



NEWSLETTER

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Bombay Mercantile Co-operative Bank Ltd.

(Scheduled Bank)

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Welcome to the March 2025 edition of the Newsletter. The Newsletter, as you all know, is a trusted and reliable source to enhance your knowledge and keep you abreast with the latest developments.

On the occasion of holy month of Ramzan ul Mubarak, I wish all the staff members and their family an aura of spiritual enhancement during the month of fasting and praying. I would like to emphasize that during the blessed month the present financial year will come to closure. Imbued with the power of fasting and praying we must also dedicate our efforts in achieving the targets allotted in respect of deposit mobilization, advances, insurance, share capital etc.



I am hopeful that our bank would be performing better in all the parameters. We should reduce the NPA, excel in recovery of PR accounts, increase non-interest income etc.

The Reserve Bank of India with a view to rationalize the prudential norms for UCBs for allowing greater operational flexibility has revised the instructions of the following – small value loans, real estate exposure norms, aggregate housing loan. For Tier III UCB (for our bank) has enhanced the housing loans limit from Rs. 1.40 crores to Rs. 2.00 crores and also revised other prudential norms. This will definitely give a new boost to the UCBs to function with new approach and zeal.

I would like to affirm that our bank has to increase the customer base by opening new CASA accounts, as we have done by introducing the NISA account. Once the customer base is increased we can offer better services with new products.

Our bank shall be launching new digital products improvement in mobile banking and other facilities

ZEESHAN MEHDI

INDUSTRY NEWS

Credit line on UPI – Extending the scope of Small Finance Banks (SFBs)

In September 2023, the scope of Unified Payments Interface (UPI) was expanded by enabling pre-sanctioned credit lines to be linked through UPI and used as a funding account by Scheduled Commercial Banks excluding Payments Banks, Small Finance Banks (SFBs) and Regional Rural Banks.

Credit line on UPI has the potential to make available low- ticket, low-tenor products to 'new-to-credit' customers. Small Finance Banks (SFBs) leverage a high-tech, low-cost model to reach the last mile customer and can play an enabling role in expanding the reach of credit on UPI. Hence, RBI has recently permitted Small Finance Banks (SFBs) to extend pre-sanctioned credit lines through the UPI.

Increase in Foreign Direct Investment (FDI) limit for Insurance sector

As per the latest budgetary announcement, government of India has proposed to increase Foreign Direct Investment in Insurance sector from existing 74 to 100 per cent. This enhanced limit will be available for those companies which invest the entire premium in India.

In addition to this measure, government has also proposed to set up a forum for regulatory coordination and development of pension products. Also to implement the earlier announcement on simplifying the KYC process, the revamped Central KYC Registry will be rolled out in 2025 through CERSAI.

RBI NEWS

Renaming of RBI – Integrated Ombudsman Scheme- 2021

The Lokpal and Lokayuktas Act, 2013, provides for establishment of a body of Lokpal for the Union and Lokayukta for States to inquire into allegations of corruption against certain public functionaries and for matters connected therewith or incidental thereto. This Act, enacted by the Parliament, uses the expression 'Lokpal' exclusively for a body established by virtue of coming into force of the Act of 2013 vide section 3 thereof, with effect from 16.01.2024.

The Reserve Bank of India had launched the 'Reserve Bank- Integrated Ombudsman Scheme, 2021' in 2021. When the Scheme name, translated into Hindi, was read as 'रिज़र्व बैंक-एकीकृत लोकपाल योजना, 2021'. The usage of the term 'Lokpal' ('लोकपाल') in the RBI's Scheme is thus contrary to the provisions of the Lokpal and Lokayuktas Act, 2013, as the term 'Lokpal' after coming into force of the Lokpal and Lokayuktas Act, 2013 means a body established under section 3 of the Act to be called the Lokpal. Considering this fact, Reserve Bank of India has now replaced the word 'लोकपाल' with the word 'ओम्बड्समैन' in the Hindi version of 'Reserve Bank-Integrated Ombudsman Scheme.

