



NEWSLETTER

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# Bombay Mercantile Co-operative Bank Ltd.

(Scheduled Bank)

Volume: VIII

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10<sup>th</sup> November 2023



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## FROM THE EDITOR'S DESK

Welcome to the November 2023 edition of the Newsletter.

As you are aware that the Newsletter is a trusted and reliable channel to enhance but also to keep you posted and aware with the latest developments in the bank and in the industry

I am really extremely happy to notice the zeal and commitment of our staff as they have pledged to achieve the business targets by sending their video clip through their Branch Manager / Departmental Head. It is your bank and hence certainly it your duty to meander its course to the highest level.

Our Managing Director has advised all staff members to allot their time daily for five months to secure bank's profit and deliver the result so that substantial work and growth is visible. As such each one of you must contribute business in addition to his routine work and Branch Managers and Regional Heads must see jump in business month on month till **31st March 2024**.

As it is rightly said by Mr. N R Narayan Murthy, Infosys Co-founder urging young Indians to work **70 hours per week**, which translates to about **12 hours** of work per day assuming a **6-day work week**, to develop the country.

Many business leaders have welcomed this suggestion but many hate talks too are spreading around this idea. On our part I think every banker works 12 hours a day. **All bankers are working from 9.00 am to 9.00 pm**. Apart from this, bankers also work on holidays and directly or indirectly connected with their customers 24 X 7. The staff must see in this direction.

Indian economy is one among the fastest growing economies in the world. We are inching towards becoming third largest economy in the world. Our exports are reaching to the next level. All these things are possible with the strong contribution or support from the banking sector especially from the banking professionals who work minimum 70 hours a week. Feel proud to be bankers. We look forward to a great period ahead and I wish you all the very best in achieving your business targets. **I would also like to wish all our staff and customers a very Happy Diwali and Prosperous new year.**

I assure of my continuous support and guidance.



**ZEESHAN MEHDI**

## BMC BANK NEWS



**Knowledge series Qtr1 Test conducted on 7<sup>th</sup> October 2023 for Sales Executives with motivational session at Head Office.**



**Winners of Quiz Competition and proud staffs whose children have passed their respective examinations with flying color, receiving cash prize from Mr. S. Hasan Iqbal Alvi and Mr. Sharique M. Rizvi, Chairman & Member of B.O.M.**

## **RBI NEWS**

### **Instruction on Non Callable Deposit**

**Domestic term deposits (TDs)** without premature withdrawal option are called **Non Callable deposits**. As per RBI guidelines, all TDs accepted from individuals for an amount of **Rupees fifteen lakh and below** shall have **premature-withdrawal-facility**. Further, the banks have also been permitted to offer differential rate on interest on TDs based on non-callability of deposits (i.e., non-availability of premature withdrawal option) in addition to tenor and size of deposits.

RBI has recently increased minimum amount for offering non-callable Term Deposits to **Rupees one crore** i.e., all domestic term deposits accepted from individuals for amount of Rupees one crore and below shall have premature-withdrawal-facility. The same condition is also applicable for NRE or NRO deposits also.

### **Gold Loan – Bullet Repayment – UCBs**

As per RBI guidelines, UCBs were permitted to extend gold loans up to **₹2.00 lakh** with **bullet repayment option**, subject to certain conditions. In a recent review RBI has decided to increase this limit from **₹2.00 lakh** to **₹4.00 lakh** for those UCBs who have met the PSL targets as on **March 31, 2023** and continue to meet the targets and sub-targets.

## **REGULATORY UPDATES**

### **Amendment to Master Directions on KYC-AML norms**

RBI has recently amended few of provisions in its master directions on **KYC- AML norms** applicable to banks and financial institutions. The major amendments carried out are,

**Identification of Beneficial Owner in Partnership firms:** The beneficial owner in a partnership firm shall be the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than **10 percent** of capital or profits of the partnership or who exercises control through other means. Previously it was 15 percent.

**Principal Officer-** Principal Officer, responsible for furnishing information under KYC AML guidelines. As per the recent amendment, the word “**Management level**” has been added. It means, Principal officer should be an official from “**Management Level**” of the Regulated Entity (RE).

REs shall apply a **Risk Based Approach (RBA)** and implement a CDD programme, having regard to the ML/TF risks identified and the size of business, for mitigation and management of the identified risk and should have Board approved policies, controls and procedures in this regard. The RE shall consider filing an STR, if necessary, when it is unable to comply with the relevant CDD measures in relation to the customer.

Banks shall undertake diligence measures and meticulous monitoring to identify accounts which are operated as **Money Mules** and take appropriate action, including reporting of suspicious transactions to **Financial Intelligence Unit- India (FIU-IND)**. If it is established that an account opened and operated is that of a Money Mule, but no **Suspicious Transaction Report (STR)** was filed by the concerned bank, it shall then be deemed that the bank has **not complied** with these directions.

Correspondent banking relationships shall not be entered into or —continued with a **shell bank**.

In case of domestic wire transfers below **Rs. 50,000** where the originator is not an account holder of the ordering bank, the ordering bank should submit the required transaction requests to **beneficiary bank** or any investigating agencies. Such information need to be submitted within **3 business/working days**.

## **INDUSTRY NEWS**

### **Action against Bank of Baroda**

RBI in exercise of its power, under **section 35A** of the **Banking Regulation Act, 1949**, directed **Bank of Baroda** to suspend, with immediate effect, any further onboarding of their customers onto the '**bob World**' mobile application. This action is based on certain material supervisory concerns observed in the manner of on-boarding of their customers onto this mobile application. The bank has been further directed to ensure that already onboarded “**bob World**” customers do not face any disruption on account of this suspension.

