



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

ASSET LIABILITY MANAGEMENT POLICY

Approved By:

Board of Directors – Meeting Dated 23-04-2022.



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

(SAY "BMCB BANK")

ASSET LIABILITY MANAGEMENT POLICY

Applicable from 23-04-2022

As Reviewed in the Board of Directors meeting dtd 23-04-2022, Our Bank's ALM Policy was Reviewed / modified / updated accordingly w.e.f. 23-04-2022 as under:

1. Definition of Asset Liability Management

This Asset Liability Management Policy encompasses the strategic management of the balance sheet aimed at achieving sustained growth, profitability and solvency. It involves a multiplicity of management activities and responsibilities, the management of various risks including liquidity risk, interest rate risk and market risk.

2. Purpose

The assets and liabilities of the Bank shall be managed in order to maximize shareholder value, to enhance profitability and increase capital, to serve customer and community needs, and to protect the institution from any disastrous financial consequences arising from changes in interest rates. These objectives shall be pursued within the framework of written credit, capital, and investment policies. In a capsule, the Bank intends, through sound and dynamic funds management, to realize solid operating results produced against a background of a quality balance sheet.

By extension, therefore, the purpose of the Bank's Asset Liability Management Policy is to:

- I. Outline the Scope and Responsibilities of the Asset/Liability Committee (ALCO).
- II. Define, Measure and Manage on a consistent basis the various Risks facing the Bank.
- III. Establish guidelines to meet various applicable regulatory rules and statutes.
- IV. Form a consistent co-policy with other policies of the Bank (investments, Loan, Audit, etc.).
- V. Coordinate the management of the Bank's financial position.

3. Responsibilities

The Asset Liability Management Policy of the Bank falls under the authority of the Board of Directors, who in turn assigns authority for its formulation, revision and administration to the Asset Liability Management Committee (ALCO). Ultimate responsibility for effective asset/liability management rests with the Board of Directors.

I. Board of Directors

- i. The Board of Directors has the ultimate responsibility for the implementation of and ensuring adherence to this policy. The Board will, at least annually, formally review this policy with the Bank's management. The Board of Directors will review the funds management activities of the Bank quarterly. This review will include:
- ii. The minutes of the Asset/Liability Committee (ALCO) meetings held since the last board meeting.
- iii. A summary of the Bank's most recent rate sensitivity analysis.
- iv. An analysis of the Bank's liquidity position.

Annually, the Board of Directors will also review and approve the Bank's strategic plan. The Board of Directors will also review and approve any other data, analyses, and transactions as may be appropriate in view of their overall responsibility for the funds management activities of the Bank.

II. Asset Liability Committee (ALCO)

i. Membership of the ALCO : The ALCO will consist of the following:

CEO / I/c CEO / GM, A. G. M., Manager / Asst. Manager, EDP Manager, and / or any other employees as deemed fit by the Board of Directors.

For the purpose of separation of key functions, the Chairperson of the ALCO cannot be the main person performing the monthly update and measuring the Asset Liability Management (ALM) position using the Asset Liability Management system. The monthly update and measurement of the ALM position will be someone without authority to make investment or risk taking decisions. The Chairperson may designate that duty to another member of the ALCO or employee of the Bank.

ii. Duties of the ALCO

The duties cited below do not necessarily represent an all-inclusive list of the duties of the ALCO, given the dynamic nature of its responsibilities. On a regular basis the ALCO should:

1. Hold a formal meeting (usually once a quarter). Informal meetings will be held on an as needed basis.
2. Monitor and discuss the status and results of implemented Asset/Liability management strategies and tactics.
3. Review the current liquidity positions and monitor alternative funding sources.
4. Review measurement reports on various risks that can be measured with a reasonable degree of effort. Compare simulated exposures of these risks to policy limits.
5. Review the current and prospective capital levels (risk-based as well as net worth) to determine sufficiency in relation to: expected growth, interest rate risk, price risk, and asset mix/quality.
6. Report the minutes of each quarterly meeting to the Board of Directors.
7. Coordinate an ongoing appropriate education program on the subject of ALM for the ALCO members, senior management, and the Board of Directors.

iii. Meetings of the ALCO

The full Committee will meet at quarterly intervals in normal circumstances, and minutes will be kept of the meetings. More frequent sessions may be required in

periods of increased economic activity, in times of unanticipated liquidity volatility, and when specific issues require immediate further study and follow-up. The minutes of each meeting shall have appended to them copies of all reports, analyses, etc. presented at the meeting. Preparation and retention of the minutes and agenda of the meetings shall be the responsibility of the chairperson of the committee. The ALCO will formulate courses of action designed to impact the Bank's liquidity, profitability and capital position, and will direct the CEO and/or his/her designees to implement the appropriate courses of action and report to the ALCO the results of these actions at the next meeting.

iv. ALCO Reporting Requirements

The ALCO shall provide the Board with the following reports:

Quarterly

1. Reports on various risks, including Structural liquidity risk, etc.
2. An explanation of any known exceptions to this policy as well as an action plan and timetable to bring the bank into compliance with such policy limits.
3. Minutes of the previous meetings of the ALCO

These Guidelines and other guidelines forming part of this policy, as well as other financial management Information, are intended to be a guide for the ALCO on measuring different risks, their "tolerance ranges", and other key financial management information. These guidelines are NOT meant to be absolute, but rather to help the ALCO and the Board of Directors in risk management and management of the bank's financial position. There may be additional financial and risk measurements, as well as experience judgment, which will be used, yet not listed here. The guidelines may be amended from time to time

4. **Quality, accuracy and timeliness of periodic submission of data:** Bank's management should implement the following measures to ensure accurate and timely submission of returns:
 - i. Improve the quality of manpower deployed for handling IT and MIS related matters by recruitment of technically sound staff.
 - ii. Improve infrastructure for data storage, retrieval, and MIS.
 - iii. Impart regular training to the bank staff in the field of data management and reporting.
5. **Compliance with Banking Laws and Regulations** Current laws and regulations, as well as prudent and generally accepted banking practices, will be the foundation for and will act as the guiding hand in the development of policies, procedures, strategies and tactics relating to the management of the Bank's assets and liabilities.
6. **Review Of The Policy** The Policy will be reviewed as and when felt necessary by the Board
7. **Approval By Board Of Directors** The Board of Directors approved "ASSET LIABILITY MANAGEMENT POLICY" in Board Meeting held on 23-04-2022 through.

Date: 23-04-2022
Ahmedabad

CEO / I/c CEO / GM / Authorized Signatory



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

AUDIT POLICY

Approved By:

Board of Directors – Meeting Dated 23-04-2022.



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

(SAY "BMCB BANK") **AUDIT POLICY** **Applicable from 23-04-2022**

As Reviewed in the Board of Directors meeting dtd 23-04-2022, Our Bank's AUDIT Policy was Reviewed / modified / updated accordingly w.e.f. 23-04-2022 as under:

1. OBJECTIVE

- The Board of Directors of The BHUJ MERCANTILE CO-OPERATIVE BANK Ltd., Ahmedabad has the prime responsibility for the adequacy and effectiveness of the Bank's internal control and quality of the performance in compliance with prescribed safety and soundness guidelines of the banking industry. To fulfill this responsibility, the Board of Directors will appoint an Audit Committee to assist the Board of Directors in fulfilling their responsibilities for accounting policies, financial reporting and systems of internal control of the Bank.
- The bank has Audit & Compliance functions which are responsible for independently evaluating the adequacy of all internal controls and ensuring operating and business units adhere to internal processes and procedures as well as to fulfill regulatory and legal requirements. The audit function also proactively recommends improvements in operational processes and service quality. To ensure independence, the Audit department has a reporting line to the Chairman of the Board of Directors and the Audit Committee of the Board. To mitigate operational risks, the Bank has put in place extensive internal controls including restricted access to the Bank's computer systems and appropriate segregation of front and back-office operations. The Audit Committee of the Board also reviews the performance of the Audit & Compliance functions and reviews the effectiveness of controls and compliance with regulatory guidelines.

2. AUDIT MISSION STATEMENT

- The mission of the audit function is three fold: 1) to ensure compliance with RBI guidelines, B.R. Act, Co-operatives Acts, any relevant current laws, regulations, circulars/guidelines issued by the bank and to follow best practices; 2) to ensure that procedures include internal controls which are sufficient to mitigate undesirable risks; 3)

and, through monitoring, ensure that Bank Policy and related procedures are followed consistently.

3. PERFORMANCE AND REVIEW PROCESS

- The Board of Directors will review the effectiveness of the Audit Policy and take necessary measures to correct the lacunae in the system minimum **once a year**. The Policy is to be read in conjunction with related operational guidelines issued from time to time.

4. AUDIT COMMITTEE

- The Audit Committee of the Bank (ACB) is a standing Committee of the Board of Directors that has established comprehensive Audit Charter setting forth the roles and responsibilities regarding internal controls and financial reporting, compliance with laws and regulations, internal audit, external audit, and meetings and reporting.
- The Audit Committee of the Board will review the implementation of the various guidelines issued by RBI.
- ACB will provide direction and oversee the operations of the total audit function in the bank. The total audit function will imply the organization, operationalization and quality control of internal audit and compliance within the bank and follow-up on the statutory audit of the bank and inspection of the Reserve Bank.
- ACB will review the internal audit and compliance function in the bank-the system, its quality and effectiveness in terms of follow up. It will review the follow up action on the internal audit reports, particularly of "Unsatisfactory" branches and branches classified by the bank as extra large branches. ACB will also specially focus on the follow up on:
 - ✓ Inter-branch adjustment accounts.
 - ✓ Suspense Accounts.
 - ✓ Clearing Adjustment Accounts.
 - ✓ Statutory Requirements.
 - ✓ Systems and Procedures.
 - ✓ Un-reconciled long outstanding entries in inter-branch accounts and inter-bank accounts.
 - ✓ Arrears in balancing of books at various branches.
 - ✓ Frauds.
 - ✓ All other major areas of housekeeping.
- Compliance with the Statutory Audit Reports/Concurrent Audit Reports/RBI inspection reports.
- Omission on the part of internal inspecting officials to detect serious irregularities will be viewed seriously.
- Periodical review of the accounting policies/systems in the bank with a view to ensuring greater transparency in the bank's accounts and adequacy of accounting controls.

5. COMPOSITION, ORGANIZATION AND DELEGATION OF AUTHORITY

- Board of Directors decide to include Chairman, experienced / Professional Directors, and CEO / GM from management side to form an Audit Committee.
- Board of Directors and Audit Committee has decided to do Concurrent audit either external auditor or in house but Internal Audit in house only.
- Board of Directors delegate powers to CEO / GM to form Audit team/ to appoint external auditor and give report to Audit Committee.
- CEO / GM is the head of Internal Audit team and he can include Assistant General Manager, Manager, Assistant Manager and Retired Bank Employee in Audit Team.
- Audit Team will give report to CEO / GM and he will represent the same to Audit Committee of Board of Directors.

6. SCOPE OF AUDIT

- ACB has decided that all branches have to be covered under Concurrent Audit System
- ACB has also decided that Concurrent Audit Report will be prepared in English and Internal Audit Report will be prepared in Gujarati or English.
- The periodicity of the internal audit of the branches will be at least once in every 6 months, which will be really of surprise character.
- Credit Portfolio Audit and Investment Portfolio Audit Report is become part of concurrent and Internal Audit Report after completion of the same independently.
- Thorough examination of the internal control system prevailing at the branches including the various periodical control returns submitted to the controlling offices. The concurrent audit report will specifically comment, on the position of irregularities pointed out in the inspection report of Reserve Bank of India. The audit and compliance officials will also critically analyze and make in-depth study of the corruption/fraud prone areas such as appraisal of credit proposals, balancing of books, reconciliation of inter-branch accounts, settlement of clearing transactions, suspense accounts, premises and stationery accounts during the course of audit leaving no scope for any malpractices/irregularities remaining undetected.
- The internal auditor will scrutinize the suspense account during inspection/visit and give specific instructions for early reversal of entries
- The bank will ensure that the system evolved for recording the details of off-balance sheet transactions are properly followed by all branches. These records will be periodically balanced and internal auditors will verify the same and offer critical comments.
- Proper inventory of dead stock articles, stationary will be maintained and subjected to surprise check at periodical intervals by the officials of the branch as also internal auditors.

7. TYPES OF AUDITS TO BE COVERED

➤ Revenue Audit

There will be a regular system of revenue audit of large branches. The reasons of leakage of income unearthed during such audit will be examined in-depth and action taken against the officials responsible for the lapses.

➤ Credit Portfolio Audit

Concurrent Auditor will report to the CEO, Report of Credit Portfolio Audit is to be

given to ACB as well as Board of Directors of the bank at every quarter.

➤ **Investment Portfolio Audit**

The Audit department will report to the CEO. Report of Investment Portfolio Audit is to be given to ACB as well as Board of Directors of the bank at every quarter.

➤ **VAPT / CyberSecurity / EDP Audit**

The Cyber Security Policy of the Bank will guide the VAPT/Cybersecurity Audit of the Bank, as per RBI Circular dtd Dec 31 2019.

8. AUDIT (S) PROCEDURE

- As a matter of prudence and various statutory compliances, the bank has, for the purpose of various audits, formed audit committee, appointed auditors and from time to time, put before the Board, the reports obtained from various auditors.
- Broadly, the bank undertakes audits such as:
 - ✓ Statutory Audit
 - ✓ Tax Audit
 - ✓ Concurrent Audit
 - ✓ VAPT / Cyber-Security / EDP Audit
 - ✓ Internal Audit
 - ✓ Investment Portfolio Audit
 - ✓ Special Audit
 - ✓ KYC Audit

➤ **STATUTORY AUDIT**

- ✓ The Ordinance (Amendment) in the Banking Regulation Act dated 26-6-2020 and passed dtd 09-09-2020 by the Government of India was put up by I/c CEO / GM. Also, RBI Circular Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dtd April 27, 2021 mandated formation of Statutory Audit Policy and Appointment which was formed by the Bank on 06-06-2021. As a result, henceforth Bank will approach RBI and refer to the policy and any circular issued by RBI for appointment of the Statutory Auditors of the Bank.
- ✓ Thereafter, the Statutory Auditor submits the copies of the Statutory Audit Report to RBI and other various statutory bodies.
- ✓ Thereafter, a copy of the Bank is sent to the Audit Committee Head, and the same is put before the Board in the Board Meeting.
- ✓ The officers of the bank thereafter take necessary steps for the compliance of the query raised during the audit and in the audit report.

➤ **TAX AUDIT**

- ✓ Every year, the Board appoints the Tax Auditor for the Bank.
- ✓ Accordingly, the Tax Auditor carries out his duties and work on yearly basis.
- ✓ After the completion of the Audit, the Tax Auditor prepares and submits his report.
- ✓ During the audit procedure itself, few points are discussed by the auditor with the management / General Manager / Deputy General Manager etc, as the case may be, and solves the issues on the spot.
- ✓ Thereafter, on the basis of the report of the Tax Auditor, various procedures related to the taxation and its statutory compliances takes place, such as preparing and filing of report etc.

- ✓ Thereafter, a copy of the Bank is sent to the Audit Committee Head, and the same is put before the Board in the Board Meeting.

➤ **CONCURRENT AUDIT**

- ✓ Every year, the Board appoints the Concurrent Auditor(s) for the Bank.
- ✓ Accordingly, the Concurrent Auditor carries out his / their duties and work on periodicity, as specified by RBI
- ✓ All branches, concurrent audit is carried out by Practicing Chartered Accountant or Bank's staff who has experience of the Audit Department at a Senior Level.
- ✓ After the completion of the Audit, which includes visits of various branches as well as head office, the Concurrent Auditor prepares and submits his report along with the queries and observations.
- ✓ During the audit procedure itself, few points are discussed by the auditor with the management / General Manager / Deputy General Manager / Branch Manager etc, as the case may be, and solves the issues on the spot.
- ✓ Thereafter, a copy of the Bank is sent to the Audit Committee Head, and the same is put before the Board in the Board Meeting.
- ✓ The officers of the bank thereafter take necessary steps for the compliance of the query raised during the audit and in the audit report.

➤ **VAPT / CyberSecurity / EDP Audit**

- ✓ The Cyber Security Policy of the Bank will guide the VAPT/Cybersecurity Audit of the Bank, as per RBI Circular dtd Dec 31 2019.
- ✓ EDP audit cell will be constituted as part of the bank Inspection and Audit Department to carry out EDP/ISA audit in branches/offices having computerized operations. The overall control and supervision of these EDP/ISA Audit Cells will be vested in the Audit Committees. Duties of system programmer/designer will not be assigned to persons operating the system and there will be separate persons dedicated to system programming/design.
- ✓ Duties of system programmer/designer will not be assigned to persons operating the system and there will be separate persons dedicated to system programming/design. Systems person would only make modifications/improvements to programs and the operating persons would only use such programs without having the right to make any modifications.
- ✓ Major factors which lead to security violations in computers include inadequate or incomplete system design, programming errors, weak or inadequate logical access controls, absent or poorly designed procedural controls.
- ✓ EDP/ISA auditors will verify compliance regarding system development methodology, programming and documentation standards to be followed by the bank.
- ✓ EDP/ISA auditors would put such contingency plan/procedures under test during the audit for evaluating the effectiveness of such plans.
- ✓ Entire domain of EDP/ISA activities (from policy to implementation) will be brought under scrutiny of Inspection and Audit Department. Financial outlay as well as activities to be performed by EDP/ISA department will be reviewed by senior management at periodical intervals.

- ✓ Inspection and Audit Department will verify such changes from the view point of control and for its implementation in other branches in order to maintain uniformity.
- ✓ Information System Audit (ISA) will do by DISA/CISA holder as per RBI guidelines. The bank will allot few branches every year by Board of Director's decision

➤ **INTERNAL AUDIT**

- ✓ Every year, the Audit Committee / Department Head appoint / engage various employees of the bank for the purpose of the Internal Audit.
- ✓ Accordingly, the Internal Auditors carries out his / their duties and work on regular basis.
- ✓ Sometimes, the internal audit and its inspections are carried out on a surprise basis too.
- ✓ For the purpose of internal audit, Existing employees / Managers/retired employees of one branch are given the task for the audit / verification of the other branch and vice a versa. They all carry out inter branch cross verification taking into consideration various aspects and scope to be covered under internal audit.
- ✓ After the completion of the Audit, which includes visits of various branches as well as head office, the Internal Auditor prepares and submits report along with the queries and observations directly to the Chairman of the Board.
- ✓ During the audit procedure itself, few points are discussed by the auditor with the management / General Manager / Deputy General Manager / Branch Managers etc, as the case may be, and solves the issues on the spot.
- ✓ Thereafter, a copy of the Bank is sent to the Audit Committee Head, and the same is put before the Chairman of the Board.
- ✓ The officers of the bank thereafter take necessary steps for the compliance of the query raised during the audit and in the audit report.
- ✓ Retired bankers having experience of more than 10 years. First preference will be given to Bank's own employees on the basis of his past performance.

➤ **CREDIT PORTFOLIO AUDIT**

- ✓ Credit Portfolio Audit of the branch is carried out by Concurrent Auditor of the branch/Chartered Accountant.
- ✓ Accordingly, the Credit Portfolio Auditor(s) carries out his / their duties and work on quarterly basis.
- ✓ After the completion of the Audit, the Credit Portfolio Auditor(s) prepares and submits his / their report.
- ✓ During the audit procedure itself, few points are discussed and the issues are solved on the spot.
- ✓ Thereafter, a copy of the Bank is sent to the Audit Committee Head, and the same is put before the Board in the Board Meeting.
- ✓ The officers of the bank thereafter take necessary steps for the compliance of the query raised during the audit and in the audit report.

➤ **INVESTMENT PORTFOLIO AUDIT**

- ✓ Concurrent Auditor of Head Office/Chartered Accountant is carried out Investment Portfolio Audit.
- ✓ Accordingly, the Investment Portfolio Auditor carries out his duties and work on quarterly basis.
- ✓ After the completion of the Audit, the Investment Portfolio Auditor prepares and submits his report.

- ✓ During the audit procedure itself, few points are discussed by the auditor with the management / General Manager / Deputy General Manager etc, as the case may be, and solve the issues on the spot.
- ✓ Thereafter, a copy of the Bank is sent to the Audit Committee Head, and the same is put before the Board in the Board Meeting.
- ✓ And all statutory compliances regarding investment portfolio audit report and submitting a copy to the RBI are fulfilled

9. REPORTING SYSTEM

- The concurrent auditors will report the minor irregularities, wrong calculations etc. to the Branch Manager for an on-the-spot rectification and reporting compliance.
- If these irregularities are not rectified within a reasonable period of time say a week, these may be reported to the head office. If the auditor observes any serious irregularities, these will be straight away reported to Head Office immediately. The auditor will have to lay emphasis on the propriety aspect of the audit. The bank will prepare appropriate system of follow-up of the reports of the concurrent auditors. The bank will draw a system of annual review of the working of concurrent audit.

The entire system of audit, inspection and their follow-up is properly documented and the performance of the integrated audit system is reviewed from time to time

10. APPROVAL BY BOARD OF DIRECTORS

- The Board of Directors approved Audit Policy in Board Meeting held on 23-04-2022.

Date: 23-04-2022
Ahmedabad

CEO / I/c CEO / GM / Authorized Signatory



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

BUSINESS CONTINUITY PLANNING (BCP) Policy

Approved By:

Board of Directors – Meeting Dated 23-04-2022.



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

(SAY "BMCB BANK")

Business Continuity Planning (BCP) Policy Applicable from 23-04-2022

As Reviewed in the Board of Directors meeting dtd 23-04-2022, Our Bank's BCP Policy was Reviewed / modified / updated accordingly w.e.f. 23-04-2022 as under:

1. BUSINESS CONTINUITY MANAGEMENT (BCM)

- BHUJ Bank (the Bank) is committed to safeguard the interests of its customers, employees and stakeholders in the event of a disaster or significant disruption that may affect its operations and premises.
- The Bank has developed a comprehensive Business Continuity Plan to facilitate the continuity of the critical business processes in the event of defined disaster scenarios.
- The Bank has adopted a three-pronged approach while developing the BCM as given below:
 - ✓ Group specific plans for continuity of business and operations.
 - ✓ Disaster recovery plans for recovery of information technology systems, data backup and networks.
 - ✓ Emergency response procedures addressing the risks of injuries to customers/employees and damage to the Bank's assets.
- The plan is in line with the guidelines issued by the Reserve Bank of India (RBI) in this regard and is subject to regular review.
- BHUJ Bank's BCP is developed to address significant disruptions and endeavor to resume business and operations to an acceptable level within a reasonable time in the event of disaster.

2. ROLES, RESPONSIBILITIES AND ORGANIZATIONAL STRUCTURE

- BHUJ bank's Board has the ultimate responsibility and oversight over BCP activity of a bank.
- The Board would provide top management clear guidance and direction in relation to BCP.
- The Board fulfils its responsibilities by approving policy on BCP, prioritizing critical business functions, allocating sufficient resources, reviewing BCP test results and ensuring maintenance and periodic updation of BCP.
- The top management is responsible for executing such a BCP, if contingency arises. The top management would annually review the adequacy of the bank's business recovery, contingency plans and the test results and put up the same to the Board. The top management would also evaluate the adequacy of contingency planning and their periodic testing by service providers whenever critical operations are outsourced.

3. BCP MANAGEMENT TEAM

- Business Continuing Planning (BCP) will comprise head of bank normally the Chairman, CEO / I/c CEO, all GMs, EDP Officers (IT), and /or any AGMs (Legal or otherwise) will be the designated members for execution of the Business Continuing Plan.
- Senior Management is responsible for overseeing the BCP process which includes:
 - ✓ Determining how the bank will manage and control identified data.
 - ✓ Allocating knowledgeable personnel and sufficient financial resources to implement the BCP.
 - ✓ Prioritizing critical business functions.
 - ✓ Designating a BCP committee who will be responsible for the Business Continuity Management.
 - ✓ The top management would annually review the adequacy of the bank's business recovery, contingency plans and the test results and put up the same to the Board.
 - ✓ The top management would consider evaluating the adequacy of contingency planning and their periodic testing by service providers whenever critical operations are outsourced.
 - ✓ Ensuring that the BCP is independently reviewed and approved at least annually.
 - ✓ Ensuring employees are trained and aware of their roles in the implementation of the BCP.
 - ✓ Ensuring the BCP is regularly tested on an enterprise-wide basis.
 - ✓ Reviewing the BCP testing programmes and test results on a regular basis and
 - ✓ Ensuring the BCP is continually updated to reflect the current operating environment.

4. KEY FACTORS

- Probability of unplanned events, including natural or man-made disasters, earthquakes, fire, hurricanes or bio-chemicals disaster.
- Security threats.
- Increasing infrastructure and application interdependencies.
- Regulatory and compliance requirements, which are growing increasingly complex.
- Failure of key third party arrangements.
- Some of the critical interruptions/impacts on the banking business include:
 - Impact on revenue
 - Loss of corporate image
 - Delays in responding to customer requests
 - Inability to process transactions in a timely manner
 - Inability to meet regulatory requirements
 - No availability of premises

5. BCP METHODOLOGY

- The bank will follow the “Plan-Do-Check-Act Principle”
 - ✓ Identification of critical businesses owned and shared resources with supporting functions to come with the Business Impact Analysis (BIA).
 - ✓ Formulating Recovery Time Objectives (RTO), based on BIA. It may also be periodically fine-tuned by benchmarking against industry best practices.
 - ✓ Critical and tough assumptions in terms of disaster, so that the framework would be exhaustive enough to address most stressful situation.
 - ✓ Identification of the Recovery Point Objective (RPO), for data loss for each of the critical systems and systems and strategy to deal with such data loss.
 - ✓ Structured risk assessment based on comprehensive business impact analysis. This assessment considers all business processes and is not limited to the information processing facilities.
 - ✓ Risk management by implementing appropriate strategy/architecture to attain the bank’s agreed RTOs and RPOs.
 - ✓ Impact on restoring critical business functions, including customer-facing systems and payment and settlement systems such as cash disbursements, ATMs etc.
 - ✓ Dependency and risk involved in use of external resources and support.
 - ✓ BCP would evolve beyond the information technology realm and must also cover people, processes and infrastructure.
 - ✓ The methodology should prove for the safety and well-being of people in the branch/outside location at the time of the disaster.