Committee to review trading & settlement timings of RBI regulated markets

Reserve Bank of India has recently announced the setting up of a **Working Group** to undertake a **comprehensive review of trading and settlement timings of markets** regulated by the Reserve Bank. The working group with eminent industry experts constituted under the **chairmanship** of **Shri Radha Shyam Ratho**, Executive Director, Reserve Bank of India.

The working group will review the current trading and settlement timings for various financial markets regulated by the RBI including functioning hours of market infrastructures for trading, clearing, settlement and reporting of transactions. It also examine cross-country practices relating to market timings and their influence if any, on market development in terms of participation, liquidity, volumes, etc and recommend on trading and settlement timings by **April 30, 2025**.

Post New India Co-op Bank restrictions, RBI revises some lending norms for urban co-operative banks

Weeks after it superseded the board of and imposed restrictions on New India Co-operative Bank, the central bank has revised some lending norms for urban co-operative banks (UCBs), including expanding the definition of small-value loans, hiking real estate exposure limits and provisioning requirements for investment in Security Receipts (Srs).

The norms have been revised with the aim of rationalisation, thereby allowing greater operational flexibility to UCBs without diluting the regulatory objectives. The revised regulations will come into effect immediately.

Provisioning for investment in security receipts -

RBI has prescribed that UCBs must make provisions for the valuation differential on the security receipts (SRs) held against the assets transferred or sold to asset reconstruction companies (ARCs). ARCs typically buy loans in exchange for a 20% cash component, and the remaining is held as security receipts by the banks.

These prescriptions are as per the five-year glide path defined by the RBI for urban cooperative banks until FY26. The central bank has now extended the above glide path for another two years until FY28. However, any provisions already made for the specified Srs shall continue to be maintained.

RBI injects \$10 billion via currency swap to ease liquidity deficit in financial system

The Reserve Bank of India (RBI) injected \$10 billion through a currency or foreign-exchange swap auction, stepping up efforts to ease one of the worst liquidity deficits to hit the country & financial system. According to Bloomberg, the infusion takes the amount poured into the banking system to \$47 billion in February. It is part of RBI's plan to address the tightness in the money market. The swap entails the central bank purchasing dollars from banks against the rupees they hold while contracting to sell the greenback at a future date. When the central bank buys dollars, it injects an equivalent quantum of rupee liquidity. After the swap's result was announced, the rupee extended losses, with the domestic currency down 0.3 per cent to 87.4900 per dollar.

RBI repo rate cut: Union Bank, Central Bank of India offer the cheapest home loans

The Reserve Bank of India's (RBI) reduction of the repo rate by 25 basis points to 6.25 percent on February 7, its first cut in nearly five years, is expected to ease the burden on loan borrowers, particularly those with home loans. All retail floating-rate loans sanctioned after October 1, 2019, are linked to an external benchmark, which is the repo rate in the case of most banks. As a result, banks are required to pass on the full rate cut benefit to borrowers. As per RBI regulations, banks must review and adjust their interest rates at least once every quarter. Depending on your loan agreement terms, your bank's rate transmission could be even sooner.

Following the RBI's 25 bps repo rate cut, several banks have reduced their home loan interest rates. These rates are indicative and may vary based on individual factors such as credit score, income, and other criteria.

Data from Bankbazaar.com reveals that for a home loan of Rs 1 lakh for a tenure of 20 years, the top banks are offering interest rates ranging between 8.10 percent and 9 percent (data as on February 17, 2025, from the bank websites).

UCB NEWS

To provide greater flexibility to urban cooperative banks (UCBs) without compromising on regulatory objectives, the Reserve Bank of India (RBI) raised the ceiling these banks have on small-value loans per borrower and increased the limit for a UCB's aggregate exposure to the real estate sector.

According to RBI norms, UCBs are required to have at least 50 per cent of their aggregate loans and advances consisting of small value loans by March 31, 2026. Earlier, RBI defined small loans as loans of value not more than ₹ 25 lakh or 0.2 per cent of UCBs Tier-I capital, whichever is higher, subject to a maximum of ₹ 1 crore per borrower.