## Merger of IDFC with IDFC First Bank Ltd

The Infrastructure Development Finance Company (IDFC) has recently received approval from the Competition Commission of India (CCI) for its merger with IDFC First Bank.

The merger between the development finance institution and the private lender had received approval from the board of directors of IDFC and IDFC First Bank on July 3, 2023. The proposed amalgamation would, however, come into effect only after it receives nod from statutory and regulatory bodies such as SEBI, RBI and NCLT.

## KNOWLEDGE HUB

### Understanding Financial Ratios of a Banking / Financial institution

More often we come across with financial statements/investors presentation of banking companies. In these statements, the performance of a banking company is been indicated in the form of key ratios. In this article, the description of few of the key ratios and their significance is covered,

Key Financial Ratio	Significance
<b>Overall Capital Adequacy Ratio (CAR)</b>  <b>[Tier-I Capital + Tier-II Capital] /</b> <b>Risk Weighted Assets</b>	High CAR indicates the ability of the lending institution to undertake additional business and high capacity to absorb unexpected losses. Lower CAR indicates lower loss absorption capabilities. CAR is also viewed from the standpoint of regulatory norms for each line of business in the financial services space.
<b>Overall Gearing Ratio</b>  <b>(Total Debt / Networth)</b>	This ratio indicates the extent of financial leverage in an entity and is a measure of financial risk. Though higher leverage would indicate higher returns to equity shareholders, the degree of risk increases for debt holders in case of uncertainty or volatility of asset quality & earnings.
<b>Gross NPA Ratio</b> <b>(Gross NPA / Gross Advances)</b>	Gross NPA % denotes the percentage of advances which have turned into NPA as against the total outstanding loan book.
<b>Net NPA Ratio</b> <b>(Net NPA / Net Advances)</b>	Net NPA% denotes the proportion of advances which turned into NPA after adjusting for the provisions already made by the bank/financial institution.
<b>Provision Coverage Ratio</b> <b>(Provisions for NPA / Gross NPA)</b>	It indicates extent of provisioning already done on the existing NPAs, thereby indicating the future provisioning requirement in the event of no recovery from the stock of NPAs.
<b>Return on Total Assets</b> <b>(PAT / Average Total Assets)</b>	ROTA is a single, ultimate indicator of the overall profitability of the bank/financial institution. Impacts of non-interest income, asset quality, fixed cost like employee cost etc. are all factored into this ratio.
<b>Return on Equity (%)</b>  <b>(Net Profit/ Shareholders equity)</b>	RONW reflects the return to equity shareholders. It is the final indicator of entity's profitability which is a function of profitability of its assets and financial leverage of the entity.



## Presentation of unclaimed liabilities transferred to DEAF

The Reserve Bank of India has mandated banks to identify accounts where there has been **no customer-initiated transaction** for a period of more than **10 years**. As per the regulation, banks are required to transfer credit balance in such accounts to **Depositors Education and Awareness Fund (DEAF)**.

Commercial banks to present all unclaimed liabilities, where the amount due has been transferred to the Depositor Education and Awareness (DEA) Fund under **"Schedule 12- Contingent Liabilities"**. To ensure consistency in presentation of financial statements, RBI has recently advised that all **co-operative banks** shall present all unclaimed liabilities (where the amount due has been transferred to DEA Fund) under **"Contingent Liabilities – Others"**.

Further, all banks shall specify in the disclosures in the notes to accounts to the financial statements that balances of the amount transferred to DEA Fund are included under **'Schedule 12 - Contingent Liabilities - Other items** for which the bank is contingently liable' or 'Contingent Liabilities - Others,' as the case may be.

These instructions are applicable to all commercial and cooperative banks for preparation of financial statements for the financial year ending **March 31, 2024** and onwards.

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, 2<sup>nd</sup> Floor, 78 Mohammedali Road, Mumbai – 400 003.**

## QUESTIONNAIRES

Q.1 Premature withdrawal facility is available for domestic non callable term deposit for Rupees.

- (a) 1 Crore and below (c) Rs. 1 Crore and above

Q.2 For UCBs who have met PSL targets limit of Gold loans with bullet repayment option is

- (a) Rs. 1.00 Lakh (b) Rs. 2.00 Lakh (c) Rs. 4.00 Lakh (d) Rs 5.00 Lakh

Q.3 RBI in exercise of power has directed Bank of Baroda to suspend which of the following facilities

- (a) Bob world – Customer on boarding (b) Opening of new accounts  
(c) Printing of passbooks (d) Issuing Loans

Q.4 which of the following ratio is an ultimate indicator of overall profitability of bank / financial institution.

- (a) Return on equity (b) Net NPA Ratio  
(c) Overall Gearing ratio (d) Return on total Asset

Q.5 Domestic wire transfers below Rs. 50,000, the ordering bank should submit the required transaction to the beneficiary bank within how many days.

- (a) 1 day (b) 3 days (c) 5 days (d) 7 days

Your reply should reach  
us on or before  
29th November 2023

### Quiz result of issue 8 VOL VIII

#### Quiz Answer :

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

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**WINNER'S NAME : MR. AYUB MUNSHI  
CODE NO. 1610. AUDIT DEPARTMENT. H.O.**

**Slogan : Serving customers since 1939 with good faith and trust**

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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