- ✓ Defined response actions based on identified classes of disaster.
- ✓ Action plans, i.e.: defined response actions specific to the bank's processes, practical manuals (do and don'ts, specific paragraph's customized to individual business units) and testing procedures.
- ✓ Establishing management succession and emergency powers.
- ✓ Compatibility and co-ordination of contingency plans at both the bank and its service provider.
- ✓ Having specific contingency plans for each outsourcing arrangement based on the degree of materiality of the outsourced activity to the bank's business.
- ✓ Periodic updating to absorb changes in the bank or its service providers.
- ✓ Data Recovery Strategies-
 - Recovery Point Objective (RPO) - The acceptable latency of data that will be recovered. It must ensure that the Maximum Tolerable Data Loss for each activity is not exceeded.
 - Recovery Time Objective (RTO) - The acceptable amount of time to restore the function. It must ensure that the Maximum Tolerable Period of Disruption (MTPD), for each activity, is not exceeded.

6. STEPS TO IMPLEMENT BCP

- **BCP is a 'process not a' project':**- BCP does not stop at insurance, or documentation of a plan on paper. Ongoing updation and pre-defined business continuity teams are some of the elements of a successful BCP.
- **Holistic approach:-** BCP evolves beyond the information technology realm and should cover people, process and infrastructure.
- **Focus:** - The plan should focus on critical business processes and their dependencies.
- **BCP governance:** Commitment, control and guidance from management, clearly documented roles and responsibilities and formal governance process ensures that the BCP is updated regularly.
- **Resilience:** The recovery procedure should not compromise on the control environment at the recovery location.
- **Involvement of business:** - All critical business partners should be considered at the time of plan preparation including testing.
- **Media Management:** - It is important to maintain corporate image during a disaster. A media management strategy enables the organization respond to media coverage proactively/systematically.

7. AUDIT

- Audit to be carried out by internal and external auditor as and when felt necessary.

8. COMPLIANCE

- The bank will follow all regulatory requirements that compliance RBI, Gujarat State Co-operative Societies Act, ICAI guidelines and any other acts concern to the bank.

9. REVIEW OF THE POLICY

- The policy will be reviewed as and when felt necessary by the Board.

10. APPROVAL BY BOARD OF DIRECTORS

- The Board of Directors approved the **Business Continuing Planning Policy** in Board Meeting held on 23-04-2022.

Date: 23-04-2022
Ahmedabad

CEO / I/c CEO / GM / Authorized Signatory



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

CYBER SECURITY POLICY

Approved By:

Board of Directors – Meeting Dated 22-05-2022.



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

(SAY "BMCB BANK") **CYBER SECURITY POLICY 2022-23**

As Approved/Reviewed in the Board of Directors meeting dtd 22-05-2022, Our Bank's Cyber Security Policy was updated accordingly for F.Y. 2022-23 in adherence to the latest Circulars / Directions / Advisories issued by RBI / CSITE / Cert-in etc.).

1. Introduction:

The use of Information Technology by our Bank has grown rapidly and is now an important part of the operational strategy of our Bank. It is observed that the number, frequency and impact of cyber incidents / attacks have increased manifold in the recent past, more so in case of financial sector including banks. RBI has categorized UCBs into four levels (I / II / III / IV) based on digital depth and interconnectedness with the payment system landscape, digital products offered by UCBs and assessment of Cyber Security Risk. In view of above-mentioned details our Bank is at Level II. RBI has mentioned Regulatory Prescription depending upon Criteria of the UCB. RBI has asked about implementation of progressively stronger security measures based on the nature, variety and scale of digital products offerings of UCBs.

2. Purpose:

This Cyber Security Policy is a formal set of rules by which those people who are given access to Bank technology and information assets must abide.

This policy would mandate implementation of progressively stronger security measures based on the nature, variety and scale of digital product offerings of banks. Such measures

would, among others, include implementation of bank specific email domain; periodic security assessment of public facing websites/applications; strengthening the cybersecurity incident reporting mechanism; strengthening of governance framework; and setting up of Security Operations Center (SOC), if required. This would bolster cyber security preparedness and ensure that the UCBs offering a range of payment services and higher Information Technology penetration are brought at par with commercial banks in addressing cyber security threats. The Cyber Security Policy serves several purposes. The main purpose is to inform Bank users: employees, contractors and other authorized users of their obligatory requirements for protecting the technology and information assets of the Bank. The Cyber Security Policy describes the technology and information assets that we must protect and identifies many of the threats to those assets.

3. Information Technology Assets and Classification:

In our Bank the IT Architecture / Framework assets we are using mainly the computers, printers, scanners, network, server, firewalls, database, switch, router, wireless network and application, end user system etc.

We are using e-mail for communicating with our customers, supervisors, other banks and regulators. We are maintaining our books of accounts in a standalone computer. In our Bank the Technology Adoption is moving from the Initial Stage to Middle Stage.

- i. A LAN will be classified by the systems directly connected to it. For example, if a LAN contains just one RED system and all network users will be subject to the same restrictions as RED systems users. A LAN will assume the Security Classification of the highest level systems attached to it.
- ii. Computer System and It's Classification:

Security Level	Description	Example
----------------	-------------	---------

RED	This system contains confidential information – information that cannot be revealed to personnel outside of the Bank. Even within the Bank, access to this information is provided on a “need to know” basis. The system provides mission-critical services vital to the operation of the business. Failure of this system may have life threatening consequences and/or an adverse financial impact on the business of the Bank.	Server containing confidential data and other department information on databases. Network routers and firewalls containing confidential routing tables and security information.
GREEN	This system does not contain confidential information or perform critical services, but it provides the ability to access RED systems through the network.	User department PCs used to access Server and application(s). Management workstations used by systems and network administrators.
WHITE	This system is not externally accessible. It is on an isolated LAN segment, unable to access RED or GREEN systems. It does not contain sensitive information or perform critical services.	A test system used by system designers and programmers to develop new computer systems.
BLACK	This system is externally accessible. It is isolated from RED or GREEN systems by a firewall. While it performs important services, it does not contain confidential information.	A public Web server with non-sensitive information.

4. The Main Services :

Our Bank offers banking services in a traditional way and modern way. In recent, the nature of services offered has also undergone tremendous changes. Our services and products have also increased which includes RTGS, NEFT, NACH ECS Debit, Rupay Debit Card, Net-banking View, Mobipro App, website www.bhujbank.com etc.

5. The Main Base line Requirements: The main Baseline Cyber Security and Resilience Requirements (in addition to the requirements given in Annex I) - Level II will be:

1. Maintain an up-to-date/centralised inventory of authorised devices / related network devices connected to UCB's network (within/outside UCB's premises)
2. Multi-layered Boundary defences with properly configured firewalls, proxies, De-Militarized Zone (DMZ) perimeter networks, and network-based Intrusion Prevention System (IPS)/Intrusion Detection System (IDS). Mechanism to filter both inbound and outbound traffic shall be put in place.
3. LAN segments for in-house and CBS/branch network should be different.

4. Document and apply baseline security requirements/configurations to all categories of devices carry out reviews periodically.
5. The development/test and production environments need to be properly segregated and the data should be appropriately masked.
6. Properly address change management process to record/monitor all the changes that are moved/ pushed into production environment that ensure integrity of any changes thereto. Application security testing of web/mobile applications to be done before going live and after every major changes in the applications
7. Periodic Testing: Periodically conduct Vulnerability Assessment/ Penetration Testing (VA/PT) of internet facing web/mobile applications, servers and network components throughout their lifecycle (pre-implementation, post implementation, after changes etc.). VA of critical applications and those on DMZ shall be conducted atleast once in every 6 months and PT shall be conducted atleast once in a year. By professionally qualified teams. Findings /Vulnerabilities of VA/PT and the follow up actions necessitated are to be monitored closely by the Information Security/Information Technology Audit team as well as Top Management so as to avoid repetition in future.
8. Implement/Review a comprehensive DLP strategy through endpoint Security Software to safeguard sensitive (including confidential) business and customer data/information.
9. Put in place an effective Incident Response programme and mechanism/ resources to take appropriate action in case of any cyber security incident.

6. Inventory Management of Bank IT Assets:

6.1 The Bank will maintain an up-to-date business IT Asset Inventory Register containing the following fields as minimum:

- i. Details of the IT Assets Viz. Hardware, Software, Network Devices Key Personnel, Services etc.
- ii. Details of system where customer data are stored

- iii. Associated business where customer data are stored
- iv. Criticality of IT Assets classified as High, Medium and Low

6.2 Classify data information based on sensitivity criteria of the information

Appropriately manage and provide protection within and outside the Bank, Network, keeping in mind how the data / information is stored, transmitted, processed, accessed and put to use within / outside the Bank's network and level of risk they are exposed to depending on the sensitivity of the data / information.

7. Cyber Security Officer (CSO):

The nature of cyber-attacks is such that they can occur at any time and in a manner that may not have been anticipated. Hence, our Bank will designate one of its IT officers as CYBER SECURITY OFFICER. His duties will be as under;

- i. To ensure continuous surveillance and keep himself informed on the latest nature of emerging cyber threats.
- ii. To visualize, protect, detect, monitor, analyze, respond and recover incidents
- iii. To carry out incident investigation, management and forensic analysis
- iv. To identify root cause of attacks and bring its solutions and to restrict its recurrence etc.
- v. To protect critical Bank Data, Customer Data and attention on data security.

8. Cyber Crisis Management Plan:

- i. Round the clock there must be availability of list of emergency contacts phone numbers, mobile numbers and addresses of concerned Desk officers, Vendors and Outside Agencies in respect of Hardware, Software, Network and RTGS / NEFT etc.
- ii. Further, there shall be a process to recover IT Systems, Applications and Data from any type of disaster that causes a major power failure / other services not available / equipment is closed down etc.
- iii. A Government of India organisation, CERT-In (Computer Emergency Response Team – India, a Government entity) has been taking important initiatives in

strengthening Cyber Security by providing proactive/reactive services and guidelines, threat intelligence and assessment of preparedness of various agencies in different sectors, including the financial sector. CERT-In also has come out with National Cyber Crisis Management Plan and Cyber Security Assessment Framework. Our bank shall refer to CERT-In/NCIIPC/RBI/IDRBT guidelines as reference material for their guidance.

9. Password Protection:

- i. The system administrator shall give a temporary password or initial password when creating a new user account.
- ii. User shall change their password after first successful login attempt
- iii. System shall be configured to force a user to change the initial passwords when they log on for the first time,
- iv. Password shall be at least 8 characters in length. The characters used should be alphanumeric.
- v. The password age should be 30 days for Admin Level and 60 days for other levels. Failure to change the password before expiry shall result in the user not able to login.
- vi. All system administrator password shall be kept in a "password protected envelop" under the custody of MD / Manager / CEO.
- vii. Passwords of network devices such as firewalls and routers shall be changed every 30 days.
- viii. Passwords must not be shared with anyone including managers, co-workers while on leave and family members etc. All passwords are to be treated as sensitive, confidential Bank information.
- ix. Passwords are a critical component of information security. Passwords serve to protect user accounts; however, a poorly constructed password may result in the compromise of individual systems, data or the Cisco network.

- x. Disciplinary action will be initiated for any violation of above instructions which may be up to termination of service.

10. Acceptance Use:

- i. All employees, contractors, consultants, temporary and other staff of Bank are responsible for exercising good judgment regarding appropriate use of information, electronic devices and network resources in accordance with Bank policies standards and local laws and regulations.
- ii. The Bank has responsibility to promptly report the theft, loss or unauthorized disclosure of Bank proprietary information.
- iii. Employees may access, use or share Bank information only to the extent it is authorized and necessary to fulfil his assigned job duties.
- iv. All computing devices must be secured with a password protected screen server with the automatic activation feature set to 5 minutes or less. There must be screen lock or log off when the device is unattended.
- v. Employees must use extreme caution when opening e-mail attachments received from unknown senders, which may contain malware.
- vi. Employees must not engage in any activity that is illegal under local, state, central laws while utilizing Bank owned resources.
- vii. Employees must not introduce malicious programs e.g. viruses, worms, Trojan horses, e-mail bombs etc into the network or server.
- viii. All information sent and received by the employees on their corporate e-mail id shall be treated as confidential.
- ix. Employees has to always delete any spam mail that is received in the mailbox.
- x. It is must for all email communication made from Bank's network to write Disclaimer clause.
- xi. Employees shall not engage in any blogging that may harm or tarnish the image, reputation and/or goodwill of Bank and / or of its employees.

- xii. Employees are also prohibited from making any discriminatory, defamatory or harassing comments when blogging or otherwise engaging in any conduct prohibited.

11. Web Application Security:

- i. Web application assessments are performed to identify potential or realized weaknesses as a result of inadvertent Mis-configuration, weak authentication insufficient error handling, sensitive information leakages etc.
- ii. Web application vulnerability account for the largest portion of attack vectors outside of malware.
- iii. It is crucial that any web application be assessed for vulnerabilities and any vulnerabilities by remediated prior to production deployment.
- iv. New or Major Web Application will be subject to a full assessment prior to approval of the change control documentation and / or release into live environment.
- v. Third party web application will be subject to a full assessment after which it will be bound to policy requirements.
- vi. Point release will be subject to an appropriate assessment level based on the risk of the application functionality and / or architecture.
- vii. Patch release will be subject to an appropriate assessment level based on the risk of the changes to the application functionality and / or architecture.
- viii. Any High-Risk issue must be fixed immediately or other mitigation strategies must be put in place to limit exposure before deployment.
- ix. Medium Risk issues should be reviewed to determine what is required to mitigate and scheduled accordingly.
- x. Low Risk issues should be reviewed to determine what is required to correct the issue and scheduled accordingly.

12. Clean Desk:

- i. Computer workstations must be locked when workplace is unoccupied and must be completely down at the end of the work day.
- ii. Sensitive information must be removed from the desk and locked in a drawer when the desk is unoccupied at the end of the work day.
- iii. File cabinets / cupboards containing sensitive information must be kept closed and locked when not in use or when not attended.
- iv. Employees must ensure that all sensitive confidential information in hard copy or electronic form is secure in their work area at the end of the Day.
- v. Portable computing devices such as Laptops and Tablets must be kept Locked.
- vi. The Mass storage devices such as CDROM, DVD or USB drives which are containing sensitive information must be secure and put them in a locked drawer / cupboard.
- vii. Printouts containing Sensitive information should be immediately removed from the printer.

13. Antivirus:

- i. The Bank must install and maintain anti-virus software to protect the Data, Information, Applications and programs against attacks.
- ii. The Virus, Trojans, Worms are malicious programs that can corrupt or destroy data or may spread confidential information to unauthorized sources, resulting in loss of availability or confidentiality of the information. The Bank shall control and protect against such malicious programs.
- iii. Bank's IT team shall ensure that anti-virus software is installed on all the computers, servers, laptops and workstations. All these should be updated with latest anti-virus definitions.
- iv. Third party devices before connecting to LAN must be scanned.
- v. Bank's IT team must ensure that entire computer system scan shall be scheduled to run at least once a week and scan must cover: computer memory, executable files,

- emails and downloads from the internet, disinfection of infected files and also to delete the infected file.
- vi. Bank shall install and maintain a gateway level anti-virus to ensure that all traffic entering the network is protected from virus, spyware, malware, Trojans, adware worms and Spam mails
 - vii. Employees shall not download files from unknown or suspicious sources.
 - viii. There must be Back-up of critical data and system configurations on a regular basis and must store the data in a safe place
 - ix. When the anti-virus software is disabled, no application must be run otherwise it could transfer a virus.

14. Database Credentials Coding:

- i. Database user names and passwords must be stored in a file separate from the executing body of the program's code.
- ii. Authorizing application to connect internal database, authentication credentials are must. Incorrect use, storage and transmission of such credentials may lead to compromise of very sensitive assets.
- iii. The scope into which Bank may store database credentials must be physically separate from the other areas of Bank's code e.g. the credentials must be in a separate source file.
- iv. For languages that execute from the source code the credentials source file must not reside in the same browse able or executable file directory tree in which the executing body of code resides.
- v. Sharing of credentials between programs must not be allowed.
- vi. Every program or every collection of programs implementing a single business function must have unique database credentials
- vii. General Manager must have a process in place to ensure that database passwords are controlled and changed in accordance with the password policy.

15. Server Security:

- i. All internal servers deployed at Bank must be owned by an operational group that is responsible for system administration. Approved server configurations guides must be established and maintained by each operational group.
- ii. All servers must have an anti-virus application installed that offers real-time scanning protection to files and applications
- iii. All servers must have an anti-spyware application installed that offers real-time protection
- iv. Servers deployed at Bank shall be audited at least annually and as prescribed by regulatory authorities.
- v. Bank shall ensure that all servers deployed at Bank are configured according to the Bank security policy.

16. Software Installation:

- i. Allowing employees to install software on Bank computing devices opens the organization up to unnecessary exposure. Conflicting file versions or DLLs which can prevent program from running, the introduction of malware from inflicted installment software unlicensed software which could be discovered during audit and programs which can be used to hack the organization's network are examples of the problem that can be introduced when employees install software on Bank equipments.
- ii. To minimize the risk of loss of program functionality, the exposure of sensitive information contained within Bank computing network , the risk of introducing malware and the legal exposure of running unlicensed software.
- iii. Employees may not install software on Bank computing devices operated within the Bank network
- iv. Software must be selected from an approved software list, maintained by the Bank, unless no selection on the list meets the requester's need

- v. The IT officer will obtain and track the licenses, test new software for conflict and compatibility and perform the installations.

17. Technology Equipment Disposal:

- i. When Technology assets have reached the end of their useful life they should be sent to the Bank's equipment Disposal Team for proper disposal.
- ii. The Bank shall securely erase all storage mediums in accordance with current industry best practices.
- iii. All data including all files and licensed software shall be removed from the equipment using disk sensitizing software that cleans the media overwriting each and every disk sector of the machine with zero filled blocks, meeting Department of Defence Standards.
- iv. No computer or technology equipment may be sold to any individual other than through the processes identified.
- v. No computer equipment must be disposed of via skips, dumps, landfill etc.
- vi. Electronic recycling bins may be personally placed in locations around Bank.
- vii. All electronic drives must be degaussed or overwritten with a commercially available disk cleaning program. Hard drives may also be removed and rendered unreadable (drilling, crushing or other demolition methods).
- viii. Computer equipment refers to desktop, laptop or notebook computers printers, copiers, monitors, servers, handheld devices, telephones, cell phones, disc drives or any storage device, network switches, routers, wireless access points, batteries, backup tapes etc.

18. Accessibility:

- i. Externally accessible to public: The system may be accessed via the Internet by persons outside of the Bank without a logon id or password. The system may be accessed via dial-up connection without providing a logon id or password. It is possible

to "ping" the system from the Internet. The system may or may not be behind a firewall.

A public Web Server is an example of this type of system.

- ii. Non-Public, Externally accessible: Users of the system must have a valid logon id and password. The system must have at least one level of firewall protection between its network and the Internet. The system may be accessed via the Internet or the private Intranet. A private FTP server used to exchange files with business partners is an example of this type of system.
- iii. Internally accessible only: Users of the system must have a valid logon id and password. The system must have at least two levels of firewall protection between its network and the Internet. The system is not visible to Internet users. It may have a private Internet (non-translated) address and it does not respond to a "ping" from the Internet. A private intranet Web Server is an example of this type of system.
- iv. CSO shall be designated as the Security Administrator for the Bank.

19. Remote Access:

- i. Secure remote control must be strictly controlled with encryption [i.e. Virtual Private Networks (VPNs)] and strong pass-phrases: for further information see the Password Protection.
- ii. Authorized Users shall protect their login and password, even from family members.
- iii. While using a Bank-owned computer to remotely connect to Bank's corporate network, Authorized Users shall ensure the remote host is not connected to any other network at the same time.
- iv. Use of external resources to conduct Bank business must be approved in advance by the appropriate business unit manager.
- v. All hosts that are connected to Bank internal network via remote access technologies must use the most up-to-date anti-virus software, this includes personal computers.
- vi. Personal equipment used to connect to Bank's networks must meet the requirements of Bank-owned equipment for remote access.

- vii. All Bank antivirus data loss prevention and other security system must not be disabled interfered with or circumvented in any way.
- viii. All Remote Access Tools must support strong, end-to-end encryption of the remote access communication channels.
- ix. Remote Access Tools must support the Bank application layer proxy rather than direct connections through the perimeter firewall.
- x. All Remote Access Tools must be purchased through the standard Bank procurement process and General Manager must approve the purchase.

20.Router and Switch Security:

- i. Primary and Secondary Network Managed Routers will not be accessible by the Bank Staff.
- ii. Except above, Every Router and Switch of the Bank must meet the configuration standard and must use TACACS+ for user authentication.
- iii. To enable password on the router or switch must be kept in a secure encrypted form.
- iv. The router or switch must have the enable password set to the current production router / switch password from the device's support organization.
- v. The under mentioned services or features must be disabled:
 - i. IP directed broadcasts
 - ii. UDP small services
 - iii. TCP small services
 - iv. Auto configuration
 - v. All web services running on routers
 - vi. Telnet, FTP and HTTP services
 - vii. All source routing and switching
 - viii. Cisco discovery protocol on Internet connected interfaces
- vi. Password encryption must be configured
- vii. All routing updates shall be done using secure routing updates

- viii. Router console and modem access must be restricted by additional security control
- ix. The router must be included in the corporate enterprise management system with a designated point of contact.

21. Wireless Communication:

- i. Bank will not provide any insecure wireless configuration since it can be vulnerable as an easy open door for malicious threat actors.
- ii. Bank provides computer devices, networks and other electronic information systems to meet missions, goals and initiatives.

22. Employees Internet Usage and its Monitoring and Filtering:

- i. Bank will maintain Whitelisted websites list and rule configured in its Firewall.
- ii. The CSO of the Bank shall monitor Internet use from all computers and devices connected to the bank network via the Firewall Log Management.
- iii. There can be limit to web use from any host within the Bank's Network.
- iv. The employees to use the internet in a safe and responsible manner.
- v. Server to server communication such as SMTP traffic, backups, automated data transfers or database communications are excluded.
- vi. Internet use is to be for the business of the Bank only.
- vii. Gsuite E-mails only to Send and Receive e mail messages with or without attachments of documents to and from the internet.
- viii. Internet usage is granted to employees for the purpose of supporting banking activities necessary to carry out job functions.
- ix. The Bank prohibits the conduct of personal business, political activity, engaging in any fraudulent activities etc.
- x. Disciplinary action will be taken against employees who access unauthorized information, transmit confidential information, involve in gambling on internet, altering

customer data without authority, share personal data of customers with outsiders without authority etc.

- xi. Internet access will be discontinued on end of services by retirement or termination of employees.
- xii. The CSO shall block access to Internet Websites and protocols that are deemed inappropriate for Bank's corporate environment:
e.g. i. Gambling ii. Advertisements iii. Adult Sexually Explicit Material
iv. Illegal Drugs v. Personals & Dating vi. SPAM, Phising & Fraud
vii. Spyware viii. Violence, Intolerance & Hate ix. Hacking,
x. Social Network Services xii. Chat & Instant Messaging etc.
- xiii. User Category:

User Category	Privileges &Responsibilities
Department Users (Employees)	Access to application and databases as required for job function. (RED and/or GREEN cleared)
System Administrators/ Database Administrator	Access to computer systems, databases and related technology required for job Function. Access to confidential information on a "need to know" basis only.
Security Administrator/IS officer	Highest level of security clearance. Allowed access to all computer systems, databases, firewalls, and network devices as required for job function.
Network Administrator	A network administrator is responsible for keeping an organization's computer network up to date and running smoothly.
Contractors/Consultants	Access to applications and databases as required for specific job functions. Access to routers and firewall only if required for job function. Knowledge of security policies. Access to Bank information and systems must be approved in writing by the Bank director/CEO.
General Public	Access is limited to applications running on public Web servers. The general public will not be allowed to access confidential information.
Other Agencies and Business Partners	Access allowed to selected applications only when contract or inter-agency access agreement is in place or required By applicable laws.

23. Removable Media:

- i. Bank staff must not use removable media in their work computers.

- ii. Bank Staff must take care as removable media is a source of malware infections and may result into loss of sensitive information of Bank
- iii. When sensitive information/data is stored on removable media, it must be encrypted in accordance with the Bank Acceptable Encryption Standards.
- iv. Removable media of Banks may not be connected to or used in computers that are not owned by the Bank.

24. Information Security IT Asset Classification:

- i. Bank must ensure and maintain appropriate protection of the Bank Assets.
- ii. Bank must identify critical details of an asset and understand the importance of an information asset.
- iii. Information received from system that handle classified data shall be labeled in terms of its value and sensitivity to the Bank.
- iv. Information / Data that is very critical or sensitive in nature must be made available only to identified officer.
- v. Bank shall establish procedure for handling and storage of information.
- vi. Bank shall maintain formal record of authorized recipient of data
- vii. There shall be clear marking of all copies of data for the attention of the authorized recipient.
- viii. There shall be restrictions on accessing sensitive Information/Data of Bank.
- ix. Documents in electronic form that cannot be physically labeled shall carry appropriate labels within the document

25. Back up and Restoration Objectives:

- i. The Bank shall have in writing the back up and restoration procedure for the operating systems, applications and data in database, files and folders.
- ii. The daily backup and restoration activities shall be carried out by Bank's IT officer.
- iii. Bank's IT staff shall ensure that backup is stored at an Off-Site location.

- iv. The managers are responsible for the identification of the critical business application and associated data, files and folders that are required to be backed up.
- v. The media to be used for taking backups e.g. CDs / DATs / DLTs/ LTOs / External HDD's shall be identified by the backup operator.
- vi. The backup media usage details shall be maintained by the bank.