Now, RBI has revised the definition of small value loans as loans of value not more than ₹ 25 lakh or 0.4 per cent of their Tier-I capital of UCBs, whichever is higher, subject to a ceiling of ₹ 3 crore per borrower. "Boards of UCBs, however, shall periodically review the portfolio behaviour and quality under different loan-size categories and where necessary, may consider fixing lower ceilings", the RBI said.

Additionally, the RBI has also said that the UCBs now can exceed the 10 per cent ceiling in terms of their aggregate exposure to housing, real estate and commercial real estate loans by an additional 5 per cent of total assets for the purpose of grant of housing loans to individuals as per the eligibility limits for priority sector classification.

RBI has also revised prudential limits on housing loans for UCBs, with Tier-I UCBs allowed to offer loans of up to ₹ 60 lakh per dwelling unit; Tier-II UCBs up to ₹ 1.40 crore per dwelling unit; Tier-III UCBs up to ₹ 2 crore per dwelling unit; and Tier-IV UCBs up to ₹ 3 crore per dwelling unit.

Meanwhile, RBI has said aggregate exposure of a UCB to residential mortgages (housing loans to individuals), other than those eligible to be classified as priority sector, shall not exceed 25 per cent of its total loans and advances. And, aggregate exposure of a UCB to the real estate sector, excluding housing loans to individuals, shall not exceed five per cent of its total loans and advances.

COMPETITION QUIZ

Win a prize of Rs.1000/- to Rs. 5000/- and a certificate of appreciation from the Managing Director for the best article on banking with a beautiful slogan concerning banking activity.
The slogan should not be more than 30 words.

Win a prize of Rs. 500/- each (3 Nos.) for correct Quiz answer
with a beautiful slogan not more than 30 words.

Send your article with slogan and correct answer in sealed envelope mentioning your Name, Code No. and branch to Treasury Department, 2 nd Floor, 78, Mohammedali Road, Mumbai – 400 003.

QUIZ QUESTIONS.

<p>Q.1 RBI not permitted Small finance Bank to expand pre sanctioned credit line through UPI.</p> <p>(a) True (b) False</p>	<p>Q.7. As per the proposal revision in MSME classification, the maximum cap on turnover specified for medium Enterprise is</p> <p>(a)Rs. 250cr (b)Rs. 100cr (c)Rs. 1000cr (d)Rs. 500 cr</p>
<p>Q.2 FDI limit for Insurance sector.</p> <p>(a) 74% (b) 51% © 100%</p>	<p>Q.8. Mr..... under his chairmanship to review trading and settlement timing of markets regulated by RBI</p>
<p>Q.3 Housing loan limit for UCB Tier III is</p> <p>(a) Rs. 1.40 cr (b) Rs. 2.00 cr (c) Rs. 3.00 cr</p>	<p>Q.9. RBI has projected growth rate of GDP for FY 2025-26 at % in its recent Monetary policy</p> <p>(a) 6.00% (b) 6.70% (c) 7.00% (d) 7.20%</p>
<p>Q.4 Housing loan limit for UCB Tier IV is</p> <p>(a) Rs. 2.00 cr (b) Rs. 3.00 cr (c) Rs. 4.00 cr</p>	<p>Q.10 Individual (OL1) Share capital target is</p> <p>(a) Rs. 75,000/- (b) Rs. 50,000/- (c) Rs. 1,00,000/- (d) Rs. 25,000/-</p>
<p>Q.5 UCB small value loans per borrower cap to Rs. 2.00 crores.</p> <p>(a) True (b) False</p>	
<p>Q.6. Standing Deposit Facility (SDF) is 6.25%</p> <p>(a) True (b) False</p>	

Your reply should reach us on or before 27.03.2025

Quiz result of VOL X Issue 1

Quiz Answer :

1. (Open market operation) 2. (Variable repo rate)
3. (c), 4. (a), 5. (b), 6. (b), 7. (a), 8. (b), 9. (c), 10. (a)



WINNER

Mr. Imtiyaz Anwar

Code No. 4326, Multi Product Sales Department.

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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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