



Email : newsletter@bmcbank.co.in

Bombay Mercantile Bank Ltd.

BOMBAY MERCANTILE CO-OPERATIVE BANK LTD.

(Scheduled Bank)



NEWSLETTER

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HAPPY
REPUBLIC DAY

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Welcome to **January 2023** edition of **Newsletter**.

I wish you all a very happy and prosperous new year 2023 and thank you all for the support extended during 2022 and expect your continued commitment in 2023. Let us all make a New Year resolution for taking our glorious institution to a new height and to a new glory in 2023, For this take a resolution to update the knowledge on regular basis, to upgrade professionally by understanding new technology and new system in the banking industry Let us review the same at the end of the year 2023 to find out how it has helped and what are the changes it helped attain in you. **January** is a month to remember our founder **Chairman Mr. MohammedAli Allabux** whose birth anniversary is coinciding with **Republic day** i.e. 26th January. So let us pledge to work for the progress and growth of the bank and fulfill the vision that our illustrious founder had charted for the bank. Our Board of Directors and Board of Management are fully committed to take the Bank to a new glory I assure you that will find a **better in you** at the end of the year if you have effectively implemented the resolutions. I assure that the Fortnightly Newsletter will stand as your trusted source of knowledge updation to fulfill your resolutions in the new year 2023. **I wish you all the best.** I thank you for using the Newsletter as a trusted source to update your professional knowledge.



ZEESHAN MEHTI

REGULATORY UPDATES:

Most small savings plans to yield more in new quarter; PPF, Sukanya rates static

The Central government raised interest rates on eight of the 12 small savings schemes by 20 to 110 basis points for the January to March 2023 quarter, but left the returns on the popular Public Provident Fund (PPF) unchanged at 7.1% for the eleventh quarter in a row. One basis point or bps equals 0.01%. The Sukanya Samriddhi Account Scheme's return was also retained at 7.6%, prevailing since April 2020 when small savings schemes' rates were cut across the board. The returns on Kisan Vikas Patra (KVP) and the National Savings Certificate (NSC) were raised by just 20 bps each, to 7.2% and 7%, respectively.

INDUSTRY NEWS

RBI cancels licenses of 12 co-operative Banks in 2022, will 2023 be a better year ?

The Reserve Bank of India (RBI) has cancelled the licenses of 12 crisis-ridden cooperative banks in 2022 and imposed penalties around 110 times on wrongdoers.

The banks whose permits have been cancelled by the RBI include Independence Cooperative Bank Limited, Mantha Urban Cooperative Bank Ltd, People's Cooperative Bank Limited, Mudhol Cooperative Bank Limited, Millath Cooperative Bank Limited and others. This was in line with the trends seen in previous years.

Data with the RBI shows that Gross Non-Performing Assets (GNPAs) of urban cooperative banks rose to Rs 36,500 crores in 2021 from Rs 32,300 crores in 2020. Growth in deposits, which constituted 80.3 percent of their business in 2020, remained flat in 2021. At the same time, the liabilities and provisions of these banks increased from 11.3 percent to 11.5 percent in the same period.

Business of cooperative banks in loan and advances fell to 47.5 percent in 2021 from 48.9 percent in 2020. Experts said a widening trust-deficit was the primary point of concern for cooperative banks due to which they have seen a sharp erosion in business in recent years. "There is a need for more oversight, auditory measures and examinations in the case of cooperative banks. RBI on July 19, 2022 revised the regulatory framework for UCBs, prescribing a minimum net worth of Rs 2 crore for Tier-1 banks and Rs 5 crore for all other banks. RBI said UCBs, which currently do not meet the minimum net worth requirement, shall achieve the minimum net worth of Rs 2 crore or Rs 5 crore in a phased manner and meet at least 50 percent of the applicable minimum net worth on or before March 31, 2026, and the entire stipulated minimum net worth on or before March 31, 2028. Experts suggested that stronger regulation limits the business efficiency of banks and restricts the growth of cooperative banks, but also leaves space for internal corrections. "Cooperative banks suffer from dual regulations, where RBI and the State/Central governments have authority over them.