26. Log Management:

- i. There shall be Log and Audit in our Bank. Logs and Audits trails are a means of recording a user's activity or system activity as it happens. It as an ongoing security practice shall deter the misuse of system resources. However, logs and audit do not prevent the events from occurring.
- ii. Operating systems databases shall be configured to audit the transactions that meet exception criteria.
- iii. Adequate audit trails shall be captured and certain information needed to determine sensitive events and pattern analysis which could indicate possible fraudulent use of the system (repeated, unsuccessful logons, access attempt over a series of days shall be analysed.
- iv. This audit trail shall include information about the who, what, when, where and any special information of logging such as: success or failure of the event and use of authentication keys, where applicable.
- v. The system administrator shall identify the events and activities to be audited and logged.
- vi. The following logs shall be mentioned
 - i. Logs of user's access
 - ii. Logs of antivirus activities
 - iii. Logs of system activity
 - iv. Logs of Network monitoring
 - v. Logs of server Performance monitoring

- vii. In the security audit log following events shall be written and recorded:
 - i. Successful user authentication attempt
 - ii. Failure authentication attempt
 - iii. Successful accesses of security critical resources e.g. Secret Data, Screen Routers, Firewalls etc
 - iv. Changes to system security configurations e.g. Firewall Rules, New system accounts etc
 - v. Modification of system-supplied software e.g. Application files, Services, Registry settings etc
 - vi. Changes to access rights of resources
 - vii. Creation, modification or deletion of critical or sensitive files or database information.
 - viii. All identification information shall be logged even if the user ID supplied is not valid.
 - ix. Resource access attempts that are denied by the resource access control mechanism.
- viii. User/process activities to be audited include: User ID, System login/logoff, Successful sign-on by authorized users and failed sign-on attempts
- ix. The Router Logs shall provide information about: Network Traffic, Console Logging, Configuration Change Logs, Unauthorized access, Inbound and outbound packets which have been dropped
- x. Switch Logs shall provide information about: Network Traffic, Console Logging, Configuration Change Logs, Unauthorized access, Inbound and outbound packets which have been dropped
- xi. Firewall Logs shall provide information about: Host operating system log messages, change to network interfaces, Unauthorized access, change to firewall policy, Inbound and outbound packets which have been dropped

27. Logical Access Control:

- i. Only authorization staff shall have access to information or data.
- ii. Logical access shall cover user management, privilege access management and access to applications.
- iii. The staff in possession of data and information assets shall adequately protect the Bank's interest and shall not compromise the security and shall not share the data with unauthorized persons / outsiders.
- iv. The Bank shall monitor usage to ensure that the systems are used in a secure manner and only by authorized users.

28. USER MANAGEMENT:

- I. A unique User ID shall be created for its staff for purpose of CBS work only.
- II. The staff shall be given rights of usage for discharge of their official duties
- III. On transfer & change in section or department, the duties may change and according there will be modification of their right to data
- IV. The IT officer shall disable/delete the User ID and right of the staff who has resigned & left and who has been suspended or terminated etc
- V. A User ID shall be disabled id a user has not logged in for more than 60 days
- VI. Users shall not share their password
- VII. The system administrator shall reactivate User ID which are locked
- VIII. The User ID shall be locked if there are 3 invalid login attempts
- IX. Access to the CD, DVD and USB drives on the desktop shall be disabled.
- X. Internet and email access shall be given to the users only for carrying out Bank duties and for official purpose/use.
- XI. Bank shall detect un authorized activities and prohibit it and take disciplinary actions in this regard
- XII. This section establishes usage policy for the computer systems, networks and information resources of the office. It pertains to all employees and contractors who use the computer systems, networks, and information resources as business partners,

and individuals who are granted access to the network for the business purposes of the Bank.

- XIII. User accounts on Bank computer systems are to be used only for business of the Bank and not to be used for personal activities. Unauthorized use of the system may be in violation of the law, constitutes theft and can be punishable by law. Therefore, unauthorized use of the Bank computing system and facilities may constitute grounds for either civil or criminal prosecution.
- XIV. Users are personally responsible for protecting all confidential information used and/or stored on their accounts. This includes their logon IDs and passwords. Furthermore, they are prohibited from making unauthorized copies of such confidential information and/or distributing it to unauthorized persons outside of the Bank.
- XV. Users shall not purposely engage in activity with the intent to; harass other users; degrade the performance of the system; divert system resources to their own use; or gain access to Bank systems for which they do not have authorization.
- XVI. Users shall not attach unauthorized devices on their PCs or workstations, unless they have received specific authorization from the employees' manager and/or the Bank IT designee. Users shall not download unauthorized software from the Internet onto their PCs or workstations.
- XVII. Users are required to report any weaknesses in the Bank computer security, any incidents of misuse or violation of this policy to their immediate supervisor.

29. Physical and Environment Security:

- i. Bank shall provide and ensure controlled Physical access and Environmental Security to Information System. This will help to minimize losses from theft, interference, environmental hazards, damage to information system etc
- ii. Areas containing critical IT equipments shall be designated as High Security Area.
- iii. Entry to various Security Areas shall be restricted based on the role of the staff in the Bank.
- iv. A register shall be maintained for recording such visits

- v. The CSO / IT officer shall be informed of any abnormal events via email etc
- vi. All staff shall display their identity cards while in the office premises.
- vii. Visitors' entry will be prohibited in security areas.
- viii. Physical access to server room shall be restricted to authorized staff only
- ix. The vendors needing access to server room for maintenance shall be accompanied by IT staff
- x. Number of entries into Data Centre shall be limited, locked and secured.
- xi. An emergency exit shall be available.
- xii. The IT Officer shall be responsible for the physical security of IT assets allotted to them
- xiii. The respective users shall protect physical assets against fire, water and pollution damage.
- xiv. Computers shall be connected to UPS to prevent damage of data and hardware.
- xv. Computers connected to the network or information system shall not be left unattended.
- xvi. Computers media and removable storage i.e. Diskettes, CD ROMs, Zip Disks, Flash Drives etc shall be stored in a secure location or locked cabinet.
- xvii. Other information storage media containing confidential data such as paper, files, tapes etc shall be stored in a secure locations or locked cabinet.
- xviii. Regular maintenance and servicing of the physical asset shall be done as per the AMC/ Warranty.
- xix. Power and telecommunication lines into premises and server room shall be adequately protected from unauthorized interception or damage.
- xx. The floors in the data centre shall be raised with removable square blocks .Anything not related to data centre shall not be allowed in the Data Centre.
- xxi. CCTV cameras shall be installed at all locations and the CCTV footage shall be monitored.
- xxii. No food or drinks shall be allowed in the data centre.

- xxiii. Electrical outlets shall not be overloaded which might result in power outage.
- xxiv. The following computer environment controls shall be installed:
 - i. UPS with backup units
 - ii. Backup Power Supply
 - iii. Emergency power cut off switches
 - iv. Emergency lighting arrangements
 - v. Air conditioners
 - vi. Fire Prevention, fire alarm and fire suppression equipments
 - vii. Inflammable items shall not be kept in data centre
 - viii. All above equipments must be in working condition

30. Reporting of cyber incidents:

The Bank will report immediately all unusual cyber security incidents (whether they were successful or mere attempts) to Department of Co-operative Bank Supervision, Reserve Bank of India, Central Office, C-9, 1st floor, BKC, Mumbai 400051 by e-mail giving full details of the incidents.

The Board of Directors approved the Cyber Security Policy in Board Meeting held on 22-05-2022.

Date: 22-05-2022

Ahmedabad

CEO / I/c CEO / GM / Authorized Signatory



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

DONATION POLICY

Approved By:

Board of Directors – Meeting Dated 23-04-2022.



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

(SAY "BMCB BANK") **DONATION POLICY** **Applicable from 23-04-2022**

As framed in the Board of Directors meeting dtd 23-04-2022, Our Bank's Donation Policy was prepared accordingly w.e.f. 23-04-2022 as under strictly in accordance with the RBI guidelines issued from time to time. (Ref. Master Circular on Board of Directors - UCBs) - RBI/2015-16/2 DCBR.BPD (PCB/RCB) Cir.No.2/14.01.062/2015-16 dtd July 1, 2015 and further issued from time to time)

Whereas the Urban Co-operative Banks are setting apart certain portion of their net profits after tax as charity fund and give donation out of such fund for development of co-operative movement, Charitable or any other social cause to discharge their responsibilities towards society in general.

Whereas Reserve Bank of India and Registrar of Co-operatives instruct that the donations should be made within the frame work of the donation policy formulated by the Board of Director, it is necessary to frame the Donation Policy by our Bank keeping in view the instructions of RBI in this regard

1. Types of Donations (List is indicative and not exhaustive)

- a. Charitable
- b. Religious
- c. Social / Public Cause
- d. Educational
- e. Charity
- f. Humanitarian Aid, etc.
- g. Medical Treatment
- h. For handicapped persons
- i. Contributions to National/State Funds recognized/ sponsored by Central/State Governments.
- j. Development of co-operative movement
- k. Any other philanthropic cause

2. Eligibility

The following list is indicative but not exhaustive and the Board of Directors would have liberty to give donations looking to the nature of business activity of the institution,

- a. Charitable Institutions
- b. Public / Private Trusts doing work of Social and welfare.

- c. Educational Institutions
- d. Schools and Colleges
- e. Any PM / National Funds and other funds recognized /sponsored by the Central /State Government
- f. Any other trust / association formed for the purpose of grouping similar people and / or working in the welfare and livelihood of a specific group i.e. blind, poor, children, aged, homeless, paralytic, mentally / physically / medically challenged, etc.

3. **Prohibitions**

- a. There are prohibition from giving donations to trusts and institutions, where directors, and/or their relatives hold position or are interested.
- b. A person shall be deemed to be a relative of another, if and only if:
 - i. they are members of a Hindu Undivided Family; or
 - ii. they are husband and wife; or
 - iii. the one is related to the other in the manner indicated below:
 - o Father
 - o Mother including step-mother
 - o Son including step-son
 - o Son's wife
 - o Daughter including step-daughter
 - o Daughter's husband
 - o Brother (including step-brother)
 - o Brother's wife
 - o Sister (including step-sister)
 - o Sister's husband
- c. The term "interest" shall mean "trust in which directors/relatives of directors hold positions as trustees, or are beneficiaries or involved in any capacity in the working of the trust, which is likely to influence the independence of the directors(s).

4. **Delegation of Powers for giving Donations**

The Board of Directors will have the authority to sanction donation requests. Further, MD / I/c CEO / GM / Board Secretary etc. will have to obtain the prior approval (except in cases of donations upto Rs. 10,000/-per institution) of the Board of Directors w. e. applicable for sanctioning donation amounts to the above mentioned eligible institutions. Following table is self-explanatory.

Functionary	Max Ceiling on amount	To be Ratified By
Board of Directors	Unlimited (subject to ceiling)	—
Chairman / MD / I/c CEO / GM / Board Secretary	10,000/-	BOD

5. **Maximum ceiling on Donation:** The maximum normal donation to be made during a year, may, in aggregate, be restricted to a ceiling of 1% of the published Net Profits (After Tax) of the bank for the previous year. Such normal donations, together with those that may be made to National Funds and other funds recognized/sponsored by the Central / State Government, during a year, may not exceed 2% of the published profits of the bank for the previous year.



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

EXPENDITURE POLICY

Approved By:

Board of Directors – Meeting Dated 23-04-2022.



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

(SAY "BMCB BANK") EXPENDITURE POLICY Applicable from 23-04-2022

As Reviewed in the Board of Directors meeting dtd 23-04-2022, Our Bank's Expenditure Policy was Reviewed / modified / updated accordingly w.e.f. 23-04-2022 as under:

1. OBJECTIVE

- The Board of Directors of **The BHUJ MERCANTILE CO-OPERATIVE BANK LTD, AHMEDABAD** to promote the highest and most prudent standards of behavior in regard to the use of the Bank's assets and to ensure compliance with the circular issued by the Registrar of Co-operative Societies. This Expenditure Policy was adopted in accordance with the Bank's board of director's objectives. This Policy is designed to establish guidelines regarding appropriate expenditures and expenditure authorization with specific attention.
- The funds of the bank are not to be spent in a manner that is extravagant or otherwise create significant risk that could damage the bank's reputation with its customers and shareholders in the marketplace; therefore, excessive or luxury expenditures are prohibited. Allowable bank expenditure should reflect sound and prudent judgment and they require approvals as set out with authorized ladder.

2. SCOPE

- All directors, officers, employees, temporary employees, contractors, consultants or authorized agents of the bank are subject to this Policy. The Policy does not include **reasonable payments** by the bank like salary, incentive, compensation, commission, employee benefits, routine expenses like Internet charges, Telephone, electricity, municipal Taxes, Fixed Assets - Computer and peripherals - repairing, or similar types of payment. Additionally, disbursements connected with finance-related transactions (i.e. loan proceeds, customer deposit withdrawals, funds related to liquidity transactions or securities purchases, etc.) are excluded from this Policy. **Please refer Loans and Investment Policies for Sanctioning/Authorization Power of the Loans/Investments.**
- The Policy will identify, establish thresholds as appropriate and/or set out the followings:
 - ✓ Capital Expenditure

- ✓ Purchase or Acquire of Premise/ Construction or Renovate or Repair of Premise
- ✓ Purchase/ Made/ Renovate/ Repair of Furniture & Fixture
- ✓ Purchase of Computers, Electronics, Equipments, ATMs, Automated Products useful to Modern business banking and others
- ✓ Revenue Expenditure (Day to day)
- ✓ Others

3. DELEGATION OF AUTHORITY

- The Board of Directors vide this Expenditure Policy have delegated authority over its expenditure affairs to the following for day to day smoothly functioning of the banking business as follows:

Designation	Responsible to	Expenditure	Limits
Board of Directors	None except if any regulatory disclosure /reporting	Capital Expenditure Revenue Expenditure	Capital and Revenue Expenditure limits are decided by Board of Directors from time to time
CEO	Board of Directors	Capital Expenditure Revenue Expenditure	Capital and Revenue Expenditure limits are decided by Board of Directors from time to time
General Manager	Board of Directors	Revenue Expenditure	Capital and Revenue Expenditure limits are decided by Board of Directors from time to time
AGM /Manager/ DM/AM	General Managers & I/c CEO	Revenue Expenditure	Capital and Revenue Expenditure limits are decided by Board of Directors from time to time

DELEGATION OF POWER FOR EXPENDITURE:

Functionary	Types of Expenditure	Max Ceiling on amount
Board of Directors	All Expenditures	Unlimited
Chairman	All Expenditures	Unlimited
CEO / GM / Secretary	All Revenue & Capital Expenditure	10,00,000/-
	Statutory Expenditure	As per Actual Bill.
AGM / Manager Level	Revenue Expenditure	10,000/-
	Statutory Expenditure	As per Actual Bill.

4. POLICY ADMINISTRATION

- The Policy shall be administrated by the CEO
- subject to oversight by the Board of Directors.
- In Revenue Expenditure, authorized person has to take care in the favor of the bank to expend or pay for the same extent up to his/her authorized power.
- The Board may approve the overall Capital Expenditure Limit for particular Project / Renovation and delegate the powers to I/c CEO / GM for approval and pay the same within that overall limit, which will be ratified after completion of the Project.

- The CEO/GM has to take care in favour of the bank at the time of capital expenditure extent up to his authorization power. He has to look before conclusive the fair/best deal in the favor of the bank like 1) Past experience of the same vendors 2) Market reputation for new vendors 3) Competitive rate and quality in the market etc. 4) After Sales Service.
- Capital Expenditure at the Committee Level-The Bank have to get the fair/best/suitable deal in favor of the bank after comparing rate, quality and competence/good will of the vendor in the market. Committee will select the best vendor in the best interest of the bank after very tough negotiation for the same.
- In the ordinary course of the business, the Bank may plan or otherwise support and sponsor events for the purpose of business development, staff development, staff recognition or training. Also from time-to-time the Bank may promote charitable or civic endeavors as part of fulfilling its social responsibilities. Expenditures for such events and endeavors are intended to be reasonable and not lavish or excessive.

5. REPORTING

- Any Capital Expenditure plan will be approve in board meeting.
- CEO/GM could exercise powers exceeding than authorization in case of requirement and in the interest of the bank subject to approval in subsequent/immediate/next Committee/Board of Directors meeting.

6. REVIEW OF THE POLICY

- The policy will be reviewed as and when felt necessary by the Board.

7. APPROVAL BY BOARD OF DIRECTORS

- The Board of Directors approved the Expenditure Policy in Board Meeting held on 23-04-2022.

Date: 23-04-2022
Ahmedabad

CEO / I/c CEO / GM / Authorized Signatory



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

FRAUD POLICY

Approved By:

Board of Directors – Meeting Dated 23-04-2022.



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

(SAY "BMCB BANK") FRAUD POLICY Applicable from 23-04-2022

As Reviewed in the Board of Directors meeting dtd 23-04-2022, Our Bank's Fraud Policy was Reviewed / modified / updated accordingly w.e.f. 23-04-2022 as under strictly in accordance with the RBI guidelines issued from time to time in relation to the investment operations. (Ref. RBI/2015-16/1 DCBR.CO. BPD. MC.No. 1/12.05.001/2015-16 dtd July 1, 2015 and further issued from time to time):

1. PURPOSE

- The Bank fraud policy is established to facilitate the development of controls which will aid in the detection and prevention of fraud against Bhuj Bank. It is the intent of Bhuj Bank to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.
- Reporting system is suitably streamlined so that frauds are reported without any delay. The bank would fix staff accountability in respect of delays in reporting fraud cases to the Reserve Bank of India.

2. SCOPE

- The policy applies to any fraud or suspected fraud, involving employees as well as shareholders, account holders, borrowers, consultants, vendors, contractors, outside agencies doing business with employees of such agencies, and/or any other parties with a business relationship with Bhuj Bank.
- Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship to the Bank.

3. POLICY

- Management is responsible for the detection and prevention of fraud, misappropriations, and other inappropriate conduct. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury. Each member of the management team will be familiar with the types of

improprieties that might occur within his or her area of responsibility and be alert for any indication of irregularity.

- Any fraud that is detected or suspected must be reported immediately to Assistant General Manager, Operation Department, who coordinates all investigations with the Legal Department and other affected areas, both internal and external.

4. ACTION CONSTITUTING FRAUD

- The terms defalcation, misappropriation, other fiscal wrongdoings and in order to have uniformity in reporting frauds have been classified as under, based on mainly the provisions of the Indian Penal Code refer to, but are not limited to:
 - ✓ Misappropriation and criminal breach of trust.
 - ✓ Fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property.
 - ✓ Unauthorized credit facilities extended for reward or for illegal gratification.
 - ✓ Negligence and cash shortages.
 - ✓ Cheating and Forgery.
 - ✓ Irregularities in foreign exchange transactions.
 - ✓ Any other type of fraud not coming under the specific heads as above.
- Cases of 'negligence and cash shortages' and 'irregularities in foreign exchange transactions' are to be reported as fraud if the intention to cheat/defraud is suspected/proved. However, the following cases where fraudulent intention is not suspected/proved at the time of detection will be treated as fraud and reported accordingly:
 - ✓ Cases of cash shortages more than Rs. 10,000/- and
 - ✓ Cases of cash shortages more than Rs.5000/- if detected by management/ auditor / inspecting officer and not reported on the day of occurrence by the persons handling cash.
- To ensure uniformity and to avoid duplication, frauds involving forged instruments may be reported only by the paying banker and not by the collecting banker.
- However, in the case of collection of an instrument which is genuine but the amount is collected fraudulently by a person who is not the true owner, the collecting bank which is defrauded, will have to file fraud report with the RBI.
- In case of collection of instrument where the amount has been credited and withdrawn before realization and subsequently the instrument is found to be fake/ forged and returned by the paying bank, in that case collecting bank that has to file FMR-1 with the RBI as they are lost by parting the amount before realization of the instrument.
- In case of collection of altered/fake cheque involving two or more branches of the bank, the branch where the altered/fake cheque has been encashed, should report the fraud to Head office. Thereafter, Head Office will file the fraud report with RBI.

5. REPORT AND RETURNS OF FRAUDS TO RESERVE BANK OF INDIA (RBI)

- The cases of individual frauds involving amounts of less than Rs. 1.00 Lakhs are to be submitted to RBI in quarterly specified statement.
- The cases of individual frauds involving amounts of Rs.1.00 Lakhs and above but less than Rs.25.00 Lakhs will be reported to the Regional Office of Urban Banks Department of RBI, in the format given in FMR-1, within three weeks from the date of detection.
- The cases of individual frauds involving amounts of Rs. 25.00 Lakhs and above would be reported to
 - ✓ Central Frauds Monitoring Cell, Department of Banking Supervision, Reserve Bank of India, 10/3/8, Nruputhunga Road, P.B.No. 5467, Bengaluru- 560 001 in the Format given in FMR-1 within three weeks from the date of detection. Separate FMR-1 should be furnished in respect of each, case without clubbing
 - ✓ A copy of FMR-1 would also be submitted to the Regional Office of Urban Banks Department of Reserve Bank of India.
 - ✓ The letter addressed to the Chief General Manager-in-Charge of the Department of Banking Supervision Reserve Bank of India, Central Office, within a week of such fraud coming to the notice of the bank's Head Office.
 - ✓ A copy of the letter would also be endorsed to the Regional Office of Urban Banks Department of Reserve Bank of India.
 - ✓ The letter may contain brief particulars of the fraud such as amount involved, nature of fraud, modus operandi in brief, name of the branch/office, names of parties involved (if they are proprietorship/partnership concerns or private limited companies, the names of proprietors, partners and directors), names of officials involved and whether the complaint has been lodged with the Police.
 - ✓ In respect of frauds in borrowal accounts additional information as prescribed under Part B of FMR-1 would also be furnished.
 - ✓ Cases of attempted fraud, where the likely loss would have been Rs.25.00 Lakhs or more had the fraud taken place, would be reported by the bank to the Fraud Monitoring Cell, Department of Banking Supervision, Reserve Bank of India, Central Office, Mumbai within two weeks of the bank coming to know that the attempt to defraud the bank failed or was foiled. The report would cover the following:
 - The modus operandi of the attempted fraud.
 - How the attempt did not materialize in the fraud or how the attempt failed/was foiled.
 - The measures taken by the bank to strengthen the existing systems and controls.
 - New systems and controls put in place in the area where fraud was attempted.

- Reports on such attempted frauds would be placed before the appropriate Committee of the Board.
- The bank would submit a copy of the Quarterly Report on Frauds Outstanding in the format given in FMR-2 to the Regional Office of Urban Banks Department of the RBI within 15 days of the end of the quarter to which may not be having any fraud outstanding as at the end of a quarter would submit a nil report
- The bank would furnish case-wise quarterly progress reports on frauds involving Rs. 1.00 Lakhs and above in the format given in FMR-3 to the Regional Office of Urban Banks Department of Reserve Bank of India within 15 days of the end of the quarter to which it relates. If there are no fraud cases involving Rs.1.00 Lakhs and above outstanding, the bank can submit a nil report.

6. Frauds committed by unscrupulous borrowers: It is observed that a large number of frauds are committed by unscrupulous borrowers including companies, partnership firms/proprietary concerns and/or their directors/partners by various methods including the following:

- a. Fraudulent discount of instruments or kite flying in clearing effects.
- b. Fraudulent removal of pledged stocks/disposing of hypothecated stocks without the bank's knowledge/inflating the value of stocks in the stock statement and drawing excess bank finance.
- c. Diversion of funds, lack of interest or criminal neglect on the part of borrowers, partners etc. in adhering to financial discipline and managerial failure with malafide intent leading to the unit becoming sick and laxity in effective supervision over the operations in borrowal accounts on the part of the bank functionaries rendering the advance difficult for recovery and resulting in financial loss to the bank.

In respect of frauds in borrowal accounts additional information as prescribed under Part B of FMR - 1 should also be furnished

7. Provisioning Pertaining to Fraud Accounts: A uniform provisioning norm in respect of all cases of fraud is mandated as under :

- a. The entire amount due to the bank (irrespective of the quantum of security held against such assets), or for which the bank is liable (including in case of deposit accounts), is to be provided for over a period not exceeding four quarters commencing with the quarter in which the fraud has been detected;
- b. However, where there has been delay, beyond the prescribed period, in reporting the fraud to the Reserve Bank, the entire provisioning is required to be made at once. In addition, Reserve Bank of India may also initiate appropriate supervisory action where there has been a delay by the bank in reporting a fraud, or provisioning there against.

8. REPORTS AND REVIEW TO THE BOARD OF DIRECTORS

- The bank would report all frauds of Rs. 1.00 Lakhs and above are reported to the Board of Directors promptly on their detection.
- The failure on the part of the concerned branch officials and controlling authorities and consider initiation of appropriate action against the officials responsible for the fraud.
- Audit Committee of the Board of Directors will review quarterly ending March, June and September during the month following the quarter to which it pertains, information relating to frauds. A separate review for the quarter ending December is not required in view of the Annual Review for the year-ending December.
- The bank would conduct an annual review of the frauds and place a note before the Board of Directors for information. The reviews for the year-ended December may be placed before the Board by the end of March of the following year. Annual review would consider the followings:
 - ✓ Total number of frauds detected during the year and the amount involved as compared to the previous two years.
 - ✓ Analysis of frauds according to different categories and also the different business areas indicated in the Quarterly Report on Frauds Outstanding.
 - ✓ Modus operandi of major frauds reported during the year along with their present position.
 - ✓ Detailed analyses of frauds of Rs. 1.00 Lakhs and above.
 - ✓ Estimated loss to the bank during the year on account of frauds, amount recovered and provisions made.
 - ✓ Number of cases (with amount) where staff are involved and the action taken against staff.
 - ✓ Time taken to detect frauds (number of cases detected within three months, six months, one year, more than one year of their taking place)
 - ✓ Position with regard to frauds reported to the Police.
 - ✓ Number of frauds where final action has been taken by the bank and cases disposed off.
 - ✓ Preventive/punitive steps taken by the bank during the year to reduce/minimize the incidence of frauds. Whether systems and procedures have been examined to ensure that weakness is addressed.
 - ✓ Whether the systems in the bank are adequate to detect frauds, once they have taken place, within the shortest possible time.
 - ✓ Whether frauds are examined from staff angle and, wherever necessary, the staff side action is taken without undue delay.
 - ✓ Whether deterrent punishment is meted out, wherever warranted, to the persons found responsible without undue delay.

