bharat Mahila Bank	(1st largest)
	2)	Bank of Baroda & Dena Bank + Vijaya Bank	(3rd largest)
In the Pipeline :	3)	PNB & Oriental Bank of Commerce + United Bank of India	(2nd largest)
(Announced by the)	4)	Canara Bank + Syndicate Bank	(4th largest)
Government)	5)	Union Bank of India & Andhra Bank + Corporation Bank	(5th largest)
	6)	Indian Bank + Allahabad Bank	(7th largest)
Stand alone : (Till now)		Bank of India, Central Bank of India, Uco Bank, Indian Overseas Bank, Bank of Maharashtra, Punjab & Sind Bank.	

[Source : Finance Ministry]

Good Bye Com. A. K. Jana

Com. Anil Kumar Jana, an excellent organizer and a prominent figure of bank officers / movement, a popular leader, President of AIBOC in 2002-2004, breathed his last on 31st August 2019 creating a big void in bank employees' movement. He was suffering from cancer. Born in 1944, he was closely associated with the progressive students' movement in his student days. Joining Indian Bank he started organizing officers there from a rudimentary stage. He was elected Officers-director of Indian Bank for two consecutive terms, from 1992-95 and 1995-98. He was involved in various social welfare activities and was a founder member in formation of "FUTURE", a research organization of bank employees / officers. He took leading initiative in forming All India Bank Pensioners and Retirees Association.

Several times he came to address our members. His passing away is a loss to RBI employees and AIRBEA. We salute Com. A. K. Jana.

ALL INDIA RBI WINTER SPORTS' MEET AT KOLKATA
14TH DECEMBER TO 20TH DECEMBER 2019

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