NRE/NRO accounts with international mobile no. can now use UPI

The National Payments Corporation of India (NPCI) has instructed members of the Unified Payments Interface (UPI) ecosystem to allow non-resident account types such as non-resident external (NRE) / non-resident ordinary (NRO) accounts having international mobile numbers to get onboarded and transact through UPI. The UPI ecosystem members have to comply with NPCI's direction by April 30.

Central Payments Fraud Information Registry – Migration of Reporting to DAKSH

As per the announcement made in the Monetary Policy Statement 2019-20, the Reserve Bank of India had operationalised the Central Payments Fraud Information Registry (CPFIR) in March 2020 with reporting of payment frauds by scheduled commercial banks and non-bank Prepaid Payment Instrument (PPI) issuers.

To streamline reporting, enhance efficiency and automate the payments fraud management process, the fraud reporting module is being migrated to DAKSH – Reserve Bank's Advanced Supervisory Monitoring System. The migration will be effective from January 01, 2023. RBI has issued this directions under Section 10 (2) read with Section 18 of Payment and settlement Systems Act, 2007 (Act 51 of 2007).

Entities shall commence reporting of payment frauds in DAKSH from Jan 01, 2023. In addition to the existing bulk upload facility to report payment frauds, DAKSH provides additional functionalities, viz. maker-checker facility, online screen-based reporting, option for requesting additional information, facility to issue alerts / advisories, generation of dashboards and reports, etc. This reporting was earlier facilitated through Electronic Data Submission Portal (EDSP) and is being migrated to DAKSH.

UCB NEWS:

Revised Regulatory Framework for Urban Co-operative Banks

As per the recommendations of **Expert Committee on Urban Co-operative Banks (UCBs)** constituted under the chairmanship of **Shri N. S. Vishwanathan**, RBI has issued detailed guidelines with respect to **net worth** and **capital adequacy** of UCBs. The new guidelines which will be effective from **April 1, 2023** are as follows.

Networth: UCBs shall have minimum net worth as under:

Tier 1 UCBs operating in a single district shall have minimum net worth of **₹2 crore**.

All other **UCBs (of all tiers)** shall have minimum net worth of **₹5 crore**.

UCBs which currently do not meet the minimum net worth requirement, as above, shall achieve the minimum net worth of **₹2 crore** or **₹5 crore** (as applicable) in a phased manner. Such UCBs shall achieve at least **50 per cent** of the applicable minimum net worth on or before **March 31, 2026** and the entire stipulated minimum net worth on or before **March 31, 2028**.

Minimum capital to risk weighted assets ratio (CRAR)

requirement: UCBs shall maintain minimum CRAR as under:

Tier 1 UCBs shall maintain, as hitherto, a minimum **CRAR of 9 per cent of Risk Weighted Assets (RWAs)** on an ongoing basis.

Tier 2 to 4 UCBs shall maintain a minimum CRAR of **12 per cent** of RWAs on an ongoing basis.

UCBs in Tier 2 to 4, which do not currently meet the revised CRAR of 12 per cent of RWAs, shall achieve the same in a phased manner. Such UCBs shall achieve the CRAR of at least **10 per cent** by **March 31, 2024**, **11 per cent** by **March 31, 2025** and **12 per cent** by March 31, 2026.

Revaluation Reserves:

Revaluation reserves, arising out of change in the carrying amount of a bank's property consequent upon its revaluation, may henceforth be reckoned as **Tier 1 capital** at a **discount of 55 per cent**, subject to meeting the certain conditions therein.

DIGITAL NEWS

Enhancements to UPI – Processing Mandates with Single-Block-and- Multiple-Debits

Unified Payments Interface (UPI) has emerged as a popular retail payments system for **Person to Person (P2P)** and **Person to Merchant (P2M) transactions**. UPI has features which enable processing of mandates for recurring transactions and single-block-and-single-debit functionality. Consequently, over **70 lakh autopay mandates** are handled **every month** and more than half of **Initial Public Offer (IPO) applications** are processed using the **block** feature of UPI. The capabilities in UPI can be enhanced to enable a customer to create a payment mandate against a merchant by blocking funds in his/her bank account for specific purposes which can be debited, whenever needed. This would be helpful for hotel bookings, purchase of securities in the secondary capital market as also purchase of government securities using the RBI's Retail Direct scheme, e-commerce transactions etc. This will build higher degree of trust in transactions as merchants will be assured of timely payments, while the funds remain in the customer's account till actual delivery of goods or services.