- ✓ Whether frauds have taken place because of laxity in following the systems and procedures or loopholes in the system and, if so, whether effective action has been taken to ensure that the systems and procedures are scrupulously followed by the staff concerned or the loopholes are plugged.
- ✓ Whether frauds are reported to the local Police for investigation.

9. REPORTING OF FRAUDS TO POLICE

- The bank would report of frauds such as unauthorized credit facilities extended for illegal gratification, negligence and cash shortages, cheating, forgery, etc. to the State Police authorities:
 - ✓ In dealing with cases of fraud/embezzlement.
 - ✓ Cases of fraud involving an amount of Rs.1.00 Lakhs and above, committed by outsiders on their own and/or with the connivance of bank staff/officers.
 - ✓ Cases of fraud committed by bank employees, when it involves bank's funds exceeding Rs.10,000/-
 - ✓ In case of frauds involving forged instruments, the paying banker has to file the police complaint (FIR) and not the collecting banker.
 - ✓ In case of collection of instrument which is genuine but the amount collected fraudulently by a person who is not the owner, the collecting bank which is defrauded has to file a police complaint (FIR).
 - ✓ In case of collection of instruments where the amount has been credited before realization and subsequently the instrument is found to be fake/forged and returned by the paying bank, it is the collecting bank has to file a police complaint as they are at loss by paying the amount before realization of the instrument.
 - ✓ In cases of collection of altered/fake cheque involving two or more branches of the same bank, the branch where the altered/fake instrument has been encashed, would file a Police complaint (FIR).

10. CLOSURE OF FRAUD CASES

- The bank will report to the concerned Regional Office of Urban Banks Department of RBI for the details of the fraud cases closed along with reasons for the closures where no further action was called for. Fraud cases closed during the quarter are required to be reported in quarterly return FMR-2.
- The bank would report only such cases of frauds as closed where the actions as stipulated are complete:
 - ✓ The fraud cases pending with Police/Courts are finally disposed.
 - ✓ The examination of staff accountability has been completed.
 - ✓ The amount of fraud has been recovered or written off.
 - ✓ Insurance claim, wherever applicable, has been settled.

- ✓ The bank would review the systems and procedures, identified the causative factors and plugged the lacunae and the fact of which has been certified by the Board.
- ✓ The bank would also pursue vigorously with the Police/Court for final disposal of the pending cases especially where the banks have completed staff side action.

11. REPORTING CASES OF THEFT, BURGLARY, DACOITY AND BANK ROBBERIES

- The bank will report by fax/e-mail instances of thefts, burglaries, dacoities and robberies to the following authorities immediately on their occurrence:
 - ✓ The Chief General Manager-in-Charge, Reserve Bank of India, Urban Banks Department, Central Office, Garment House, Worli, Mumbai-400018.
 - ✓ Regional Office of Reserve Bank of India, Urban Banks Department.
- The bank would submit a quarterly consolidated statement in the format given in FMR-4 covering all cases pertaining to the quarter within 15 days of the end of the quarter to which it relates.
- The bank may submit a nil report if did not have any such incidence during the quarter.

12. REVIEW OF THE POLICY

- The Policy will be reviewed as and when felt necessary by the Board

13. APPROVAL BY BOARD OF DIRECTORS

- The Board of Directors approved "Fraud Policy" in Board Meeting held on 23-04-2022.

Date: 23-04-2022
Ahmedabad

CEO / I/c CEO / GM / Authorized Signatory



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

INVESTMENT POLICY

Approved By:

Board of Directors – Meeting Dated 22-05-2022.



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

(SAY "BMCB BANK") INVESTMENT POLICY

As Reviewed in the Board of Directors meeting dtd 22-05-2022, Our Bank's Investment Policy was Reviewed / modified / updated accordingly w.e.f. 22-05-2022 as under strictly in accordance with the RBI guidelines issued from time to time in relation to the investment operations. (Ref. RBI/2022-23/05 DOR.MRG.REC.10/21.04.141/2022-23 dtd April 01, 2022 and further issued from time to time)

Objectives of the Investment policy

The broad objectives of the Investment Policy are:

- To meet the RBI guidelines for maintaining the minimum prescribed SLR / CRR investment at all the times and follow the RBI instructions issued from time to time pertaining to Investments.
- To follow prudential and risk management practices for investments in SLR / Non SLR securities by continually enhancing adequate human and technological resources so as to reduce the market related risks.
- To follow a proper accounting system for bringing in a high level of objectivity and result oriented approach in the investment operations.

The Investment policy governing the investment operations is outlined as below;

1. Overall Supervision & Control: Board has delegated the powers to Chief Executive Officer of the bank that he shall have the powers to make and actively oversee Investment decisions subject to guidelines of Investment policy. The Board shall have power to decide the members of the Investment Committee from time to time.

2. Authority to put through deals on the NDS-OM / PDs (Front Office & Back Office): The following officials, any two of them jointly shall have the power to put through the Investment deals on the NDS-OM Platform or via Primary dealers (PDs)*.

Persons carrying Front Office Transactions:	Persons carrying our Back Office Transactions:
1. Smit Morabia: General Manager	1. Branch Manager Ahmedabad
2. Rita Shah: General Manager	2. Shailesh Raval: Chief Officer
3. Girish Shah: Asst. GM.	3. Manish Parikh: Chief Officer

*Primary Dealer (PD) means a Non-Banking Financial Company (NBFC) that holds a valid letter of authorisation as a PD issued by the Reserve Bank, in terms of the "Guidelines for Primary Dealer in Government Securities Market" dated March 29, 1995, as amended from time to time.

3. Procedure to be followed for obtaining sanction of the appropriate authority:

The Investment Committee of the bank will recommend and approve the addition or deletion of the appropriate authority for putting up through deals to the board of the directors. The BOD will pass the resolution to effect the change accordingly and the same will be noted in the minutes of the meeting book with the copy of the same, if required, be sent to the authorized bank maintaining our CSGL account.

4. SLR Investments

- a) In terms of the Master Direction-Reserve Bank of India [Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR)] Directions, 2021 on the maintenance of SLR dtd April 06, 2022 and provisions of section 24 of the BR Act 1949, (AACS), every primary (urban) co-operative bank is required to maintain liquid assets which at the close of business on any day should not be less than such percentage but not exceeding 40 percent of the total of its demand and time liabilities in India as notified by Reserve Bank of India in the Official Gazette (in addition to the minimum cash reserve requirement).
- b) **Maintenance of SLR:** All UCBs are required to maintain a certain minimum level of their SLR holdings as a percentage of their Net Demand and Time Liabilities (NDTL). SLR for all primary (Urban) Co-operative Banks has been reduced by 250 basis points from 25.00 per cent to 22.50 per cent of their total demand and time liabilities with effect from the fortnight beginning July 12, 2014. With effect from February 7, 2015, the SLR for all UCBs is 21.50% of NDTL. Primary (Urban) Co-operative Banks not maintaining SLR in three forms i.e. cash, gold and approved securities were given time up to March 31, 2015 to comply with instructions contained in the Notification UBD.BPD. (PCB), Not. No. 2/16.26.000/2013-14 dated June 5, 2014 (Annex VI). In the interim period, Primary (Urban) Co-operative Banks were permitted to maintain SLR as per instructions contained in circulars UBD.BR.Cir.19/16.26.00/2001-02 dated October 22, 2001 and UBD.(PCB).CO.BPD.Cir.28/16.26.00/2008-09 dated November 26, 2008. However, term deposits held by Primary (Urban) Co-operative Banks with Public Sector Banks were also made eligible for being reckoned for SLR purpose in the interim period, upto March 31, 2015.

Note: Balances kept with State Co-operative Banks / District Central Co-operative Banks as also term deposits with public sector banks are now not eligible for being reckoned for SLR purpose w.e.f April 1, 2015

c) Other Guidelines of SLR Securities

- i. While buying securities for SLR purpose, the bank should ensure that the security it intends to purchase has an SLR status. The SLR status of securities issued by the Government of India and the State Governments will be indicated in the Press Release issued by the Reserve Bank at the time of issuance of the securities
- ii. Short sale of securities i/e sale of securities without holding in the bank's books should not be done. In no circumstances, bank should hold an oversold position in any securities.
- iii. A limit of 5 % of total transactions (both purchases and sales) entered into by the banks during a year should be treated as the aggregate upper contract limit for each of the approved brokers.
- iv. Bank may participate in non-competitive bidding facility in the auction of GOI dated securities, SDL, and T.Bills provided by RBI upto an amount of Rs 2 Crore only.
- v. Purchase / Sale transactions should be generally done by committee members as well as those officials authorized by the Investment Committee, any two of them jointly signing the deal, within the stipulated turnover ceiling of 200 Crores in aggregate in a day.

- vi. All investment transactions should be perused by the Investment Committee in every next month of end of the Quarter.
- vii. In no case our bank should issue BRs for transaction on government securities
- viii. Trading of G.sec / T.Bills should be preferably done through NDS-CCIL and / or through Primary Dealer approved by RBI. When dealing with primary dealer, contact confirmation of the counter party must be insisted upon and when received, it should be verified meticulously and signed by any two authorized officials and sent it back keeping a copy for record with the committee member.
- ix. The bank shall not enter into ready forward or double ready forward deals in the G.sec / T.Bills
- x. Similarly, no repo / Reverse repo Transaction should be entered into by the bank.
- xi. As per the accounting standards issued by ICAI, broken period interest should be charge to Profit and Loss account and should not be capitalized
- xii. All transactions must be monitored to see that delivery takes place on settlement day. The fund account and investment account should be reconciled on the same day before close of business.
- xiii. Half Yearly Review should be done by the Bank officials clearly indicating adherence to the laid down internal investment policy and procedures and Reserve Bank's guidelines and a Certificate should be obtained from Auditor and statement from Sponsor Bank maintaining the CGSL account to be put before the certification and audit of the Concurrent / Statutory Auditors. The same should be submitted to the Board and thereafter onward submission to RBI by 15-May and 15-Nov

5. Non-SLR Investment

The Non-SLR investments will continue to be limited to 10% of a bank's total deposits as on March 31 of the previous year. The bank will follow the guidelines as mentioned in the RBI circular and further issued from time to time.

Bank may invest in the following instruments:

- (a) "A" or equivalent and higher rated Commercial Papers (CPs), debentures and bonds.
- (b) Units of Debt Mutual Funds and Money Market Mutual Funds
- (c) Equity Shares of Market Infrastructure Companies (MICs).
- (d) Equity Shares of the Umbrella Organization (UO) for the UCB Sector*

* Investment by UCBs in the equity shares of the UO, for acquiring its membership, shall be exempt from the limits for investments in Non- SLR / unlisted securities.

Decision on Investment in Non-SLR Securities (viz. Units of Debts Mutual Funds, Call Money, placement of Deposits with other Banks etc.) will be taken by the Investment Committee or any two its authorized officials in respect of the investments in non-SLR looking to the Surplus funds and available options.

The Non-SLR investments shall be limited to 10% of a bank's total deposits as on March 31 of the previous year. The total amount of deposits placed by an UCB with other banks (interbank) for all purposes including call money/ notice money, and deposits, if any, placed for availing clearing facility, CSGIL facility, currency chest facility, remittance facility and non-fund based facilities like Bank Guarantee, Letter of Credit, etc. shall not exceed 20 per cent of its total deposit liabilities as on March 31 of the previous year. The balances held in deposit accounts with commercial banks (including scheduled Small Finance Banks), scheduled UCBs, State Cooperative Banks, District Central Cooperative Banks and investments in Certificate of

Deposits issued by commercial banks, being interbank exposures, will be included in this 20 per cent limit. Moreover, Within the prudential inter-bank (gross) exposure limit, deposits with any single bank should not exceed 5 per cent of the depositing bank's total deposit liabilities as on March 31 of the previous year.

In cases where the smaller non-scheduled UCBs are keeping current account/minimum required balance for clearing purpose with relatively larger non-scheduled bank for sub-member clearing arrangements, it is possible that the financial position of the non-scheduled UCB with whom such deposits are kept, could take a hit due to unexpected downturn in its business and which could have an effect on the financial position for the depositing bank and its business. Non-scheduled UCBs, which have exposures to other non-scheduled UCBs on account of clearing arrangements may, therefore, review their exposures to such banks periodically based on their published balance sheet and Profit and Loss Account statements.

Review of Non-SLR Investments: The Board should review the following aspects of non-SLR investment at least at half-yearly intervals:

- Total business (investment and divestment) during the reporting period.
- Compliance with prudential limits prescribed for non-SLR investment.
- Compliance with the prudential guidelines issued by Reserve Bank on NonSLR securities.
- Rating migration of the issuers/issues held in the bank's books and consequent diminution in the portfolio quality.
- Extent of non-performing investments in the non-SLR category and sufficient provision thereof.

6. Concurrent Audit Coverage:

- The concurrent audit of the investment operations should cover aspects such as stop loss limits, procedure lapses, control mechanism, signing of deal slip, etc. as mentioned in RBI Master Circular. Further, purchase and sale of Government Securities should be separately subjected to audit by internal auditor every quarter.
- Ensure that in respect of purchase and sale of securities the concerned department has acted within its delegated powers.
- Ensure that the securities other than those in SGL and in demat form, as shown in the books, are physically held.
- Ensure that the Accounting Unit is complying with the guidelines regarding SGL forms, delivery of scrips, documentation and accounting.
- Ensure that the sale or purchase transactions are done at rates beneficial to the bank.
- Scrutinize conformity with broker limits and include excesses observed in their periodical reports

7. Restrictions:

- i. Investment in perpetual debt instruments is not permitted.
- ii. Investment in unlisted securities with minimum rating "A" or equivalent should not exceed 10 % of the total Non-SLR investments at any time.
- iii. Investment in deep discount / zero coupon bonds should be subject to the minimum rating as stated above and comparable market yields for the residual duration.
- iv. Investment in units of Mutual Funds, other than units of Debt Mutual Funds and Money Market Mutual Funds, should not be made.

- v. We should not invest in Non-SLR investment, other than in units of Debt Mutual Funds and Money Market Mutual Funds, and CPs, with an original maturity of less than one year.
- vi. We should not invest in shares of All India Financial Institutions (AIFIs).
- vii. Investments in Non-SLR category should be classified under Held for Trading (HFT) / Available for Sale (AFS) categories only and marked to market as applicable to these categories of investments.
- viii. All Non-SLR investments will be subject to the prescribed prudential single/group counter party exposure limits.
- ix. All transactions for acquisition / sale of Non-SLR investments in secondary market may be undertaken only with commercial banks / primary dealers as counterparties.

8. Manner of Holding SLR and Non-SLR Investments

The SLR investments in Government Securities (Central Government, State Government-SDL and T-Bills) made by the bank shall be in the CSGL account maintained with HDFC Bank or any other bank as decided in the meeting. All the buy/sell transactions carried out by the Bank shall be reflected in the CSGL Account. As a policy matter, it has been decided that Non-SLR investments will be in demat form only. No transaction is to be carried out through any agent. The banks shall disclose the details of the issuer-wise composition of non-SLR investments and the non-performing investments

9. Categorisation of Investment

Bank is required to classify its entire investment portfolio (including SLR and Non-SLR securities) under three categories viz. –

- (i) Held to Maturity (HTM)
- (ii) Available for Sale (AFS)
- (iii) Held for Trading (HFT)

Bank's Investment Committee should decide the category of the investment portfolio at the beginning of the accounting year, and at time of acquisition and the decision should be recorded in the investment committee, and further ratified by the Board. Shifting of investment to/from HTM to AFS or vice versa will be done by the Investment Committee only once at the beginning of the accounting year with the approval of the Board of Directors. However, in case of exigencies, I/c CEO / GM is authorized to take decision of such shifting subject to ratification by the Board of directors. Shifting of investment during the year is generally not allowed, unless only under exceptional circumstances as per guidelines by RBI. Transfer of scripts from one category to another, in all circumstances, should be done at the acquisition cost / book value / market value w.e.less, on the date of transfer and depreciation, if any, on such transfer should be fully provided for.

10. Valuation of Investments

- i. Investments classified under HTM category need not be marked to market and will be carried at acquisition cost unless it is more than the face value, in which case the premium should be amortised over the period remaining to maturity.
- ii. The individual scrip in the AFS category will be marked to market at the year-end or at more frequent intervals. Aggregately, net depreciation, if any, shall be provided for. Net appreciation, if any, should be ignored. The book value of the individual securities would not undergo any change after the revaluation.
- iii. Treasury Bills should be valued at carrying cost.
- iv. The individual scrip in the HFT category will be marked to market at monthly or at more frequent intervals. The book value of individual securities in this category would

not undergo any change after marking to market.

- v. **Investment Depreciation Reserve (IDR)** is required to be created on account of aggregate depreciation in the value of investments held under 'AFS' or 'HFT' categories every year end. It should be debited to the Profit & Loss Account and an equivalent amount (net of tax benefit, if any, and net of consequent reduction in the transfer to Statutory Reserve) or the balance available in the Investment Fluctuation Reserve (IFR) Account, w.e. less, shall be transferred from the IFR Account to Profit & Loss Account.
- vi. In the event that IDR created on account of depreciation in investments is found to be in excess of the required amount in any year, the excess should be credited to the Profit & Loss Account and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provision) should be appropriated to the IFR Account to be utilised to meet future depreciation requirement for investments.
- vii. The amounts debited to the Profit & Loss Account for depreciation provision and the amount credited to the Profit & Loss Account for reversal of excess provision should be debited and credited respectively under the head "Expenditure - Provisions & Contingencies".
- viii. The amounts appropriated from the Profit & Loss Account/ to IFR and the amount transferred from the IFR to the Profit & Loss Account should be shown as 'below the line' items after determining the profit for the year.
- ix. While the amount held in IFR should be shown in the balance sheet as such, the amount held in IDR should be reported as Contingent provisions against depreciation in investment.
- x. In respect of securities included in any of the three categories where interest/principal is in arrears, the banks should not reckon income on the securities and should also make appropriate provisions for the depreciation in the value of the investment. The banks should not setoff the depreciation requirement in respect of these non-performing securities against the appreciation in respect of other performing securities.

11. Investment Fluctuation Reserve (IFR)

- i. With a view to build up adequate reserves to guard against market risks, Bank should build IFR out of realised gains on sale of investments, and subject to available net profit, of a minimum of 5 per cent of the investment portfolio. This minimum requirement should be computed with reference to investments in two categories, viz. HFT and AFS. However, banks are free to build up a higher percentage of IFR up to 10 per cent of the portfolio depending on the size and composition of their portfolio, with the approval of their Board of Directors.
- ii. Bank should transfer maximum amount of the gains realised on sale of investment in securities to the IFR. Transfer to IFR shall be as an appropriation of net profit after appropriation to Statutory Reserve.
- iii. The IFR consisting of realised gains from the sale of investments held in AFS & HFT would be eligible for inclusion in Tier II capital.
- iv. Transfer from IFR to the Profit and Loss Account to meet depreciation requirement on investments would be a 'below the line' extraordinary item.
- v. Un-realised gains on valuation of the investment portfolio are not taken to the Income Account or to the IFR.
- vi. Banks may utilise the amount held in IFR to meet, in future, the depreciation requirement on investment in securities.
- vii. A bank may, at its discretion, draw down the balance available in IFR in excess of 5 per cent of its investment in AFS & HFT for credit to the balance of profit / loss as disclosed in the profit and loss account at the end of any accounting year. In the event the balance in the IFR is less than 5% of its investment in AFS & HFT, a draw down will be permitted subject to the following conditions:

- viii. The drawn down amount is used only for meeting the minimum Tier I capital requirements by way of appropriation to free reserves or reducing the balance of loss, and
- ix. The amount drawn down is not more than the extent to which the MTM provisions made during the aforesaid year exceed the net profit on sale of investments during that year.
- x. It may be noted that IFR is created out of appropriation of net profit from the realised
- xi. gains from the sale of investments held in AFS & HFT, and forms part of the reserves of the bank qualifying under Tier II capital.
- xii. It may be noted that IFR is created out of appropriation from the realised net profits and forms part of the reserves of the bank qualifying under Tier II capital.

12. Reporting System (Internal and RBI)

1. For every transaction entered into, a deal slip should be generated from RBI NDS or through approved Dealer (PNB Gilts, SBI DFHI etc) which should contain details relating to name of the counterparty, details of security, amount, price, contract date and time. There must be a system of issue of confirmation to the counterparty (PNB Gilts, SBI DFHI etc)
2. The Deal Slips should be obtained either from RBI NDS or through approved Dealer to ensure that each deal slip has been properly accounted for.
3. On the basis of vouchers passed after verification of actual contract notes received from the broker/counterparty and confirmation of the deal by the counterparty the Accounts Section should independently write the books of accounts.
4. The Internal Audit Department should audit the transactions in securities on an ongoing basis and monitor compliance with the laid down management policies and prescribed procedures and report the deficiencies directly to the management of the bank.

13. Policy Review

The bank will review the investment policy once in a year with the board of directors to keep the policy up-to-the date and in pace with any new developments influencing the investment portfolio.

14. APPROVAL BY BOARD OF DIRECTORS: The Board of Directors reviewed Investment Policy in Board Meeting held on 22-05-2022.

Date: 22-05-2022
Ahmedabad

CEO / I/c CEO / GM / Authorized Signatory



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

INTEREST RATES ON DEPOSITS (IRD) POLICY

Approved By:

Board of Directors – Meeting Dated 23-04-2022.



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

(SAY "BMCB BANK")
INTEREST RATES ON DEPOSITS (IRD) POLICY
Applicable from 23-04-2022

As reviewed in the Board of Directors meeting dtd 23-04-2022, our bank's IRD Policy was Reviewed / modified / updated accordingly w.e.f. 23-04-2022 in the BoD Meeting strictly in accordance with the RBI guidelines issued from time to time. (Ref. Co-operative Banks - Interest Rate on Deposits) Directions, 2016 - DCBR.Dir.No.1/13.01.000/2015-16 May 12, 2016 (Updated as on November 11, 2021) and further issued from time to time)

General Guidelines incorporated in this policy as per above Circular

- I. Interest Rate framework:** Our Bank shall pay interest on deposits of money (other than current account deposits) accepted by them or renewed by them in their Domestic deposit account on the terms and conditions specified in these directions:
- a) This will be a comprehensive policy on interest rates on deposits duly approved by the Board of Directors to which powers have been delegated for review / modification as and when required.
 - b) The rates are uniform across all branches and for all customers and there shall be no discrimination in the matter of interest paid on the deposits, between one deposit and another of similar amount, accepted on the same date, at any of its offices, except those specified in the attached Schedule 1 (Rates of Interest on Deposits). Schedule 1 will be subject to change whenever reviewed / modified by Board of Directors and will be updated in this policy as applicable.
 - c) Interest rates payable on deposits shall be strictly as per the schedule 1 (Rates of Interest on Deposits)
 - d) The rates shall not be subject to negotiation between the depositors and the bank.
 - e) The interest rates offered, whenever reviewed / modified by appropriate authority, shall be reasonable, consistent, transparent and available for supervisory review/scrutiny as and when required.
 - f) All transactions, involving payment of interest on deposits shall be rounded off to the nearest rupee for rupee deposits.
 - g) All Term Deposits will be eligible for Auto Renewal Facility.
 - h) Matured Terms Deposits can be Renewed from the date of maturity (As of Date) at the specific request of the Customer.

- i) Deposits maturing on a Sunday / holiday / non-business working day
 - a. If a term deposit is maturing for payment on a Sunday / holiday / non-business working day, bank may pay interest at the originally contracted rate on the original principal deposit amount for the Sunday / holiday / non-business working day, intervening between the date of the maturity of the specified term of the deposit and the date of payment of the proceeds of the deposit on the succeeding working day.
 - b. In case of reinvestment deposits and recurring deposits, bank may pay interest for the intervening non-business working day on the maturity value.

II. Interest rate on domestic Current Account: No interest shall be paid on deposits held in current accounts. Provided that balances lying in current account standing in the name of a deceased individual depositor or sole proprietorship concern shall attract interest from the date of death of the depositor till the date of repayment to the claimant/s at the rate of interest applicable to savings deposit as on the date of payment.

III. Interest Rate on domestic Saving Deposits: In addition to the conditions laid down in the Interest Rate Framework (Above), Interest on domestic rupee savings deposits shall be calculated on a daily product basis as per the schedule 1 (Rates of Interest on Deposits). Schedule 1 will be subject to change whenever reviewed / modified by Board of Directors and will be updated in this policy as applicable.

IV. Interest Rates on domestic Term Deposits: In addition to the conditions laid down in the Interest Rate Framework (Above), interest rates on term deposits shall vary only on account of one or more of the following reasons:

- a. Tenor of Deposits: Co-operative banks shall have the freedom to determine the maturity / tenor of the deposit subject to the condition that minimum tenor of the deposit offered shall be seven days.
- b. Size of Deposits: Differential interest rate shall be offered on deposits of Rs. 15,00,000/- and above.
- c. Age of Depositor i.e. Senior Citizens (60+) and for super Senior Citizens (80+)
- d. Non- availability of premature withdrawal option: Co-operative banks shall have the freedom to offer term deposits without premature withdrawal option.
- e. Provided that all term deposits accepted from individuals (held singly or jointly) and Hindu Undivided Families for amount of Rupees fifteen lakh and below shall have premature-withdrawal-facility.
- f. Payment of Interest on pre-mature withdrawal: The interest rates applicable on term deposits withdrawn before the maturity date shall be as under: Interest shall be paid at the rate applicable to the amount and period for which the deposit remained with the co-operative bank and not at the contracted rate. No interest shall be paid, where premature withdrawal of deposits takes place before completion of the minimum period specified in IV(a).
- g. Payment of Additional Interest on domestic deposits.

V. Unicorn (Flexi) Deposits: Unicorn Deposits are Flexi Interest Deposits whereby a minimum amount of Current / Savings account is taken in lots to create Term Deposits as per the rules. Minimum amount and other rules are specified in the attached Schedule 1 (Rates of Interest on Deposits)

- VI. Our Bank shall, at their discretion, allow additional interest of upto 0.50% per annum, over and above the rate of interest mentioned in the schedule 1 of interest rates on savings or term deposits of banks staff drawing regular salary from the co-operative bank, subject to the following conditions: The additional interest is payable till the person continues to be eligible for the same and in case of his ceasing to be so eligible, till the maturity of a term deposit account. In case of employees taken over pursuant to the scheme of amalgamation, the additional interest is allowed only if the interest at the contractual rate together with the additional interest does not exceed the rate, which could have been allowed if such employees were originally employed by the co-operative bank.
- VII. Interest on overdue domestic deposits: The rate of interest to be paid on renewal of overdue term deposits shall be subject to the stipulation contained in above. If a term deposit matures and proceeds are unpaid, the amount left unclaimed with the co-operative bank shall attract rate of interest as applicable to savings deposits or the contracted rate of interest on the matured TD, whichever is lower, except for those term deposits containing Auto-Renewal instruction will be applied for Auto-renewal on Maturity, for the original tenure @ the interest rate prevailing on the date of maturity.
- VIII. Periodicity of payment of interest on domestic savings deposits: Interest on savings deposit shall be credited at quarterly intervals. Interest on savings bank accounts, including those frozen by the enforcement authorities, shall be credited on regular basis irrespective of the operational status of the account.
- IX. Interest payable on the domestic deposit account of deceased depositor: The rate of interest on matured deposits standing in the name of a deceased individual depositor, or two or more joint depositors, where one of the depositors has died, shall be subject to the conditions laid down in above.
- X. Penalty on premature withdrawal of domestic term deposit: There shall be a comprehensive policy on penalties for premature withdrawal of term deposits approved by the Board of Directors or any Committee of the Board to which powers have been delegated. The components of penalty shall be clearly brought to the notice of the depositors at the time of acceptance of deposits. If not, no penalty shall be levied.
- XI. In case of splitting of the amount of term deposit at the request from the claimant/s of deceased depositors or Joint account holders, no penalty for premature withdrawal of the term deposit shall be levied if the period and aggregate amount of the deposit do not undergo any change.
- XII. Our Bank Shall Not:
- a. Pay any remuneration or fees or commission or brokerage or incentives on deposits in any form or manner to any individual, firm, company, association, institution or any other person except
 - i. commission paid to agents employed to collect door-to-door deposits under a special scheme.
 - ii. remuneration paid to Business facilitators or Business Correspondents.
 - iii. incentives granted to staff members as approved by the Reserve Bank of India from time to time.
 - b. Offer prize / lottery / free trips (in India and / or abroad), etc., or any other initiative having element of chance for mobilizing deposits.

- c. Resort to unethical practices of raising of resources through agents / third parties to meet the credit needs of the existing / prospective borrowers or to grant loans to the intermediaries based on the consideration of deposit mobilisation.
- d. Issue any advertisement / literature soliciting deposits from public highlighting only the compounded yield on term deposits without indicating the actual rate of simple interest offered by the co-operative bank for the particular period. Simple rate of interest per annum for the period of deposit should be indicated invariably.
- e. Accept interest-free deposit other than in current account or pay compensation indirectly.
- f. Accept deposits from / at the instance of private financiers or unincorporated bodies under any arrangement which provides for either issue of deposit receipt/s favouring client/s of private financiers or giving of an authority by power of attorney, nomination or other-wise, for such clients receiving such deposits on maturity.
- g. Grant advances against term deposits maintained with other banks.
- h. Open a savings deposit account in the name of entities other than individuals, Karta of HUF and organisations / agencies listed in Schedule - I of the RBI Master Circular, reproduced below: **SCHEDULE- I**

(1)	Primary Agricultural Credit Society which is being financed by the co-operative bank
(2)	Khadi and Village Industries Boards
(3)	Agriculture Produce Market Committees
(4)	Societies registered under the Societies Registration Act, 1860 or any other corresponding law in force in a State or a Union Territory
(5)	Companies licensed by the Central Government under Section 8 of Companies Act, 2013 or Section 25 of Companies Act, 1956 or under the corresponding provision in the Indian Companies Act, 1913 and permitted, not to add to their names the words 'Limited or the words 'Private Limited
(6)	Institutions other than those mentioned in section 26(h) and whose entire income is exempt from payment of Income-tax under the Income-Tax Act, 1961
(7)	Government departments / bodies / agencies in respect of grants/ subsidies released for implementation of various programmes / Schemes sponsored by Central Government / State Governments subject to production of an authorization from the respective Central / State Government departments to open savings bank account
(8)	Development of Women and Children in Rural Areas (DWCRA)
(9)	Self-help Groups (SHGs), registered or unregistered, which are engaged in promoting savings habits among their members
(10)	Farmers Clubs - Vikas Volunteer Vahini - VVV

- i. Create any fund to be utilized for charitable purposes in consultation with the depositors

Date: 23-04-2022
Ahmedabad

CEO / I/c CEO / GM / Authorized Signatory



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

**KNOW YOUR CUSTOMER
&
ANTI MONEY LAUNDERING POLICY**

Approved By:

Board of Directors – Meeting Dated 22-05-2022.



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

(SAY "BMCB BANK")

KNOW YOUR CUSTOMER & ANTI MONEY LAUNDERING POLICY

Applicable from 22-05-2022

As Reviewed in the Board of Directors meeting dtd 22-05-2022, Our Bank's KYC/AML Policy was Reviewed / modified / updated accordingly for F.Y. 2022-23 as under strictly in accordance with the RBI guidelines issued from time to time. Reference of following RBI Circulars are noted:

1. Ref. **RBI/DBR/2015-16/18 Master Direction DBR.AML.BC.No.81/14.01.001/2015-16** dtd February 25, 2016, updated as May 10, 2021

and other connected circulars / notifications / instructions / press releases / directions issued from time to time)

1. INTRODUCTION:

This Policy document - KNOW YOUR CUSTOMER POLICY (KYC) of the Bank is prepared based on various instructions / guidelines / circulars issued by the Reserve Bank of India from time to time in exercise of the powers conferred by Sections 35A of the Banking Regulation Act, 1949, the Banking Regulation Act (AACs), 1949, read with Section 56 of the Act ibid, Rule 9(14) of Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 and all other laws enabling the Reserve Bank in this regard to issue the Directions,

2. OBJECTIVE, SCOPE AND APPLICATION OF THE POLICY:

The primary objective of the policy is to prevent the bank from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities. Purposes proposed to be served by the Policy are:

- To prevent criminal elements from using the Bank for money laundering activities.
- To enable the Bank to know/understand the customers and their financial dealings better this, in turn, would help the Bank to manage risks prudently
- To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws/laid down procedures.
- To comply with applicable laws and regulatory guidelines.
- To ensure that the concerned staff are adequately trained in KYC/AML/CFT procedures.

This policy is applicable to all domestic branches/offices of the Bank and is to be read in conjunction with related operational guidelines issued from time to time.

3. DEFINITION OF MONEY LAUNDERING:

Section 3 of PMLA has defined the “offence of money laundering” as under

- “Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of offence of money laundering”
- Money launderers use the banking for cleansing ‘dirty money’ obtained from criminal activities with objective of hiding/disguising its source of money laundering”
- For the purpose of this document, the term money laundering would also cover financial transactions where the end use of funds goes for terrorist financing irrespective of the source of the funds.

4. OBLIGATIONS UNDER PREVENTION OF MONEY LAUNDERING (PML) ACT 2002:

Section 12 of PMLA places certain obligations on every banking company, financial institution and intermediary which include:

- Maintaining a record of prescribed transactions.
- Furnishing information of prescribed transactions to the specified authority.
- Verifying and maintaining records of the identity of the clients.
- Preserving records in respects of (i), (ii) and (iii) above for a period of ten years from the date of cessation of transactions with the clients.

These requirements have come into effect from the 1st July, 2005 i.e the date on which PMLA was notified by the Government of India and rules framed there under.

5. DEFINITION OF CUSTOMER:

For the purpose of KYC Policy, a ‘Customer’ is defined as under:

- “Customer” means a person who is engaged in a financial transaction or activity with our Bank and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.
- “Walk-in Customer” means a person who does not have an account-based relationship with the Bank but undertakes transactions with our Bank.

6. OTHER DEFINITIONS:

A. Designated Director:

- A “Designated Director” means a Chief Executive Officer (CEO) or any other person designated by the Board of the Bank to ensure overall compliance with the obligations imposed under Chapter IV of the PML Act and the Rules and shall be nominated by the Board.
- The name, designation and address of the Designated Director shall be communicated to the FIU-IND by the Bank. In no case, the Principal Officer shall be nominated as the ‘Designated Director’.

B. Principal Officer:

- The Principal Officer shall be responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law/regulations. The name, designation and address of the Principal Officer shall be communicated to the FIU-IND by the Bank

C. Definition of Officially Valid Document

“Officially Valid Document” (OVD) means the passport, the driving licence, proof of possession of Aadhaar number, the Voter’s Identity Card issued by the Election Commission of India, job card issued by NREGA duly signed by an officer of the State Government and letter issued by the National Population Register containing details of name and address.

Provided that,

- a. Where the customer submits his proof of possession of Aadhaar number as an OVD, he may submit it in such form as are issued by the Unique Identification Authority of India.
- b. Where the OVD furnished by the customer does not have updated address, the following documents shall be deemed to be OVDs for the limited purpose of proof of address: -
 - i. Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
 - ii. Property or Municipal tax receipt;
 - iii. Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
 - iv. Letter of allotment of accommodation from employer issued by State Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and license agreements with such employers allotting official accommodation;
- c. The customer shall submit OVD with current address within a period of three months of submitting the documents specified at ‘b’ above
- d. Where the OVD presented by a foreign national does not contain the details of address, in such case the documents issued by the Government departments of foreign jurisdictions and letter issued by the Foreign Embassy or Mission in India shall be accepted as proof of address.

Explanation: For the purpose of this clause, a document shall be deemed to be an OVD even if there is a change in the name subsequent to its issuance provided it is supported by a marriage certificate issued by the State Government or Gazette notification, indicating such a change of name.

D. Definition of Transactions

“Transaction” means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes-

- (i) Opening of an account;
- (ii) Deposits, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or by cheque, payment order or other instruments or by electronic or other non-physical means;
- (iii) The use of a safety deposit box or any other form of safe deposit;
- (iv) Entering into any fiduciary relationship;
- (v) Any payment made or received in whole or in part of any contractual or other legal obligation;
- (vi) Any payment made in respect of playing games of chance for cash or kind including such activities associated with casino; and
- (vii) Establishing or creating a legal person or legal arrangement.’

E. Definition of Beneficial Owner and Identification.

- a. Where the customer is a company, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical persons, has/have a controlling ownership interest or who exercise control through other means.

Explanation- For the purpose of this sub-clause-

1. "Controlling ownership interest" means ownership of/entitlement to more than 25 per cent of the shares or capital or profits of the company.
 2. "Control" shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.
- b. Where the customer is a partnership firm, the beneficial owner is 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 15 per cent of capital or profits of the partnership.
 - c. Where the customer is an unincorporated association or body of individuals, the beneficial owner is 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 15 per cent of the property or capital or profits of the unincorporated association or body of individuals.
Explanation: Term 'body of individuals' includes societies. Where no natural person is identified under (a), (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official.
 - d. Where the customer is a **trust**, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

Identification of Beneficial Owners: For opening an account of a Legal Person who is not a natural person, the beneficial owner(s) shall be identified and all reasonable steps in terms of sub-rule (3) of Rule 9 of the Rules to verify his/her identity shall be undertaken keeping in view the following:

- Where the customer or the owner of the controlling interest is a company listed on a stock exchange, or is a subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.
- In cases of trust/nominee or fiduciary accounts whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary is determined. In such cases, satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also details of the nature of the trust or other arrangements in place shall be obtained.

F. "Central KYC Records Registry"

Central KYC Registry is a centralized repository of KYC records of customers in the financial sector with uniform KYC norms and inter-usability of the KYC records across the sector with an objective to reduce the burden of producing KYC documents and getting those verified every time when the customer creates a new relationship with a financial entity. As per Prevention of Money-laundering (Maintenance of Records) Amendment Rules, 2015, Rule 9 (1) (1A), every reporting entity shall within three days after the commencement of an account-based relationship with a client, file the electronic copy of the client's KYC records with the Central KYC Registry. CKYCR will now replace the existing multiple KYC submission process while opening savings bank accounts, buying life insurance or investing in mutual fund products into one-time centralized process. The Government of India has authorized the Central Registry of Securitization and Asset Reconstruction and Security interest of India (CERSAI) to manage this Central KYC Registry process. From 1-4-2017 this new process will be applicable to all new individuals accounts. From 1-4-2021, this new process will be applicable to all Non-Individual Accounts (Current Accounts of Firms, companies, Trusts, AOP, etc.).

- G. “Principal Officer”** means an officer nominated by the bank, responsible for furnishing information as per rule 8 of the Rules.
- H. “Suspicious Transaction”** means a “transaction” as defined below, including an attempted transaction, whether or not made in cash, which, to a person acting in good faith:
- gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
 - appears to be made in circumstances of unusual or unjustified complexity; or
 - appears to not have economic rationale or bona-fide purpose; or
 - gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

7. KEY ELEMENTS OF THE KYC POLICY

The KYC Policy of the Bank has the following key elements:

- 7.1 Customer Acceptance Policy
- 7.2 Customer identification Procedures
- 7.3 Monitoring of Transactions and
- 7.4 Risk Management

While the policy directions are given in this document, the detailed operating guidelines are referred as per the extant RBI Circular which should be referred for effective implementation of the Policy.

7.1 CUSTOMER ACCEPTANCE POLICY

Bank’s Customer Acceptance Policy (CAP) lays down the criteria for acceptance of customers. The guidelines in respect of the customer relationship in the Bank broadly are:

- No account is to be opened in anonymous or fictitious/benami name(s)/entity(ies)
- Accept customers only after verifying their identity, as laid down in Customer identification Procedures.
- Classify customer into various risk categories and, based on risk perception, apply the acceptance criteria for each category of customers. Parameters of risk perception are clearly defined in terms of the nature of business activity, location of customer and his clients, mode of payments, volume of turnover, social and financial status etc. to enable categorization of customers in to low, medium and high risk (banks may choose any suitable nomenclature viz. Level I, Level II and Level III). Customers requiring very high level of monitoring, e.g. Politically Exposed Persons (PEPs) may, if considered necessary, be categorized even higher.
- A profile of each customer will be prepared based on risk categorization. The customer profile may contain information relating to customer’s identity, social/financial status, nature of business activity, information about his client’s business and their location etc. The nature and extent of due diligence will depend on risk perceived by the bank. However, while preparing customer, which is relevant to the risk category and is not intrusive. The customer profile is a confidential document and details contained therein will not be divulged for cross selling or any other purposes.
- Documentation requirements and other information to be collected, as per PMLA and RBI guidelines/instructions, to be complied with

- Identity of a new customer to be checked so as to ensure that it does not match with any person with known criminal background or banned entities such as individual terrorists or terrorist organizations etc.
- The decision to open an account for politically Exposed person (PEP) will be taken at a senior level.
- Not to open an account or close an existing account, where identity of the account holder cannot be verified and/or documents/information required could not be obtained/confirmed due to non-cooperation of the customer or non-reliability of the data/information furnished to the bank. It is, however, necessary to have suitable built in safeguards to avoid harassment of the Customer. For example, decision by bank to close an account should be taken at a reasonably high level after giving due notice to the customer explaining the reasons for such a decision.
- Circumstances, in which a customer is permitted to act on behalf of another person/entity, will be clearly spelt out in conformity with the established law and practice of banking as there could be occasions when an account is operated by a mandate holder or where an account is opened by an intermediary in fiduciary capacity.
- Implementation of CAP will not become too restrictive and result in denial of banking services to general public, especially those who are financially or socially disadvantaged.

7.2 CUSTOMER IDENTIFICATION PROCEDURES (CIP)

Bank shall undertake identification of customers in the following cases:

- a) Commencement of an account-based relationship with the customer.
- b) Carrying out any international money transfer operations for a person who is not an account holder of the bank.
- c) When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained
- d) Carrying out transactions for a non-account-based customer, that is a walk-in customer, where the amount involved is equal to or exceeds rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected.
- e) When a RE has reason to believe that a customer (account-based or walk-in) is intentionally structuring a transaction into a series of transactions below the threshold of rupees fifty thousand.
- f) Introduction will not be sought while opening accounts.

For the purpose of verifying the identity of customers at the time of commencement of an account-based relationship, REs, shall at their option, rely on customer due diligence done by a third party, subject to the following conditions:

- a) Records or the information of the customer due diligence carried out by the third party is obtained within two days from the third party or from the Central KYC Records Registry.
- b) Adequate steps are taken by REs to satisfy themselves that copies of identification data and other relevant documentation relating to the customer due diligence requirements shall be made available from the third party upon request without delay.
- c) The third party is regulated, supervised or monitored for, and has measures in place for, compliance with customer due diligence and record-keeping requirements in line with the requirements and obligations under the PML Act.
- d) The third party shall not be based in a country or jurisdiction assessed as high risk.
- e) The ultimate responsibility for customer due diligence and undertaking enhanced due diligence measures, as applicable, will be with the RE

➤ BASIC SAVING BANK DEPOSIT ACCOUNTS/NO FRILL ACCOUNTS

- With a view to ensuring financial inclusion such that persons, especially those belonging to low income group both in urban and rural areas, who are not able to produce such documents required by the Bank to satisfy about their identity and address, are not denied banking services, branches may open Basic Saving Bank Deposit Accounts, for natural persons only, with relaxed KYC standards, as detailed in the operating guidelines. Persons desirous of opening such accounts can keep aggregate balances not exceeding Rs. 50,000/- (Rupees fifty thousand only) in all their accounts taken together and the total credit, again in all accounts taken together, should not exceed Rs. 1,00,000/- (Rupees one lakh only) in a year.
- If at any point, the balances in all his/her accounts with the Bank (taken together) exceeds Rs.50,000/- (Rupees fifty thousand only) or total credit in all accounts taken together exceeds Rs. 1,00,000/- (Rupees One lakh only) in a year, no further transactions will be permitted until full KYC procedure is completed. Bank would notify the customers when the balances reach Rs. 40,000/- (Rupees forty thousand only) or total credit in a year reaches Rs. 80,000/- (Rupees eighty thousand only) so that appropriate documents, for complying with full KYC requirements are submitted well in time to avoid blocking of transactions in the account.
- The bank will offer following minimum common facilities to all basic Saving Bank Deposit Account holder.
- The 'Basic Saving Bank Deposit Account' should be considered a normal banking service available to all.
- This account shall not have the requirement of any minimum balance.
- The services available in the account will include deposit and withdrawal of cash at bank branch receipt/credit of money through electronic payment channels or by means of deposit/collection of cheques drawn by Central/State Government agencies and departments.
- While there will be no limit on the number of deposits that can be made in a month, account holders will be allowed a maximum of four withdrawals in a month.

The above facilities will be provided without any charges. Further, no charge will be levied for non-operation/activation of in-operative 'Basic Saving Bank Deposit Account'.

The 'Basic Saving Bank Deposit Account' would be subject to RBI instructions on Know Your Customer (KYC)/ Anti-Money Laundering (AML) for opening of Bank accounts issued from time to time.

7.3 MONITORING AND REPORTING OF TRANSACTIONS

- Monitoring of transactions will be conducted taking into consideration the risk profile of the account. Special attentions will be paid to all complex, unusually large transactions and all unusual patterns, which have no apparent economic or visible lawful purpose. Transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer will be subjected to detailed scrutiny.
- System supported monitoring transactions will be done by the AML team under the Principal Officer, based on alerts thrown up by the in CBS software by the Bank and on the basis of feedback/inputs from branches. Simultaneously, however, branches will maintain oversight over the transactions with a view to identifying suspicious transactions and bringing them to the notice of the Principal Officer.
- After due diligence at the appropriate level in the Bank, transactions of suspicious nature and/or any other type of transaction notified under PMLA (Suspicious Transaction Report

- STR) will be reported within seven days by the Principal Officer to Financial Intelligence Unit – India (FIU-IND) the appropriate authority. A record of such transactions will be preserved and maintained for period as Prescribed in PMLA.
- Transactions in the account will also be monitored with a view to timely submitting, the Cash Transaction Report (CTR) in respect of cash transactions of Rs 10,00,000/- (Rupees ten Lakhs only) and above undertaken in an account either singly or in an integrally connected manner. The Cash Transaction Report (CTR) for each month will be submitted to FIU-IND by 15th of the succeeding month.
- All cash transactions, where forged or counterfeit Indian currency notes have been used, shall also be reported immediately by the branches, by way of Counterfeit Currency Reports (CCRs) to the Principal Officer, through proper channel, for onward reporting to FIU-IND.
- Bank will put in place a system of periodical review of risk categorization of accounts and the need for applying enhanced due diligence measure. Such review of risk categorization of customers will be carried out at a periodicity of not less than once in six months.

7.4 RISK MANAGEMENT

- The Banks Customers shall be categorised as low, medium and high risk category, based on the assessment and risk perception of the Bank, other parameters such as customer's identity, social/financial status, confirming identity documents through online or other services, nature of business activity, and information about the customer's business and their location etc. The risk categorization will be reviewed at half yearly intervals
- Bank's internal Audit of compliance with KYC/AML Policy will provide an independent evaluation of the same including legal and regulatory requirements. Concurrent /Internal Auditors shall specifically check and verify the application of KYC/AML procedures at the branches and comment on the lapse observed in this regards. The compliance in this regard will be placed before the Audit Committee of the Board at quarterly intervals.
- The principal Officer designated by the Bank in this regard will have overall responsibility for maintaining oversight and coordinating with various functionaries in the implementation of KYC/AML/CFT policy. However, primary responsibility of ensuring implementation of KYC/AML/CFT Policy and related guidelines will be vested with the respective Branch. Suitable checks and balances in this regard will be put in place at the time of introducing new product/procedures as also at the time of review of existing products/procedures for overall risk and compliance management. For this purpose, each branch manager will be designated as Money Laundering Reporting Officer (MLRO) who would ensure proper implementation and reporting, as per provisions of this Policy, to the Principal Officer.

8. ON-GOING DUE DILIGENCE:

- A. Bank will undertake on-going due diligence of customers to ensure that their transactions are consistent with their knowledge about the customers, customers' business and risk profile; and the source of funds. Without prejudice to the generality of factors that call for close monitoring following types of transactions shall necessarily be monitored:
 - a. Large and complex transactions including RTGS transactions, and those with unusual patterns, inconsistent with the normal and expected activity of the customer, which have no apparent economic rationale or legitimate purpose.
 - b. Transactions which exceed the thresholds prescribed for specific categories of accounts.
 - c. High account turnover inconsistent with the size of the balance maintained.

- d. Deposit of third party cheques, drafts, etc. in the existing and newly opened accounts followed by cash withdrawals for large amounts.

B. The extent of monitoring shall be aligned with the risk category of the customer, i.e. High risk accounts have to be subjected to more intensified monitoring. The transactions in accounts of marketing firms, especially accounts of Multi-level Marketing (MLM) Companies shall be closely monitored.

PERIODIC UPDATION

Bank will adopt a risk-based approach for periodic updation of KYC. However, periodic updation shall be carried out at least once in every two years for high risk customers, once in every eight years for medium risk customers and once in every ten years for low risk customers from the date of opening of the account / last KYC updation.

a) Individual Customers:

- a. No change in KYC information: In case of no change in the KYC information, a oral / written self-declaration from the customer in this regard shall be obtained at any branch.
- b. Change in address: In case of a change only in the address details of the customer, the declared address shall be verified through positive confirmation within two months, by means such as address verification letter, contact point verification, deliverables etc.
- c. Accounts of customers, who were minor at the time of opening account, on their becoming major: In case of customers for whom account was opened when they were minor, fresh photographs shall be obtained on their becoming a major and at that time it shall be ensured that CDD documents as per the current CDD standards are available with the Bank.

b) Customers other than individuals:

- a. No change in KYC information: In case of no change in the KYC information of the LE customer, a self-declaration in this regard shall be obtained from the LE customer through its email id registered with the Bank or through any manner at any branch.
- b. Change in KYC information: In case of change in KYC information, Bank shall undertake the KYC process equivalent to that applicable for onboarding a new LE customer.
- c) **Additional measures:** In addition to the above, Bank shall ensure that,
 - a. The KYC documents of the customer as per the current CDD standards are available with them.
 - b. Customer's PAN details, if available with the Bank, is verified from the database of the issuing authority at the time of periodic updation of KYC.
 - c. Bank shall ensure that their internal KYC policy and processes on updation / periodic updation of KYC are transparent and adverse actions against the customers should be avoided, unless warranted by specific regulatory requirements.

9. OTHERS:

A. Maintenance and Preservation of record related to the identification of customer and his address:

The records pertaining to the identification of the customer and his address (e.g. copies of documents like passports, identity cards, driving licenses, PAN card, utility bills etc.) obtained while opening the account and during the course of business relationship will be properly preserved for at least eight years after the business relationship is ended. The identification records will be made available to the competent authorities upon request.

B. Periodic Updation of KYC documents (Customer Due Diligence)

The Bank will periodically update KYC information of customers. (Customer Due Diligence)

The Bank would continue apply client due diligence measures to existing clients at an interval of two / eight / ten years in respect of high / medium / low risk clients respectively, as provided by the RBI.

In case of "low risk" customer, branches need not seek fresh proofs of identity and address at the time of periodic updation, in case of no change in status with respect to their identities and addresses. A self – certification by the customer to that effect should suffice in such cases. In case of change of address of such "low risk" customers, such customers could merely forward a certified copy of the document (proof of address) by mail / post etc, the Bank may not insist on physical presence of such low risk customer at the time of periodic updation.