Considering these benefits, RBI has decided to introduce a **single-block-and-multiple debits** functionality in UPI, which will significantly enhance the ease of making payments in e-commerce space and towards investments in securities.

RBI NEWS

Use of AI, ML to improve regulatory supervision

RBI has recently shortlisted **seven global consultancy firms**, to use **Artificial Intelligence (AI)** and **Machine Learning (ML)** for **supervisory functions**. The seven firms are Accenture Solutions Private Limited; Boston Consulting Group (India) Pvt Ltd; Deloitte Touche Tohmatsu India LLP; Ernst and Young LLP; KPMG Assurance and Consulting Services LLP; McKinsey and Company; and Pricewaterhouse Coopers Pvt Ltd. While RBI is already using AI and ML in supervisory processes, it now intends to upscale it to ensure that the benefits of advanced analytics can accrue to the Department of Supervision in the central bank.

Report on Trend and Progress of Banking in India 2021-22

RBI has recently released **Report on Trend and Progress of Banking in India 2021-22**, a statutory publication in compliance with **Section 36 (2)** of the **Banking Regulation Act, 1949**. This Report presents the performance of the banking sector, including co-operative banks and non-banking financial institutions, during 2021-22 and 2022-23 so far. **Key highlights** of the report are,

- The **consolidated balance sheet** of scheduled commercial banks (SCBs) registered **double digit growth** in 2021-22, after a gap of seven years, led by credit growth, which accelerated to a ten-year high in H1:2022-23.
- The capital to risk weighted assets ratio (CRAR) of **SCBs** strengthened from **16.3 per cent** at end-March 2021 to **16.8 per cent** at end-March 2022, with all banks meeting the regulatory minimum capital requirement of **11.5 per cent** as also the common equity tier-1 (CET-1) ratio requirement of 8 per cent.
- The **gross non-performing assets (GNPA) ratio** of SCBs has been declining sequentially from its peak in 2017-18 to reach 5.8 per cent at end-March 2022, led by lower slippages as well as reduction in outstanding GNPA's.
- An acceleration in income and contraction in expenditure boosted the profitability of SCBs in 2021-22, measured in terms of return on equity and return on assets.

IIBFNEWS:

Our members may be aware about the issue of negative marking in CAIIB / JAIIB was taken up by AIEBA at national level. Now the negative marking system has been deferred by IIBF.

Win a prize of Rs.1000/- and a certificate of appreciation from the Managing Director for the correct answer with a beautiful slogan concerning banking activity. The slogan should not be more than 30 words. **Send your reply with slogan in sealed envelope mentioning your Name, Code No. and branch to Treasury Department, 2nd Floor, 78 Mohammedali Road, Mumbai – 400 003.**

QUESTIONAIRES

Q.1) The Central Government has reduced the interest rate on deposit for Jan to March 2023

Ans. (a) TRUE (b) FALSE

Q.2) RBI has cancelled license of _____ co-operative Banks in 2022.

Ans. (a) 24 (b) 10 (c) 110 (d) 12

Q.3) Reporting DAKSH of Payment fraud is starting from

Ans. (a) 1.1.2022 (b) 1.1.2023 (c) 3.12.2022 (d) 10.01.2023

Q.4) Tier I UCB shall have minimum net worth of Rs....

(a) Rs. 20.00 cr (b) Rs. 5.00 cr (c) Rs. 2.00 cr (d) Rs. 10.00 cr

Q.5) UPI stands for _____.

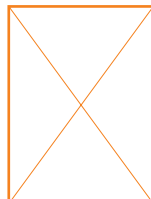
Your reply should reach us on or before 4th February 2023

Quiz result of VOL VII Issue 9 dated 12.12.2022

Quiz Answer :

**1. (b) 2. (d) 3. (c)
4. (d) 5. (a)**

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NO WINNER

Cash prize and Quiz Competition Certificate is ready and will be delivered to winner during staff function program or seminar by the hands of Managing Director.



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