C. Opening of another account by an existing KYC compliant customer of the Bank:

If an existing KYC compliant customer of the Bank desires to open another account in at some other Branch of the Bank, the customer need not submit fresh proof of identity and / or proof of address for opening of such another account.

D. Non Compliance of KYC Documents / Partial freezing of Accounts / Closure of Accounts:

In cases non - compliance of KYC requirements by the customers, despite repeated reminders by the Bank, in such cases, Bank will impose "partial freezing" in case such KYC non - compliance in a phased manner.

In the meantime, the customer can revive his/her account by submitting the KYC documents as per the instructions in force.

While imposing "partial freezing", the Bank will ensure that the option of "partial freezing" is exercised after giving due notice of three months initially to the customers to comply with KYC requirements and followed by a reminder for further period of three months.

Therefore, the Bank may impose "partial freezing" by allowing all credits and disallowing all debits with the freedom to close the accounts. If the accounts are still KYC non – compliant after six months of imposing initial "partial freezing", the Bank may disallow all debits and credits from / to the accounts, rendering them inoperative.

Further, it would always be open for the Bank to close the accounts of such customers. Such decisions will be taken by the executive of rank of Assistant General Manager and above.

E. Reporting Requirements to Financial Intelligence Unit – India

Bank's Principal Officer, must furnish, on a monthly basis, to the Director, Financial Intelligence Unit-India (FIU-IND), information referred to in Rule 3 of the PML (Maintenance of Records) Rules, 2005 in terms of Rule 7 thereof. The reporting formats and comprehensive reporting format guide, prescribed/ released by FIU-IND and Report Generation Utility and Report Validation Utility developed to assist reporting entities in the preparation of prescribed reports shall be taken note of. The editable electronic utilities to file electronic Cash Transaction Reports (CTR) / Suspicious Transaction Reports (STR) which FIU-IND has placed on its website shall be used by Bank for extracting CTR/STR from their live transaction data. While furnishing information to the Director, FIU-IND, delay of each day in not reporting a transaction or delay of each day in rectifying a misrepresented transaction beyond the time limit as specified in the Rule shall be constituted

as a separate violation. Bank shall not put any restriction on operations in the accounts where an STR has been filed. Bank shall keep the fact of furnishing of STR strictly confidential. It shall be ensured that there is no tipping off to the customer at any level. The CBS software should be throwing alerts when the transactions are inconsistent with risk categorization and updated profile of the customers shall be put in to use as a part of effective identification and reporting of suspicious transactions

F. Quoting of PAN :

Permanent account number (PAN) of customers shall be obtained and verified while undertaking transactions as per the provisions of Income Tax Rule 114B applicable to banks, as amended from time to time. Form 60/61 shall be obtained for limited purposes and small amount transactions from persons who do not have PAN.

G. Issue and Payment of Demand Drafts, etc.,

Any remittance of funds by way of demand draft, mail/telegraphic transfer/NEFT/IMPS or any other mode and issue of travelers' cheques for value of rupees Twenty thousand and above shall be effected by debit to the customer's account or against cheques and not against cash payment.

Further, the name of the purchaser shall be incorporated on the face of the demand draft, pay order, banker's cheque, etc., by the issuing bank. These instructions shall take effect for such instruments issued on or after September 15, 2018.

H. Unique Customer Identification Code (UCIC):

A Unique Customer Identification Code (UCIC) shall be allotted while entering into new relationships with individual customers as also the existing customers by banks.

The bank not issue UCIC to all walk-in/occasional customers such as buyers of pre-paid instruments/purchasers of third-party products provided it is ensured that there is adequate mechanism to identify such walk-in customers who have frequent transactions with them and ensure that they are allotted UCIC.

I. Secrecy Obligations and Sharing of Information:

- Banks shall maintain secrecy regarding the customer information which arises out of the contractual relationship between the banker and customer.
- Information collected from customers for the purpose of opening of account shall be treated as confidential and details thereof shall not be divulged for the purpose of cross selling, or for any other purpose without the express permission of the customer.
- While considering the requests for data/information from Government and other agencies, banks shall satisfy themselves that the information being sought is not of such a nature as will violate the provisions of the laws relating to secrecy in the banking transactions.
- The exceptions to the said rule shall be as under:
 - i. Where disclosure is under compulsion of law
 - ii. Where there is a duty to the public to disclose,
 - iii. The interest of bank requires disclosure and
 - iv. Where the disclosure is made with the express or implied consent of the customer.

J. Selling Third party products

Bank is currently not selling any third party products.

Customer Due Diligence (CDD) Procedure

Applicable for Individual (Saving Account):

With the RBI guidelines only the documents as mentioned in the grid below, will be treated as “Officially Valid documents” and hence will be accepted for the purpose of identification and address proof.

Acceptable Identity & Address Proof Documents

<u>Sr. No</u>	<u>Valid Documents</u>	<u>Identity Proof</u>	<u>Address Proof</u>	<u>Remarks</u>
1	Passport	Accept	Accept	-
2	Driving License	Accept	Accept	<ul style="list-style-type: none">• Learner's license is not acceptable.• If driving license is in Booklet form; copy of all the pages including front & back page to be obtained.
3	Voter Id Card	Accept	Accept	-
4	Aadhar Card	Accept	Accept	-
5	PAN Card	Accept	NA	<ul style="list-style-type: none">• Pan card must be obtained from all holders.• If any of the holders do not having a PAN, completed Form 60/61 may be taken.
6	NREGA Job card	Accept	Accept	<ul style="list-style-type: none">• Valid as ID proof; If photo is available• Valid as address proof; if address is mentioned
7	Identity card with applicant's Photograph issued by Govt. Department	Accept	Accept	<ul style="list-style-type: none">• Issued by Central / State Government Department, statutory / Regulatory Authorities.• Valid as address proof; if address is mentioned.
8	Utility Bill	NA	Accept	<ul style="list-style-type: none">• Electricity / Landline Telephone / Post-paid Mobile/ Piped Gas / Not More than 2 months old or Property Tax/ water Tax Bill/ House Tax Receipt not More than 1 Year Old.
9	Bank Statement / Post Office Saving Bank Account Statement	NA	Accept	<ul style="list-style-type: none">• Active Account of Scheduled commercial bank.• Last Three months Bank statement require.
10	Bank Passbook	NA	Accept	<ul style="list-style-type: none">• Active accounts of scheduled commercial banks only along with bank seal/ stamp and signature of the bank official (Updated not more than 3 months old)
11	Pension or Family pension payment orders (PPOs)	NA	Accept	<ul style="list-style-type: none">• Issued to retired employees by Government Departments or Public sector undertaking, if documents contain the address.
12	Identity card with applicant's Photograph issued by Govt. Department	Accept	NA	-

- The documents submitted for account opening should be self-attested by the customer.
- Documents are required for all holders/ signatories.
- Only valid documents are acceptable for KYC- expired / invalid documents are not acceptable.
- Original seen and verified:

- The original of all documents must be sighted by Bank staff.
- Copies obtained must bear stamp- 'Original seen and Verify'. The signature of the bank staff who sighted the original must be affixed along with name and employee code under the stamp and signature.
- **Signature Proof:**
 - Any identity proof document as mentioned in above grid of acceptable identity proof documents bearing the signature.
 - In case signature is not available on the identity proof documents, then customer will have to sign in presence of the bank staff.

If mailing address is the office address

- Address proof for office address to be obtained along with permanent address proof of the customer.

Account opening basis relative declaration

- There may be situations where the customer wants to open an account and does not have any address proof since he/she may be staying with his/her immediate family member, e.g. parents, spouse & siblings. In such case we need to obtain the KYC documents with relative declaration from the relative with whom the customer is living.

Documentation for Minor Account

(a) Minor Under guardian account

For Opening of Minor account, birth certificate is required to establish the date of birth proof, in absence of birth certificate, any one of the following to be obtained:

- Latest Bonafide from school to be obtained signed by the principal.
- School leaving certificate mentioning the DOB of the minor to be obtained
- Aadhar card issued by UDIA- the same can be accepted only if the complete DOB mentioned.
- Passport

Apart from the DOB of the minor, guardian KYC as mentioned in the individual KYC to be obtained.

(b) Self-Operated Minor account

- Minor above age of 10 years may be allowed to open self-operated minor accounts.
- For self-operated minor account, KYC documents as mentioned in the grid above to be obtained for minor

Documents for establishing that customer is a senior citizen

- Secondary school Leaving certificate
- LIC Policy
- Voters Identity card
- Pension payments order
- Birth certificate issued by the Registrar of Birth and Deaths.
- Passport
- Govt ID card (Providing they have the cardholder's photo, signature and date of birth)
- Aadhar card

Note: the above list is not exhaustive. Senior citizen status may be established by the birth year mentioned in the documents, in case the year mentioned satisfies the customer being a senior citizen than a declaration mentioning the complete date of birth to be obtained from the customer.

Accounts of Married Women with Name mismatch in Id Documents

For Opening married women's accounts where one documents is in the name and the other in the post marriage name, the relationship between the two can be established on the basis of:

- The photo, Father name / spouse name & DOB available on the documents OR

- Marriage Certificate OR
- Marriage card, Marriage Photograph and affidavit from the husband.

Basic Saving Account

- Bank will open Basic Saving Account with Zero balance.
- Basic Saving Account holder will be offered all the facilities like NEFT, RTGS and Pay Orders / Demand Draft.
- Aggregate of all credit should not exceed Rs. 1 Lakh, Account balance at any point should not exceed Rs. 50000 & Aggregate of all debits (withdrawals & transfers including clearing) in a month should not exceed Rs. 10,000/-
- Not more than four withdrawals will be allowed in a month.
- Student account will open in Basic Saving Account scheme.
- The student A/C will have maximum credit balance of Rs. 1.00 Lakh.

Further, in certain cases where customer is unable to produce address proof / introduction, KYC norms will be relaxed however customer will not be issued any cheque book and balance in his account should not exceed Rs 50000/-. The day on which his balance will exceed Rs 50000/- he will be allowed operation in his account only after complying with all KYC norms.

Applicable for Non-Individual (Current Account)

(A) General Rules

- The documents submitted for account opening should be self-attested by the customer.
- Documents are required for all holders/ signatories.
- Only valid documents are acceptable for KYC- expired / invalid documents are not acceptable.
- Original seen and verified:
 - The original of all documents must be sighted by Bank staff.
 - Copies obtained must bear stamp- 'Original seen and Verify'. The signature of the bank staff who sighted the original must be affixed along with name and employee code under the stamp and signature.
- Signature Proof:
 - Any identity proof document as mentioned in above grid of acceptable identity proof documents bearing the signature.
 - In case signature is not available on the identity proof documents, then customer will have to sign in presence of the bank staff.

(B) PAN requirement for Non- Individuals (Proprietorship / Partnership Firms / Company (Pvt / Public)

- PAN card is mandatory for Non-individual entities accounts.

(C) Documentation requirement for different entity types.

(a) Sole Proprietorship:

Sr. No	Features	Documents	Guidelines
1	Name, Address & Activity proof of the proprietorship concern	A Self-declaration on the Bank's prescribed format AND Any Two of the following documents: 1) Shop & establishment License issued by Municipal Authorities. 2) Certificate of Establishment issued by Gram Panchayat in case customer's business	• Name of the entity should be Present in identity documents.

		<p>establishment in rural areas along with CPV (Contact Point Verification) by Branch staff. (Certificate issued by Gram Panchayat to be signed by Talati Or Sarpanch)</p> <ol style="list-style-type: none"> 3) Sales Tax / Central Sales tax / Value Added Tax / Tin Certificate issued by sales tax Department. 4) TAN Allotment letter issued by NSDL in the name of the firm. 5) Excise Registration License / Certificate issued by Service tax department. 6) Registration License / Certificate issued by profession Tax department. 7) For Opening accounts who are rendering professional services – certificate of practice issued by recognized professional bodies such as: <ul style="list-style-type: none"> • Institute of Chartered Accountants of India • Institute of Cost and Works Accounts of India • Institute of Company Secretaries of India • India Medical Council 8) License issued by Food and Drug Control Authorities 9) Valid SEBI Registration Certificate in the name of the firm. 10) Import Export Code Certificate in the name of the firm. (PAN on IEC should match PAN of Proprietor) 11) Valid APMC License under the APMC act by the local APMC Board Authorities. 12) Measurement Certificate issued by the state government 13) Certificate from State Industrial Development Corporation 14) Provisional SSI Registration Certificate –SSI Part 2 15) Permit issued by RTO (Regional Transport Office) 16) Utility Bill (Elec/ Landline Tele/Broadband bill not more than 2 months old or Property Tax/water Tax Bill not more than 1 year old) in the name of entity. (Only for Address Proof) 17) Rent agreements in name of Firm or Proprietor. 18) Certificate/License of registration under any specific Statute /Act of the government 19) Latest IT Returns filed in the name of Proprietor where income from the firm is reflected. 20) Certificate / License issued by any Govt. Body (not mentioned above) 	
2	KYC of the Proprietor	KYC of the proprietor to be obtained as applicable for individuals	

(b) Partnership Firms:

Sr. No	Features	Documents	Guidelines
1	Proof of Business Name, Partnership & Signatures of all Partners	<ol style="list-style-type: none"> Partnership Deed Registration certificate (If the above deed is registered) Partnership Declaration signed by all the partners. PAN card in the name of Firm. 	
2	Proof of Business Address	<p>Any one of the documents prescribed for proof of entity in the proprietorship in the name of firm.</p> <p>OR</p> <p>Address mentioned on the registered partnership deed. The deed should be registered with registrar of Firms under India partnership Act 1932.</p>	
3	KYC of the Partner	KYC of the all partner to be obtained as applicable for individuals	

(c) Private/ Public Limited Companies:

Sr. No	Features	Documents	Guidelines
1	Proof of Identity of the Name of the Company	<ol style="list-style-type: none"> Certificate of Incorporation Certificate of Commencement of Business (Only for Limited Companies incorporated under Companies Act 1956) Updated Memorandum & Articles of Association. PAN card in the name of Firm. 	
2	Proof of Principal place of Business, Registered Office, Mailing Address	MoA- AoA / Certificate of Incorporation/ Utility Bills/ Any Govt. license issue in the name of the firm where address mentioned.	
3	Proof of Names of Directors.	<ol style="list-style-type: none"> Certified copy of Register of Directors OR List of directors signed by Company Secretary OR Form 32 duly acknowledged by ROC OR List of signatories downloaded from the MCA website. 	
4	Proof of Authorised Signatories	Resolution of the Board of Directors to open an account and authorization for opening the account.	
5	I & S proof of Authorised Signatories	Identity and signature proof of all the directors.	

(d) Hindu Undivided Family/ joint Hindu family (HUF):

Sr. No	Features	Documents	Guidelines
1	Proof of Identity of HUF	<ol style="list-style-type: none"> HUF Declaration duly signed by all the coparceners and naming the Karta, who would be authorized to operate the account PAN card / HUF Deed 	

2	Proof of ID, Address and Signature proof of Karta and all members	Documents prescribed as per individual KYC.	
---	--	---	--

(d) Trust, Association, Societies, Clubs

Sr. No	Features	Trust	AOP/BOI	Society
1	Proof of Identity of the organization	Certificate of Registrations / Proof of Trust deed being registered. Exemption Certificate (in case of Savings A/c)	Proof of Registration, if any	Certificate of Registration, if registration is applicable.
		Trust Deed	Association Deed / Agreement	Society Bye Laws
		PAN Card	PAN Card	PAN Card
2	Resolution	The Trust resolution to open and operate the account must be signed by any two of the current trustees of which at least one should be a non-operating trustee.	The resolution to open and operate the account must be signed by any two of the current office bearers of which at least one should be a non-operating office bearers.	The resolution to open and operate the account must be signed by any two of the current office bearers of which at least one should be a non-operating office bearers.
3	Names of Trustees,	Trust Deed or any officially valid document to identify the trustees, authorised persons holding power of attorney.	Deed/ Agreement or any officially valid document to identify the members, authorised persons holding power of attorney.	Copy of members elected as communicated to the registrar of society.
4	Proof of address of organisation	Registered Trust Deed/ Utility Bill (Not less than 3 months old) / Last three month Bank Statement / Latest It assessment order / certificate of Registration with Registrar of Societies or Trusts or Charity Commissioner or Sub-Registrar's office / Registered leave & License Agreement/ 80G or 12A certificate indicating the mailing address.	Registered Agreement/ Registered association deed/ Utility Bill (Not less than 3 months old) / Last three-month Bank Statement / Latest It assessment order / certificate of Registration with Registrar of Societies or Trusts or Charity Commissioner or Sub-Registrar's office / Registered leave & License Agreement/ 80G or 12A	Registered Society Bye-Laws / Utility Bill (Not less than 3 months old) / Last three-month Bank Statement / Latest It assessment order / certificate of Registration with Registrar of Societies or Trusts or Charity

		In case the address proof is not in the name of the trust: <ul style="list-style-type: none"> Letter signed by all authorised signatories stating the mailing address to be obtained. 	certificate indicating the mailing address.	Commissioner or Sub- Registrar's office / Registered leave & License Agreement indicating the mailing address.
5	Identity & Signature Proof	ID proof of an individual detailed in "ISA Documents for Individuals"	ID proof of an individual detailed in "ISA Documents for Individuals"	ID proof of an individual detailed in "ISA Documents for Individuals"
6	Additional Documents for Opening Saving Account	A. Registration certificate u/s 12A/12AA and B. Any other notification issued by CBDT/Central Govt notifying such entity as exempt entity; or C. Copy of the last acknowledged return of income / It assessment order verifying tax along with Computation sheet; or D. Registration with charity commissioner under Bombay Public Trust. E. A declaration / Indemnity from such entity certifying: <ol style="list-style-type: none"> That its entire income is exempt from tax That its registration u/s 12A etc is in force and has not been withdraw by IT authority. Iv 80G certificate(If any) In absence of above documents current account to be opened.	A. Registration certificate u/s 12A/12AA and B. Any other notification issued by CBDT/Central Govt notifying such entity as exempt entity; or C. Copy of the last acknowledged return of income / It assessment order verifying tax along with Computation sheet; or D. Registration with charity commissioner under Bombay Public Trust. E. A declaration / Indemnity from such entity certifying: <ol style="list-style-type: none"> That its entire income is exempt from tax That its registration u/s 12A etc is in force and has not been withdraw by IT authority. Iv 80G certificate (If any) In absence of above documents current account to be opened.	NA

(e) Accounts of unincorporated association or body of individuals :

For opening an account of unincorporated association or body of individuals, certified copies of each of the following documents shall be obtained:

- a. Resolution of the managing body of such association or body of individuals
- b. Permanent Account Number or Form No. 60 of the unincorporated association or a body of individuals
- c. Power of attorney granted to transact on its behalf
- d. Documents as specified in Section 16, of the person holding an power of attorney to transact on its behalf and
- e. Such information as may be required by the Bank to collectively establish the legal existence of such an association or body of individuals.

Explanation: Unregistered trusts/partnership firms shall be included under the term 'unincorporated association'.

Explanation: Term 'body of individuals' includes societies.

For opening accounts of juridical persons not specifically covered in the earlier part, such as societies, universities and local bodies like village panchayats, certified copies of the following documents shall be obtained:

- a. Document showing name of the person authorised to act on behalf of the entity;
- b. Documents, as specified in Section 16, of the person holding an attorney to transact on its behalf and
- c. Such documents as may be required by the Bank to establish the legal existence of such an entity/juridical person.

APPROVAL BY BOARD OF DIRECTORS: The Board of Directors reviewed Investment Policy in Board Meeting held on 22-05-2022.

Date: 22-05-2022

Ahmedabad

CEO / I/c CEO / GM / Authorized Signatory



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

LOAN POLICY

Approved By:

Board of Directors – Meeting Dated 22-05-2022

THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

(SAY "BMCB BANK") **LOAN POLICY**

As Reviewed in the Board of Directors meeting dtd 22-05-2022, Bank's Loan Policy was Reviewed / modified / updated for F.Y. 2022-23 as under strictly in accordance with the RBI guidelines issued from time to time. Reference of following RBI Circulars are taken:

1. Ref. Master Circular on Management of Advances - UCBs - RBI/2022-23/22 DOR.CRE.REC.No.17/13.05.000/2022-23 dtd April 8, 2022
2. Loans and advances to directors, their relatives, and firms / concerns in which they are interested = RBI/2020-21/89 DOR.CRG.CRS.Cir.No.5/13.05.000/2020-21 dtd February 5, 2021

and other connected circulars / notifications / instructions / press releases / directions issued by RBI from time to time)

This Loan Policy is applicable for all types of fund and non-fund-based credit facilities being extended by the Bank to its eligible clients/Members.

1. MAIN OBJECTIVES OF LOAN POLICY

- i. To uplift and improve the economic condition of various persons/strata of the society by extending credit facilities for personal/business/industry and various other requirements.
- ii. Not to discriminate the prospective and existing customers/constituents on the basis of caste, creed & religion.
- iii. To be fair and transparent in the publicity advertisement and marketing of the products.
- iv. To provide a customer friendly environment by rendering professional, efficient, courteous, prompt and speedy services to its constituents in a simpler and hassle-free manner.
- v. To provide its existing and prospective customers with accurate, timely and complete information in a transparent manner with regard to the terms and conditions, Rate of Interest, tenure, processing fees, other charges applicable to various credit facilities.
- vi. To strictly and diligently abide by the norms, rules and regulations lay down by BOD/RBI/RCS and/or any other regulatory authorities and do the compliance of Statutory Requirements in force from time to time.
- vii. To ascertain the credit worthiness of the prospective borrower by exercising due diligence by undertaking pre disbursement credit appraisal of the loans/advances proposals, checking Directors Identification Number (DIN) of directors of the

companies, from MCA website, adding credit reports before sanctioning of Term Loans or renewal of Working Capital limits, by adopting a method of discrete enquiries on the basis of basic information about borrowers and repayment capacity for credit facilities availed by the borrower(s)/ and to physically verify and confirm the correctness and authentication of information and documents of the borrower(s) furnished in and along with the loan/advance request application form, to ensure that the request for credit facility is financially viable i.e. ensuring thereby that Bank's money to be lent out is reasonably safe and secure.

2. **AREA OF COVERAGE FOR EXTENDING CREDIT FACILITY:** Credit facility (ies) shall be extended to present or prospective members/individuals/entities residing/having place of business or working within the area of operation of the bank and includes all semi – urban /urban centres and peripheral rural area within the Area of Operation of the Bank.
3. **WHOM TO MAKE LOAN AND ADVANCE:** Every type of credit facility would be extended to all present or prospective members as per their eligibility, credit worthiness, repayment capacity etc. in terms of extant rules and regulations laid down by RBI/RCS as amended from time to time. In case of Co-borrower / family member, the income of the such Co-borrower (being a relative or otherwise) can be considered for clubbing with the borrower's income:
4. **TYPES OF ADVANCES:** Bank will finance to the shareholders of the Bank, The following types of Advances.
 - i. **Business & Industrial Finance:**
 - i. Cash Credit Hypothecation / Pledge
 - ii. Secured Overdraft against Bank's Own Term Deposits/NSC/KVP/LIC Policies
 - iii. Unsecured Overdraft
 - iv. Secured Overdraft (SOD) / Term Loan
 - v. Loan / Overdraft against Gold
 - vi. Advances against Lease Rent
 - vii. Self-Employment Loan
 - viii. Bills Discounting
 - ix. Project Loan & Term Loan for Machineries and commercial vehicles.
 - x. Any other type of Business Finance.
 - ii. **Individual Finance:**
 - i. Personal Loan & Overdraft
 - ii. Housing Loan
 - iii. Education Loan
 - iv. Loans against Gold & Silver Ornaments
 - v. Property Loans & Overdraft
 - vi. Loans & Overdrafts against Bank's Own Term Deposits/NSC/KVP/LIC Policies
 - vii. Overdraft to Salary Class People
 - viii. Staff Loans & Overdraft for Banks own Staff Members
 - ix. Advance for and against new or second-hand Vehicle (Two, three and four wheelers) Loans.
 - iii. **Agriculture Loan:**
 - i. Cash credit/Crop Loan
 - ii. Term Loan against Tractor and agriculture Equipment, Vehicles.
 - iii. Loans & Overdraft for Agriculture allied Activities including Dairies.

iv. Loan / CC / OD against agriculture produces, seeds, nuts and pulses, etc.

iv. Non-Fund based business:

i. Financial Bank Guarantees against 10% to 100% Cash Margin. In case Cash margin is not 100%, then such less cash margin shall be covered by more than 100% Equitable Mortgage of property or Hypothecation of Vehicle, or security of any other assets.

5. RESTRICTION ON ADVANCES:

- i. Bank shall not make, provide or renew any loans and advances or extend any other financial accommodation to or on behalf of their directors or their relatives, or to the firms / companies / concerns in which the directors or their relatives are interested (collectively called as "director-related loans"). Further, the directors or their relatives or the firms / companies / concerns in which the directors or their relatives are interested shall also not stand as surety/guarantor to the loans and advances or any other financial accommodation sanctioned by UCBs. 'Advances' for the purpose shall include all types of funded / working capital limits such as cash credits, overdrafts, credit cards, etc except OD against FD in our bank only. The existing director-related loans sanctioned/granted by UCBs in terms of the earlier directives / instructions prior to the issue of RBI's latest circular, if any, may continue till their respective maturity and shall not be renewed further.
- ii. The following categories of director-related loans shall, however, be excluded from "loans and advances" for the purpose of these directions:
 1. Normal employee-related loans to Managing Directors / Chief Executive Officers of UCBs;
 - ii. Loans to directors or their relatives against Government Securities, Fixed Deposits and Life Insurance Policies standing in their own name

Other Restrictions:

- iii. Bank will not Finance against Its own shares in any cases
- iv. Bank will not finance against Term Deposit issued by Other Bank.
 - i. Bank will not finance to NBFC engaged in Hire Purchase & Leasing Activities.
- v. Bank will not finance to their Nominal Shareholders in excess of Rs. 1,00,000/-
- vi. Bank will not finance to Defaulter of Government Dues eg. Provident Fund, Income Tax, VAT, Service Tax, GST, Excise Duty etc.
- vii. As per Sec 44AB of the Income Tax Act 1961, Audit of Accounts is compulsory for Certain Persons Carrying On Business or Profession. In view of the same, bank will insist for Audited financials from eligible borrowers. However, delay / post-receipt / non-receipt of the same shall not be construed as violation.

CERTAIN DEFINITIONS CLARIFIED BY RBI:

1. A person shall be deemed to be a relative of another, if and only if:-

They are members of a Hindu Undivided Family; or	
They are husband and wife; or	
The one is related to the other (or vice-versa) in the manner indicated below:	
Father (including step-father)	Daughter's husband
Mother (including step-mother)	Brother (including step-brother)
Son (including step-son)	Brother's wife
Son's wife	Sister (including step-sister)
Daughter (including step-daughter)	Sister's husband

2. The word "interested" shall mean the director of the UCB or his relative, as the case may be, being a director, managing agent, manager, employee, proprietor, partner,

coparcener or guarantor, as the case may be, of the firm / company / concern (including HUF). Provided that a director of a UCB or his relative shall also be deemed to be interested in a company, being the subsidiary or holding company, if he/she is a director, managing agent, manager, employee or guarantor of the respective holding or subsidiary company. Provided further that a director of a UCB shall also be deemed to be interested in a company/firm if he/she holds substantial interest in or is in control of the company/firm or in a company, being the subsidiary or holding company, if he/she holds substantial interest in or is in control of the respective holding or subsidiary company. Provided further that a relative of a director of a UCB shall also be deemed to be interested in a company/firm if he/she is a major shareholder or is in control of the company/firm or in a company, being the subsidiary or holding company, if he/she is a major shareholder or is in control of the respective holding or subsidiary company.

3. The term "substantial interest" shall have the same meaning as assigned to it in section 5(ne) of the Banking Regulation Act, 1949.
4. The term "control" shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in another manner.
5. The term "major shareholder" shall mean a person holding 10% or more of the paid up share capital

6. PRIORITY SECTOR LENDING (PSL):

- a) As per RBI circular dated 10-5-2018, w.e.f 1-4-2018, achievement of PSL targets will be included as a criterion for classifying a UCB as Financially Sound and Well Managed bank (FSWM). From the financial year 2019-20 onwards, the achievement at the end of the financial year will be arrived at based on the average of priority sector target / sub-target achievement as at the end of each quarter.
- b) PSL means lending to sectors like Agriculture, MSME, Export Credit, Social Infrastructure and Renewable Energy, Education, Housing, etc. Further, PSL loans to following borrowers will be considered under Weaker Section Category:

Sr. No.	Category
(i)	Small and Marginal Farmers
(ii)	Artisans, village and cottage industries where individual credit limits do not exceed ₹1 lakh
(iii)	Scheduled Castes and Scheduled Tribes
(iv)	Beneficiaries of Differential Rate of Interest (DRI) scheme
(v)	Self Help Groups
(vi)	Distressed farmers indebted to non-institutional lenders
(vii)	Distressed persons other than farmers, with loan amount not exceeding ₹1 lakh per borrower to prepay their debt to non-institutional lenders
(viii)	Individual women beneficiaries up to ₹1 lakh per borrower (For UCBs, existing loans to women will continue to be classified under weaker sections till their maturity/repayment.)
(ix)	Persons with disabilities
(x)	Minority communities as may be notified by Government of India from time to time.
(xi)	Overdraft availed by PMJDY account holders as per limits and conditions prescribed by Department of Financial Services, Ministry of Finance from time to time may be classified under Weaker Sections

- c) As amended by RBI's Circular dated March 13, 2020, it has been decided that the overall PSL target of 40% of ANBC/CEOE shall stand increased to 75 per cent of

ANBC or COEBE, whichever is higher, with effect from March 31, 2024. UCBs shall comply with the stipulated target as per the following milestones:

Total Priority Sector	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024
	40%	45%	50%	60%	75%
Micro Enterprises	7.5 % of ANBC / COEBC				
Advances to Weaker Sections	10%	10%	11%	11.50%	12%

d) Computation of ANBC / COEBC will be computed as per extant RBI guidelines.

7. SANCTION / ADMINISTRATION POWER AND RULES

Sr. No	Particulars of Advances	Sanctioning Authorities	Amount (Rs.)	
1	Loans/Overdraft against Banks Own Term Deposits	In charge Manager / Branch Manager/ Senior Manager/ Chief Manager/ Assistant General Manager General Manager/ CEO	90% 95%	Value of Term Deposit (with / without Accrued Interest)
2	Advances Other than Bank's Term Deposit	General Managers / CEO, Loan Committee and / or Board Of Directors.	As per exposure limit prescribed by Bank from time to time / as per RBI guidelines.	

Type of Limit	Sanction Power	Ratification	Type of Loans
Adhoc Limit	General Managers and above	Next Loan Committee Meeting.	Adhoc Limits upto 20% of Sanctioned Amount @ upto 36% ROI of respective CC/SOD on case-to-case basis in line with RBI Circular dtd 21-8-2020
Upto Rs. 10,00,000 per proposal and in Staff Loan Cases / Renewal cases.	Each Manager has individual Sanctioning power on case-to-case basis.		FD/OD, CC/SOD/TL (without ITR/PL/B/s, CMA, Stock / property Insurance, pre-CIBIL, without Collateral security/ TCR/ VR or Mortgage of property) and against NSC / KYP / LIC Policy.
Upto Rs. 1,00,00,000 per Proposal and in Staff Loan Cases / Renewal cases	General Managers		
From 1,00,00,001/-	Only Loan Committee / BoD has sanction power	—	All.

Also, in case of F.D. / O.D., each AGM (& above) is authorized to sanction O.D. against F.D. with minimum 5.00% margin, irrespective of the sanction amount mentioned above. Further, in cases where Interest payment is not done by FDOD Customers for a consecutive period of three months, Branch Managers are authorized to set-off the FD amount against o/s ODs which have become out of order.

Renewal (Standard Accounts) of CC/ SOD etc.: Every BM (& above) is authorized to renew the C.C. / S.O.D. post Expired limit Date (31-May and 30-Nov for Managerial Convenience) for a further period of 12 months looking to the continuity of Customer's Business Transactions subject to timely renewal cum ratification with the higher authority.

In case of Bank Guarantees*, Maximum yearly Processing fees may be the 12% Less [Interest paid on Cash Margin]. Every BM (& Above) is empowered to voluntarily charge Processing

/ Renewal Fees ranging from Rs. 1,000/- to upto 04.00% in new / renewal / enhancement of loan files on case-to-case basis.

*For e.g., if Existing CC ROI is 12.00%, and the Cash margin is in form of FDR @ 8.00%, then the maximum yearly processing fees in Bank Guarantees will be 04.00%.

Loan Committee is empowered to allow Moratorium Period in deserving cases (either at the time of Sanction or otherwise) upto 12 months in loan files on case-to-case basis.

The I/c CEO / GM / Loan Managers are empowered to charge upto 1% Processing Fees / Penal Interest / Pre-payment Charges / Penalties in CC/SOD/TL A/cs in cases of Advance payments, or late payment of Interest / Installments, or on the non-compliance of Terms and Conditions, upto 36.00% p.a. over and above the ROI applicable.

8. **PRUDENTIAL / THRESHOLD LIMITS OF THE BANK:**

Sr. No	Type Of Borrowers	Prudential / Threshold Limits
1	Individual Borrowers	As per exposure limits of RBI (calculated as per Annexure A enclosed.)
2	Group Borrowers	

9. **UNSECURED ADVANCES:**

Sr. No	Particulars	Limits
1	Total unsecured Loan & advances Of the Bank	At any time it will not be exceeded beyond 10% of Total Asset as of 31/03/2022
2	Unsecured Advances to Individuals & Group Borrowers	Rs. 5,00,000/- Maximum as per Borrower Limits specified by RBI. (Individual or Group)
3	ROI and Period	Min 9.00% for max 60 months. Upto 06.00% Addition may be done at the discretion of the CEO/ GM / Loan Committee.
	Purpose of Unsecured Loans:	Medical, Education fees, Consumption or Personal loan for repayment of debts or otherwise, etc.

Note: Unsecured Advances will need minimum documentation viz. Loan application, KYC, Bank statement/Passbook, without Guarantor, etc.

10. **SHARE LINKING & BANK'S FINANCE:**

- A borrower should hold 5% of his/her borrowings, if such borrowings are on an unsecured basis i.e. in the form of clean overdraft, Loan against one or two personal Sureties and purchase / discount of clean bills and cheques. Also, in case where bank has obtained the movable or immovable properties as securities and classifying the advances to SSI or other units as secured one, but if the bank has not created Registered mortgage of the properties, (or where only equitable mortgage is obtained etc.), then it is advisable to obtain share linkage as applicable to unsecured borrowings viz. 5% within 1 year of the Disbursement.
- A borrower against liquid tangible securities should hold minimum shares of the bank in the following pattern:

	ADVANCES LIMIT	SHARES TO BE HELD BY THE BORROWER
i	Up to Rs. 2 Lakhs	2.5%
ii	Above Rs.2 Lakhs to Rs 10 Lakhs	10 shares per Lakh + 50 shares
iii	Above Rs.10 Lakhs to Rs 30 Lakhs	5 shares per Lakh + 130 shares
iv	Above Rs.30 Lakhs & onward	2.5 shares per Lakh + 230 shares

However, when there is more than 100% Liquid Tangible Securities in case of any type of loans, then the bank initially can allow minimum Share Linking of only one share instead

of the linking specified above, to be raised to above specified limit within next 5 years. Here, liquid value of property means value of the property as valued by the valuer or bank official. Also, here "Tangible Securities" means constructed immovable properties. In all other cases of secured borrowings, it is advisable to obtain share linkage of 2.5% gradually in due course of time.

- c) In the cases of Loans to "Small Scale Industrial Units (SSI)" Granted by the Bank on secured basis, the linking of share capital might be fixed initially at minimum 1 share of the bank, to be raised in the course of the next 2 years to 2.5% or 5% of the borrowings (based on the classification as secured or unsecured, based on the type of mortgage or securities as per the norms prescribed in clause (a) or (b) above). The total amount of share capital held by a member will, however, have to be within the maximum limits prescribed by RBI. Here SSI units means the individuals and units who are eligible to obtain Udyog Aadhaar provided by the Ministry of MSME, Government of India for Micro, Small and Medium Enterprises, w.e.f. September 2015 and as amended from time to time. Thus, all individuals and units, who qualify to be classified as Micro, Small or Medium Enterprises (MSME) as above shall be covered under this clause, for share linking limits.
- d) Looking to the need of the Finance, the bank may give disbursement with only 1 share and gradually to be raised to required limits of 2.5% or 5% as specified above in due course of time.

Note:

1. Where a member is already holding 5% of the total paid up share capital of the bank, it would not be necessary to subscribe to any additional share capital.
2. Share Linkage to borrower norms shall be discretionary for the bank when minimum regulatory CRAR criteria as per the latest Audited financial statements is fulfilled.

11. RESTRUCTURE & RENEWAL OF WEAK ADVANCE: The Bank will renew or restructure the Advance as per RBI Guidelines from time to time.

12. RATE OF INTEREST ON ADVANCES: Interest rates shall be charged at such rate/s, at such intervals and in such mode as is determined by the bank's Board from time to time within the parameters and as per directions issued by RBI from time to time. As per Board meeting dtd 12-6-2016, a Credit Risk Rating System (CRRS) for Borrowal accounts and Relaxation/ Addition in interest Rates to Borrowers was introduced subject to modifications thereafter from time to time. Pursuant to Introduction of (CRRS) for Loan & Advances accounts in public and Staff category. Sanction / Renewal of CC/SOD will be done based on the CRRS of Borrower viz. A++, A+, A, B+, B, C, D and so on and ROI will be decided respectively. It will be applicable for New Accounts only and in OLD CC / SOD accounts, it will be applicable at the time of Renewal subject to customer demand and market situation and competition. Details related to CRRS is hereby informed to branches. The same is modified with following details:

NORMAL PUBLIC RATE OF INTEREST @ SUBJECT TO CRR SYSTEM*

1. Cash Credit and WCTL (Max 10 years)
(Hypothecation of Stock / Book Debts / Current Assets) : @ 10.50 %
2. Housing Loan to public (for purchase/Construction/Renovation)
(Max 20 years / 240 months) : @ 9.90%

3. Gold Ornaments Term Loan (Max 10 years) : @ 10.00%
4. Education Loan (Maximum Moratorium 60 months)
Max 20 years / 240 months : @ 11.00%
5. Vehicle Loan:
New Two-Wheeler / Car / Commercial Vehicle 36/ 60 M* : @ 11.00% / 11.50%
*Margin will be minimum 5% on Total cost to the Borrower.
*If Amount of Loan >10 Lakhs, then Loan Committee is empowered to reduce margin upto 0% and ROI upto 01.00%.
6. Mortgage Loan / Secured Overdraft + TL against Property:
 - a) Pure Mortgage TL against Property for <36 M / >36M : @ 13.00% / 14.00%
 - b) Secured Over Draft (SOD) : @ 12.00%
 - c) SOD (Reducing Method) upto 10 years : @ 12.00%
7. Term loan / OverDraft against Bank's own FDR subject to minimum margin of 5.00%
 - a) For single FDRs of Rs. 100 Lakhs and above: : @ +0.50%*
 - b) For any other amount : @ +1.00%

*Also applicable in Staff cases or when Other Bank sanction is produced by party.
8. Term Loan / SOD for purchase / construction of warehouse, business unit, Plant & Machinery, Furniture (Max 20 years) : @ 11.00%
9. SOD/TL for purchase of property and/or LRD : @ 10.50%
10. Loan / SOD against National Savings Certificate (NSC), Kisaan Vikaas Patra (KVP), LIC Policy, Etc. or any Government Security for new/existing business (Margin min. 5 %) : @ 11.00%
11. PMEGP Scheme (Subject to prescribed limit) : @ 15.00%
12. Loan to Small Traders/ Business upto Rs. 5,00,000/- : @ 11.00%
(Special Scheme for Covid-19 affected Businesses and Traders, where Sales Turnover atleast 4 times of Limit.)

- ✓ Please note that all rates are monthly compounding.
- ✓ Please note that above ROI is applicable for fresh advances only & in OLD Cash credit accounts / SOD, it will be applicable at the time of Renewals / initiation by Borrower.
- ✓ In all OLD Term Loans/WCTL sanctioned earlier, ROI will be charged as per original sanction but in case of party's genuine requests based on market situation, Committee is empowered to review the ROI on case to case basis.

Eligibility Criteria for Reduction in Interest Rates in CRRS:

Customer may get benefit of ROI of maximum 02.00%, detail as below.

- I. If offered liquid collateral security, value of which, as per bank's opinion is minimum 150% & above of Loan amount, Interest reduction benefit can be given upto: 0.50%.
- II. If offered liquid collateral security, value of which, as per bank's opinion is more than 180% of Loan amount, Interest reduction benefit can be given upto: 1.00%.
- III. If Financial Ratios are as per standard Norms (strong), NetWorth is strong and/or other required financial papers are submitted by party, in this case, Interest reduction benefit can be: 0.25% to 2.00% considering the financial analysis of the party.
- IV. In the case of Renewal of existing limit, if limit utilization is proper and/or if account is Regular & standard in whole past year, and "No any irregularity has been observed

in account during last year's transaction, and if party has demanded lower rate as compared to other banks in the competitive market, then Interest reduction benefit can be: **0.25% to 2.00%**

- V. In case of take over loan cases, **0.25% to 2.00%** rate reduction may be offered for increasing Customer Base, business growth & development.
- VI. CIBIL Score and Report Assessment will be important factor in providing competitive ROI (0.50% \uparrow or \downarrow) in all types of Loans / CC etc.
- VII. Upto 02.00 % Rebate can be granted where regular established Source of Income.
- VIII. For CC/SOD/TL exceeding Rs. 50 Lakhs (Bulk Loans), Interest reduction benefit can be given upto: **1.00 %**.
- IX. In case of old CC accounts or in New Loan accounts, Reduction for other positive business factors viz. Turnover & credit balance in the account, group past dealing with the bank, loyalty of the customers, promotion of retail business / economy (eg. Medical, grocery, appliances, electronics, etc.) shareholding position, support for growth, business, development of the bank, negotiation with party in the current market situation etc., ROI reduction can be **0.25% to 2.00%** Maximum considering the above factors.
- X. Please note that any customer may be given maximum benefit of **2.00% ROI rebate only**.
- XI. Minimum ROI should not fall below **7.90% @** (Except in Loan against FDR)

Criteria for Addition \uparrow to Normal Interest Rates in CRRS:

The customer has to pay 0.25% to 2.00% additional interest in addition to normal rate.

Negative criteria are as under :

1. If offered collateral security, value of which, as per bank's opinion is less than 100% of Loan amount, Interest addition may be: **upto 2.00%**.
2. If Financial A/cs and analysis are below than standard Norms, or if the accounts are not audited, in this case Addition of interest may be: **0.25% to 2.00%** considering the financial analysis of the party.
3. In case of new ventures, if the projections are not convincing, justifiable, viable or achievable, or property is not mortgaged or negative lien is preferred, or in case of consumer food items and retail stores, or for any other observations by the Loan Committee, if deemed fit, then additional interest rate of **0.25% to 2.00%** may be charged on case to case basis.
4. In case of renewal of existing limit, if limit utilization is not proper and if any irregularity is found during last year, then Interest Addition may be: **Upto 2.00%**
5. CIBIL Score and Report Assessment will be important factor in providing competitive ROI (0.50% \uparrow or \downarrow) in all types of Loans / CC etc.
6. **0.50% p.m.** Penal Interest for non- compliance of T&C of Sanction, and / or **2.00% p.m.** Penal Interest for late payment in CC/SOD/TL A/c at the discretion of the CEO / GM may be charged.

RULES & RELAXATION IN NEW LOANS TO EXISTING BANK STAFF:

With regards to Loans and credit facilities to staff (existing staff who have completed

one year of service in the bank), following criteria may be applicable on case to case basis:

1. Staff is entitled to following types of Loan:
 - a. Secured Housing Loan (Max 140 Lakhs) upto 240 months @ ROI = 7.90% with 100% Collateral.
 - b. Secured Term Loan / Overdraft against Property / Furniture / consumables / Personal / Medical or Education of Children purposes, NSC/KVIP/ULIP, Two/Four Vehicle Loan etc. upto 180 months @ ROI = 9.00% with primary security mortgage (equitable) acceptable to the bank.
 - c. Unsecured Loans @ 11.00%
2. ROI can be given relaxation (subject to minimum ROI of 7.90%), either at the time of sanction, or thereafter at the time of completion of one year of service.
3. Margin in 2/4 wheeler loans can be minimum 5% of Total cost of vehicle. No Margin requirement in other Term Loans.
4. Guarantor required in case of Unsecured Loans.
5. Maximum deduction from salary for the purpose of Loan Installment / EMI shall be upto 60% of Net Pay as per the Salary Slip of the employee of the bank. Moreover, any other income of co-borrower can be taken into consideration.
6. At any given time, maximum three vehicle or housing loans can continue.
7. Shareholding / Membership is not required for staff credit facility.
8. If service of staff is stopped / retired / terminated for any reason, normal credit rules can be made applicable and the relaxations of staff can be withdrawn, except for Share Linking.
9. Loan committee is empowered to modify and decide in above mentioned relaxations on case-to-case basis.

13. **LOANS & ADVANCES PROPOSALS:** While forwarding the proposal of Loans & Advances to GM or Loan Committee or the Board of Directors, Branch Manager & Officers of Advances department will fulfil the terms and conditions of Loan Policy, repayment Capacity of Borrowers, availability of Primary and collateral Securities and Appraisal formats of Loans & Advances in prescribed format or any better format. And will recommend to sanction limit to General Manager / Loan Committee / Board of Directors as applicable.

14. **CALCULATING DRAWING POWER FOR CASH-CREDIT/OVERDRAFT:** Drawing Power may be ascertained by Adding Stock and/or Book Debts on Statements demanded on quarterly/half-yearly / yearly basis from the borrower, and on the basis of TDs / stock / debtors / vehicles / machinery / Plant keeping in view the prescribed margin as under.

Sr. No.	Type of Advances	Minimum Margin
1	Secured Overdraft against Bank's Own Term Deposits (TDs), NSC/KVP/LIC Policies and other Government approved Securities (Surrender Value)	5%
2	Loans/Overdraft against Stock / Debtors / Receivable	25%
3	Loan/Overdraft against Property and Plant and Machineries and Against Loans to Builders and Contractors	5%

15. **GUARANTORS:** Bank will obtain minimum one Guarantor in unsecured advances and Zero Guarantors in Secured Advances. Also, it should be ensured that total worth (Present or Proposed) of the Borrowers and/or Guarantors should not be less than the total amount

of advances. Loan Committee is empowered to exempt any borrower from the requirement of Guarantor in Unsecured Advances.

16. **BANK'S LOANS VALUER AND ADVOCATES:** Bank's In-charge Manager and Branch Manager and onwards designated officer who forwards the loan/advances proposal is empowered to make valuation of the property mortgaged to Bank for making advances up to the limit of Rs. 25,00,000/-. For the limit exceeding 25,00,000/-, additionally, Bank will require the valuation report of Government approved valuer or any other valuer who is empanelled with our / any bank for valuation purpose. In case of new / renewal files, Bank will accept Valuation reports as old as upto 7 years for considering the value of property. Self-Declaration regarding valuation of property in case of CC/SOD renewals upto 10 years may be accepted at the discretion of Branch Manager on case-to-case basis. Bank will accept the title clearance report of the Advocate who is registered in Bar council and/or who is on empanelled list of our / any Bank. For the valuation of gold and silver ornaments, Bank will accept the valuation report of the valuer who is Government approved valuer or registered as a valuer under the relevant law, or with the Bank.
17. **To Strengthen the Post Sanction monitoring of the bank:** Bank will ensure following actions to strengthen the post sanction monitoring of the advances.
- i. Branch officials will ensure proper end use of bank funds as per sanction on case-to-case basis.
 - ii. Post sanction follow-up of loans and advances should be effective so as to ensure that the security obtained from the borrowers by way of hypothecation, pledge, mortgage etc are not tempered with in any manner except with the prior permission of the Bank.
 - iii. Minimum quarterly average Utilization of 50% in CC/SOD will be required otherwise, Branch Managers, at their discretion, may charge penal interest upto total 50% Interest on sanctioned limit as reduced by interest actually received.
 - iv. Certain cases whereby Renewals are due but due to lack of CIBIL online support, CIBIL post renewal may be permitted in such cases but not later than 90 days.
 - v. Branch officials will ensure and will take all necessary steps including frequent inspection of the properties charged to bank in the weak standard assets (i.e. in sticky accounts).
 - vi. Branch officials will ensure that there should not be any diversion of funds in any accounts in which bank has financed.
 - vii. Branch officials will atleast once in a year and / or at the time of renewals, prepare and submit inspection reports of the stocks, books debts, collateral to the bank and file the same in borrower's file for Audit and Inspection purpose. If any serious adverse remarks are found during the visit, same should be communicated / put before the board / members of the loan committee / GM immediately.

Date: 22-05-2022

Ahmedabad

CEO / I/c CEO / GM / Authorized Signatory

Encl: Annex-A

Loan Policy for 2022-23

1. The loan Policy of the bank (as amended) will be implemented w.e.f. FY 2022-23
2. As a prudential norm and for better risk management and to avoid concentration of credit risk exposure limit of our bank has been fixed as under.

	Particulars.	Rs. In Lakhs
A	Computation of Tier-I Capital:-	
	. Paid up Capital	766.32
	Less Intangible Assets or Losses	0.00
	Net Paid up Capital	766.32
	. Reserve and Surplus	
	a. Statutory Reserve	3486.62
	b. Capital Reserve (Surplus of Sales of assets and held in surplus account)	0.00
	c. Free reserve	
	i. Building Fund	1109.59
	ii. Dividend Equalization Fund	55.78
	d. Other Reserves	0.00
	e. Surplus of profit and loss a/c of 31.03.2022 (248.05 * 25%)	62.01
A	Total Tier-I Capital...	5480.32
Calculation of Prudential Limits & Threshold Limits on exposure.		
1	Prudential Limits For Single Borrower/Party, the Prudential exposure limits will be @ 15% of Tier-1 Capital as on 31-3-2022, as per RBI's Circular dtd March 13, 2020. Exposure will include both fund base and non-fund base types of advances. Units coming under common ownership shall be deemed to be a single party	15% * 5480.32 = 822.05 Say 822 Lakhs
2	Prudential Limits For a Group of Connected Borrowers/Parties, the Prudential exposure limits will be @ 25% of Tier-1 Capital as on 31-3-2022 as per RBI's Circular dtd March 13, 2020. Group means commonality of Management and Effective Control. The different firms with one or more common partners engaged in the same line of business, viz. manufacturing, processing, trading activity, etc. shall be deemed to be connected group.	25% * 5480.32 = 1370.08 Say 1370 Lakhs
3	Threshold Limits: As per RBI's Circular dtd March 13, 2020, effective from 31-3-2024, UCBs shall have at least 50% of their aggregate loans and advances comprising loans of not more than ₹25 lakh or 0.2% of their tier I capital, whichever is higher, subject to a maximum of Rs.1 crore, per borrower/party.	0.2% * 5480.32 =10.96 Lakhs Or 25 Lakhs, w.e. high =25 Lakhs
4	PSL Targets to be Achieved by 31-3-2023 = 60% of ANBC or CEObSE, whichever is higher, as per base date figures of 31-3-2022	217.61*0.60 = 13056 Lakhs
	Notwithstanding the above, UCBs shall adhere to the revised Prudential limits on Exposure to single / Group Borrowers / Parties stipulated at 1/2 above. UCBs which do not, at present, comply with the prescribed threshold limits (3 above) shall be in conformity with the above requirements by March 31, 2024.	

1. Investment in Non SLR Securities will be restricted to 10% of Total Deposits of dated 31/03/2022 i.e. Rs. 296.70 Crore * 10% = Rs. 29.67 Crores.
2. Investment in Unlisted securities should not be exceeds 10% of Total Non SLR investment.
3. The Total Unsecured Loans and Advances of our bank will not exceed by 10% of Total Assets of 31/03/2022 of the bank at any time during the year = Rs. 387.91 Cr * 10% = Rs. 38.79 Crores.
4. Bank Unsecured Advances will include Clean loans, Medical Loans, overdraft and cheques hundies purchased and discounted.
5. Limit for Individual and Group Borrowers for Unsecured Advance will be limited to the limits prescribed by RBI from time to time.
6. Bank will not make finance for Bridge loans or will not entertain any type of interim finance for any purpose.
7. Bank's total exposures to real estate sectors and Housing sectors will not exceed 10% of Total Assets = Rs. 387.91 Cr * 10% = Rs. 38.79 Crores.

Calculation of Loanable funds will be as per following parameters.

Sr. No.	Particulars	Limit
1	Paid up Share Capital	75.00%
2	Free Reserves	75.00%
3	Total Deposits	70.00%
4	Borrowings from Central District Banks / GSC Bank / State Co-op Banks	100.00%

Date: 22-05-2022
Ahmedabad

CEO / I/c CEO / GM / Authorized Signatory



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mirhakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

(SAY "BMCB BANK")

સંવેદનશીલ હોદા ઉપરના કર્મચારી / અધિકારીઓ માટે ફરજિયાત રજા (Mandatory Leave) અંગેની પોલીસકિ Applicable from 23-04-2022

રીઝર્વ બેન્ક ઓફ ઈન્ડિયાના સરકયુલર DOR.ORG.REC.31/21.06.017/2021-22, DT. 09/07/2021 અન્વયે ઓપરેશનલ જોખમ નિવારણ માટે સામાન્ય રીતે બેન્કની વર્તમાન સેન્સેટીવ પોસ્ટ ઉપરના કર્મચારી / અધિકારીઓ દ્વારા થતી કામગીરીનું ઓપરેશનલ રિસ્ક મેનેજમેન્ટના હેતુસર વિવિધ હોદાઓ અને કામગીરીના ક્ષેત્રની તુલાનામાં રજાના દિવસોની સંખ્યાને વ્યાખ્યાયિત કરવા ફરજિયાત રજા (Mandatory Leave) ની પોલીસી ઘડવામાં આવી છે.

૧. હેતુ:

ધી ભુજ મર્કેન્ટાઈલ કો-ઓપ. બેન્ક લી.ના સેન્સેટીવ પોસ્ટ ઉપરના કર્મચારી / અધિકારીને ઉપરોક્ત સરકયુલર અંતર્ગત ફરજિયાત રજા (Mandatory Leave)ની નીતિ લાગુ કરવાની પોલીસી તૈયાર કરવામાં આવેલ છે.

૨. સંવેદનશીલ હોદા / સેન્સેટીવ પોસ્ટ:

ધી ભુજ મર્કેન્ટાઈલ કો-ઓપ. બેન્ક લી.ની તમામ શાખાના કેશીયર, બ્રાન્ચમેનેજર, એજીએમ, EDP મેનેજર ની પોસ્ટને સેન્સેટીવ પોસ્ટ તરીકે વર્ગીકૃત કરવામાં આવે છે.

૩. ફરજિયાત રજા (Mandatory Leave) :

કેલેન્ડર વર્ષ દરમિયાન સંવેદનશીલ હોદા / પોસ્ટ ઉપરના કર્મચારી / અધિકારીને કોઈપણ જાતની પૂર્વ સૂચના વગર ફરજિયાત પછો ઓછામાં ઓછા દસ કામકાજના દિવસ (Working Day) સળંગ રજા પર મોકલાવવામાં આવશે. સદર રજા કર્મચારીને નિયયાનુસાર મળવાપાત્ર CL, EL, SL વિગેરે રજાઓ ઉપરાંત આપવામાં આવશે.

૪. જવાબદારી / પ્રતિબંધ :

સંવેદનશીલ હોદ્દા / પોસ્ટ ઉપરના કર્મચારી / અધિકારી જ્યારે ફરજિયાત રજા પર હોય ત્યારે સામાન્ય હેતુસર બેન્કના આંતરિક / કોર્પોરેટ મેઈલનો ઉપયોગ સીવાય અન્ય કોઈ જવાબદારીઓ સંબંધિત કોઈપણ ભૌતિક અથવા વર્ચ્યુઅલ સાધનોનો ઉપયોગ કરી શકશે નહીં કે અન્ય કોઈપણ પ્રકારની જવાબદારીઓ નિભાવી શકશે નહીં.

૫. મુક્તિ / છુટ :

- કેલેન્ડર હોદ્દા / પોસ્ટ ઉપરના કર્મચારી / અધિકારીને કન્ટીન્યુ / સળંગ ૧૦ દિવસ (Working Day) કે તેથી વધારે દિવસ ટ્રેનીંગ / તાલીમ ઉપર જવાનું થાય ત્યારે તે કર્મચારી / અધિકારીએ પેરા/૩નું પાલન કરેલ છે. તેમ ગણાશે.
- કેલેન્ડર વર્ષ દરમિયાન સંવેદનશીલ હોદ્દા / પોસ્ટ ઉપરના કર્મચારી / અધિકારીની સળંગ ૧૦ દિવસ (Working Day) કે તેથી વધુ એક શાખામાંથી બીજી શાખામાં બદલી થયેલ હશે તેને સદર પોલીસીમાંથી મુક્તિ મળશે.
- કેલેન્ડર વર્ષ દરમિયાન સંવેદનશીલ હોદ્દા / પોસ્ટ ઉપરના કર્મચારી / અધિકારી નિવૃત્ત થતા હશે તેને સદર પોલીસી માંથી મુક્તિ રહેશે.
- સંવેદનશીલ હોદ્દા / પોસ્ટ ઉપરના કર્મચારી / અધિકારી કેલેન્ડર વર્ષ દરમિયાન સળંગ ૧૦ દિવસ (Working Day)થી વધારે સસ્પેન્શન ઉપર હોય અથવા લીવ લીધાઉટ પે (LWP) ઉપર હશે તેને સદર પોલીસીમાંથી મુક્તિ મળશે.
- જે શાખા માત્ર એક જ કર્મચારીથી કાર્યરત હોય અને / અથવા તે શાખાની કેશની રિટેન્શન લીમીટ રૂ.૫૦ લાખ સુધીની મર્યાદામાં હોય તે શાખાના કર્મચારીને સદર પોલીસી ફરજિયાત પાછો લાગુ પડશે નહીં. પરંતુ આવી શાખાને મહિનામાં ઓછામાં ઓછું એક વાર સરપ્રાઈઝ કેશ વેરિફિકેશન થવું જરૂરી રહેશે.
- કેલેન્ડર વર્ષ દરમિયાન કોઈ કર્મચારીને ગંભીર પ્રકારની બિમારી કે સ્ત્રી કર્મચારીના કિસ્સામાં મેટરનીટી લીવ ઉપર હોય તો તે કર્મચારીને સદર પોલીસી લાગુ પડશે નહીં.

ઉપરોક્ત પોલીસી સાથે રીઝર્વ બેન્ક ઓફ ઈન્ડિયાના જોખમ વ્યવસ્થાપન પ્રણાલી અને વખતો વખતના સરકયુલરો ધ્યાને લઈ બેન્કના CEO અને જનરલ મેનેજર અને ડેપ્યુટી જનરલ મેનેજર નિર્ણય લઈ શકશે અને અથવા પોલીસી રીન્યુ કરવા બોર્ડ ઓફ ડિરેક્ટરને ભલામણ કરી શકાશે.

આ પોલીસી તા. ૨૩/૦૪/૨૦૨૨ના રોજની બોર્ડ ઓફ ડિરેક્ટર્સની મીટીંગમાં મંજૂર કરવામાં આવે છે.

Date: 23-04-2022

Ahmedabad

CEO / I/c CEO / GM / Authorized Signatory



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

REAL ESTATE VALUATION POLICY

Approved By:

Board of Directors – Meeting Dated 23-04-2022.



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

(SAY "BMCB BANK") **REAL ESTATE VALUATION POLICY** **Applicable from 23-04-2022**

As Reviewed in the Board of Directors meeting dtd 23-04-2022, Our Bank's REAL ESTATE VALUATION Policy was Reviewed / modified / updated accordingly w.e.f. 23-04-2022 as under strictly in accordance with the RBI guidelines issued from time to time in relation.

1. PURPOSE

- Valuations are undertaken on a regular basis in order to determine the fair market value of assets within financial statements and for unit pricing. The policy formalizes changes to the valuation process which has resulted from a review of current valuation practices with regard to the changing investment environment and the needs of our clients.
- The purpose of valuation to be undertaken by the bank is to ascertain the value of the property for
 - ✓ Ascertaining the amount to be given as a loan.
 - ✓ Periodically ascertaining the value of the property that has been mortgaged, whether it is increasing or decreasing over the period.
 - ✓ Realizing the value of Non-Performing assets (NPAs) and
 - ✓ Resumption of properties in cases of default.

2. CRITERIA FOR EMPANELMENT OF VALUERS

- The Valuers empanelled with the bank is competent and capable of providing high quality of service, the following criteria need to be adhered to while empanelling valuers, The Board can take lenient view in following criteria for specific case.
 - ✓ **Educational Qualification and Work Experience**-A valuer possesses proper educational qualification which makes him competent to carry out the task of valuation of immovable property as well as relevant work experience is also important.

- He/she would have Bachelor's degree/diploma in Civil Engineering/Architecture/Town Planning or equivalent with at least 1 year work experience in the field of valuation after completion of the degree/ diploma or equivalent.
 - He/she would have Bachelor's degree/diploma in Civil Engineering/Architecture/Town Planning or equivalent with pass in Valuation Examination conducted by the Institution of Surveyors, India (Valuation Branch) with 1 year work experience in the field of valuation after completing the examination. or
 - He/she would have Bachelor's degree in Civil Engineering/Architecture/Town Planning or equivalent with pass in Examinations conducted by any approved & Registered College or University in India.
- ✓ **Age-** The minimum age for empanelment with the bank shall be 25 years and no maximum age limit for a valuer to remain on the panel.
- ✓ **Membership of Professional Bodies-** He/she would be a member of at least one of the undermentioned associations namely:
- Institute of Valuers (IOV)
 - Institution of Surveyors(Valuation Branch) (IOS)
 - Institution of Government Approved Valuers (IGAV)
 - Practicing Valuers Association of India (PVAI)
 - Centre for Valuation Studies, Research and Training (CVSRT)
 - Royal Institute of Chartered Surveyors, India Chapter (RICS)
 - American Society of Appraisers, USA (ASA)
 - Appraisal Institute, USA (AI)
- ✓ **Registration with Government-** Registration with central/ state governments is desirable but not compulsory. But undertaking valuations under the SARFAESI Act, valuation has to be obtained from Registered Valuer under the Wealth Tax Act (Sections 34 AA to 34 AE).
- ✓ **Undertaking-** Valuers have to be fulfilled the following conditions like
- The valuer is a citizen of India.
 - The valuer has not been removed/ dismissed from service (previous employment) earlier.
 - The valuer has not been convicted of any offence and sentenced to a term of imprisonment.
 - The valuer has not been found guilty of misconduct in professional capacity.

- The valuer is not an undischarged insolvent.
- The valuer possesses a PAN Card number / Service Tax number as applicable.

3. DURATION OF EMPANELMENT

- Empanelment shall be for a period of three years. Annual review of the quality of service provided / performance of the Valuers shall be carried out by a Board of Directors of the bank.

4. REMOVAL AND RE-EMPANELMENT

- The bank shall take appropriate action, including removal from the panel for a period of five years or forever, with immediate effect, if charges are found serious like found to be indulging in unfair practices, guilty of professional misconduct, violating the code of ethics and professional practices etc.

5. PROFESSIONAL FEES

- Professional Fees may be decided by Board of Directors from time to time.

6. COMPLIANCE AND STANDARDS AND PROCEDURE

- The Valuers shall comply and abide all standards as well procedures laid down and issued by any regulatory, institute, professional body, other relevant institute and the bank itself.

7. INDEPENDENCE AND OBJECTIVITY

- The Valuers shall act with independence, integrity and objectivity. They shall undertake all valuation works with an independent mind and shall not come under any influence of anybody and should not have any direct or indirect interest.

8. CONTINUING EDUCATION

- All Valuers shall constantly update their knowledge base by actively participating in various continuing education programmes including seminars, conferences, workshops, training programmes, capacity building programmes, etc.

9. OBLIGATION BY BANK

- Appointment/empanelment of Valuers shall be done in accordance with the Policy of this document and its amendments from time to time.
- All instructions to the valuer are to be given by the bank in writing.
- Supportive documents, wherever possible, shall be provided to the valuer before the valuation work begins. Any other document will have to be procured by the valuer and sufficient time for the same will be provided.
- A minimum of 2 days and a maximum of 8 days time shall normally be given to the valuer to carry out the valuation. In case of outstation properties or in case of large

property valuations, more time shall be given, depending on the circumstances, on a case to case basis.

- No security deposits or any other indemnity money would be taken from the Valuers as security for the professional services that they provide.
- Professional fees/ payments to the Valuers need to be paid by the bank within reasonable time of the submission of the valuation report and its acceptance by the bank.
- In case the valuation report submitted by the valuer is not in order, the bank shall bring the same to the notice of the valuer within 15 days of submission for rectification and resubmission otherwise presumed that valuation report has been accepted.
- In case of valuations under SARFAESI Act, provisions under the Act have to be followed.
- The bank will appointed two valuers who has more than 1 year experience in the case of value of property is more than Rs.50 crores. Average value is considered when in the difference in the valuation arrived at by both the valuer is not more than 15 percent. A third valuer who has more than 5 years experienced shall be appointed by the bank in case the difference is more than 15 percent.

10. BASIS OF VALUATION

- The valuer has to take at least three different valuation for each property with explanations as follows:
 - ✓ **Market Valuation-** Market value is the estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller, in an arms-length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion.
 - Market valuations are generally based on information regarding comparable properties. The valuation process requires that a valuer conducts adequate and relevant research for market comparables including searches in the office of the sub-registrar as well as other authentic sources to perform a competent analysis and to draw well informed and supportable judgments. On account of changing conditions and characteristics of markets, valuers must consider whether available data reflect and meet the criteria for market value or not.
 - ✓ **Realizable Value (Orderly Liquidation Value)-** It is the estimated gross amount expressed in terms of money, that could be typically realized from liquidation sale, given a reasonable period of time to find purchaser(s) with the seller being compelled to sell on an as is where is basis as of a specific date.
 - ✓ **Distressed Value (Forced Liquidation Value)-** It is the estimated gross amount expressed in terms of money that could be typically realized from a properly advertised and conducted public auction, with the seller being compelled to sell with a sense of immediacy on an as is where is basis as of a specific date.

11. BASIS OF VALUATION CONSIDER IN LOANS

- Board of Directors has decided to consider 'REALIZABLE VALUE' of the property (either residential or commercial) at the time of granting the loans whether property shall take as a primary or collateral security.

12. VALUATION REPORT

- Every valuation report shall:
 - ✓ Clearly and accurately set forth the conclusions of the valuation in a manner that is unambiguous and not misleading.
 - ✓ Identify the client, the intended use of the valuation and the relevant dates.
 - ✓ Record the date as of which the value estimate applies.
 - ✓ Record the date of the report.
 - ✓ Record the date of inspection
 - ✓ Record the name and qualifications of the person who has done the inspection.
 - ✓ Specify the basis of the valuation, including type and definition of value.
 - ✓ Identify and describe the property rights or interests to be valued.
 - ✓ Describe the physical and legal characteristics of the property and classes of property included in the valuation other than the primary category.
 - ✓ Describe the scope and extent of the work used to develop the valuation.
 - ✓ Specify all assumptions and limiting conditions upon which the value conclusion is contingent.
 - ✓ Identify special, unusual or extraordinary assumptions and address the probability that such conditions will occur.
 - ✓ Include a discussion on the followings:
 - Current and future real estate market trends to the extent foreseeable.
 - Historic, current and future demand for the category of property in the locality.
 - Potential and likely demand for alternative uses.
 - Current marketability of the property and the likelihood of its sustainability.
 - Any impact of foreseeable events (as can be ascertained on the date of valuation).
 - Extent of market based evidence to support the valuation.
 - ✓ Include a description of the information and data examined, the market analysis performed, the valuation approaches and procedures followed and the reasoning that supports the analyses, opinions and conclusions in the report.
 - ✓ Contain a clause specifically prohibiting the publication of the report in whole or in part or any reference thereto or to the valuation figures contained therein, or to the name and professional affiliation of the valuers, without the written approval of the valuer.
 - ✓ Include the name, professional qualifications and signature of the valuer.

- ✓ Include a compliance statement that the valuation has been performed in accordance with these standards.
- ✓ The compliance statement shall confirm that
 - The statements of fact presented in the report are correct to the best of the valuer's knowledge.
 - The analyses and conclusions are limited only by the reported assumptions and conditions.
 - The valuer has no interest in the subject property.
 - The valuation was performed in accordance with an ethical code and standards.
 - The valuer has satisfied professional education requirements.
 - The valuer has experience in the location and category of the property being valued.
 - The valuer or his representative who is also a valuer has made an inspection of the property.
 - The format of presentation of the valuation report may be informed to the Valuer at the time of empanelment.
 - For all valuation reports, sufficient documentation must be retained in the work file to support the results and conclusions of the valuation and must be held for a period of at least two years after completion.
 - The report would be written in English or in a regional language and would convey a clear understanding of the opinions being expressed by the valuer and also be readable and intelligible to someone with no prior knowledge of the property. It would demonstrate clarity, transparency and consistency of approach and would reflect an independent, unbiased and fair view of the circumstances.

13. CODE OF CONDUCT

- All valuers empanelled with the bank shall strictly adhere to this code of conduct:
 - ✓ To express an opinion only when it is founded on adequate knowledge and honest conviction.
 - ✓ To refrain from misrepresenting qualifications or work experience.
 - ✓ To treat all information procured during the course of the business as confidential.
 - ✓ To observe integrity and fair play in the practice of the profession.
 - ✓ To refrain from undertaking to review the work of another valuer of the same client except under written orders from the bank and with knowledge of the concerned valuer.

- ✓ To give unbiased valuation report conforming to standards and conforming to the objective opinion of the property and not to attempt merely to accommodate the interests of the client.
- ✓ To steer clear of situations where interests and duty clash.
- ✓ To conduct oneself in such a manner that will not prejudice the professional status or reputation of the profession.
- ✓ To follow this code as amended or revised from time to time.

14. PROCEDURE FOR VALUERS

- **Procedures for Call for Application for Empanelment-** The bank has a year round system of receiving applications from intending valuers seeking empanelment.
 - ✓ The application format shall be available at the Head Office., or the application draft by the valuers with a basic requirements.
 - ✓ As and when the requirement arises, the number of valuers required shall be empanelled and once empanelled, the valuer shall be on the panel for perpetuity unless and until removed or dismissed.
 - ✓ All applicants shall be received by the Branch Manager for processing.
- **Procedure for Internal Work Allocation in the Bank-** The bank shall take necessary steps to develop internal work allocation procedures so that the appointment of valuers, maintenance of registers, computerization of operations, etc. can be carried out smoothly. The bank shall nominate on senior officer as the Nodal Officer for all valuation related matters for coordination internally as well as with outside regulatory/institution.
- **Procedure for Allotting Work to Empanelled Valuers-** The bank shall maintain a Register of Valuation Work Outsourcing. Work shall be offered to valuers based on their performance and if for any reason, a valuer does not take up the work, the same should be recorded and then the work allotted to another valuer.

15. Revaluation of Bank's Own Fixed Assets -

- Bank will revalue its own property (Buildings) with the intension to raise Tier II Capital. Revaluation of the property will be done when there is need to increase Capital Fund or as per Committee/Board Resolution.
- The difference between the revaluation of the property and the book value will be treated as Revaluation Reserve.
- Bank will provide depreciation on the Revalued assets. However, depreciation of historic value will be debited to P & L A/c while remaining amount of depreciation will be debited to Revaluation Reserve.
- Valuation of the property (Buildings) will be done by the Bank's and/or Government's approved Civil Engineers / Valuers.

16. REVIEW OF THE POLICY

- The Policy will be reviewed on yearly basis or as and when felt necessary by the Board

17. APPROVAL BY BOARD OF DIRECTORS

18. The Board of Directors reviewed the "Real Estate Valuation Policy" in Board Meeting held on 23-04-2022.

Date: 23-04-2022
Ahmedabad

CEO / I/c CEO / GM / Authorized Signatory



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

RECOVERY POLICY

Approved By:

Board of Directors – Meeting Dated 23-04-2022.



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

(SAY "BMCB BANK")

રિકવરી પોલીસી

Applicable from 23-04-2022

તા. 23-04-2022 ના રોજ મળેલી બોર્ડ ઓફ ડાયરેક્ટર્સની મિટીંગમાં રિકવરી પોલીસીની સમીક્ષા કરી અને રિઝર્વ બેન્કે જે જે વખતે આદેશો આપી સુધારા સુચવ્યા હતા તેનો સમાવેશ કરી નીચે પ્રમાણે રિકવરી પોલીસી તૈયાર કરવામાં આવી. તેને સર્વાનુમતે બહાલી આપી મંજૂર રાખવા ઠરાવવામાં આવે છે.

બેન્કના બાકીદારો પાસે રિકવરી કરવા માટે રિઝર્વ બેન્કની તથા સહકાર ખાતાની સુચના અનુસાર રિકવરી કરવા નીચે મુજબ નિયમો બનાવવાનું નક્કી કરવામાં આવે છે. બેન્ક દ્વારા કરવામાં આવેલ વિવિધ પ્રકારના ધિરાણની સઘ્ધરતા જળવાઈ રહે તથા વસુલાત (ઉઘરાણી) સમયસર આવી જાય જેથી N.P.A. નું સ્તર શક્ય હોય તેટલું નીચું રહે તે હેતુસર આ રિકવરી પોલીસી ઘડવામાં આવી છે.

1. રિકવરીની કામગીરી બેન્કના લોન રિકવરી વિભાગ દ્વારા કરવામાં આવશે.
2. બેન્કની રિકવરી સેલ લોન વિભાગ દ્વારા કરવામાં આવતી રિકવરીની કામગીરી ઉપર સંપૂર્ણ દેખરેખ રાખશે અને સેલ દ્વારા વખતો વખત બેન્કની રિકવરીની પરિસ્થિતીનું સંકલન કરી સ્ટાફ દ્વારા કરેલ કામગીરીની સમીક્ષા કરવામાં આવશે.
3. બેન્કના અધિકારીઓ દર મહિને ધિરાણ ખાતાના અભ્યાસ કરી નીચે મુજબ કાર્યવાહી કરશે.
 - a. જે સ્ટાન્ડર્ડ ખાતું સબ સ્ટાન્ડર્ડ ખાતાની શ્રેણીમાં આવી જવાની શક્યતા હોય તે બધા ખાતાઓમાં તાત્કાલીક યોગ્ય કાર્યવાહી કરી તેને સબસ્ટાન્ડર્ડ શ્રેણીમાં આવતા અટકાવવાના યોગ્ય ધોરણ પ્રયાસ કરવા.
 - b. જે ખાતાઓમાં બે અથવા વધારે હપ્તા ચૂકી ગયા હોય તો ધિરાણ લેનાર પાર્ટીને ફોનથી અથવા રૂબરૂ સંપર્ક કરી હપ્તાની રકમ મેળવવાના પ્રયાસ કરવા. જો પાર્ટી હપ્તાની રકમ ભરવામાં નિષ્ફળ જાય તો તેને લેખીત નોટીસ આપવી.
 - c. સબ સ્ટાન્ડર્ડ ખાતામાં જ સતત છ હપ્તા ન ભરાયા હોય અથવા બે ત્રિમાસીક વ્યાજ ન ભરાયા હોય તો તાત્કાલીક વકીલ મારફત લીગલ નોટીસ આપવી.
 - d. નોટીસની મુદત પુરી થવાથી લવાદ કેસ કરવા માટે રિકવરી સેલ (બોર્ડ)માં મુકવું.
 - e. ઠરાવ થવાથી લવાદ કેસ કરવાની બાબતની કાર્યવાહી તાત્કાલીક કરવી.
 - f. આ કાર્યવાહી દરમિયાન પાર્ટીનો સતત સંપર્ક કરી લવાદ કાર્યવાહી ન કરવી પડે તે રીતે સમજાવીને વસુલાતના પ્રયત્નો કરવા.
 - g. D1 થી D3 શ્રેણીના કેસમાં પણ તાત્કાલીક યોગ્ય કાર્યવાહી હાથ ધરવી.

- h. જે ખાતાઓમાં બધા જ પ્રયાસો કર્યા પછી જો વસુલાતની શક્યતા ઓછી દેખાતી હોય તો આ ખાતાની સંપૂર્ણ વિગત જેમકે ધિરાણની રકમ અને તારીખ, ભાગીદારનું નવું સરનામું, હોલની બાકી (મુદલ અને વ્યાજ) ઉપલબ્ધ સિક્કોરીટીની વિગતો જામીનના નામ અને સરનામું અને રિકવરી ન આવવાના કારણોની વિગતો સાથે સમાધાન માટે ભાગીદાર દ્વારા મુકવામાં આવેલ પ્રસ્તાવ અને યોગ્ય ભલામણ સાથે કમિટિ અથવા બોર્ડ સમક્ષ નોંધ મુકવી.
- i. સેલ (બોર્ડ) નીચે મુજબના મુદાઓને ધ્યાનમાં સમાધાનના કેસોમાં યોગ્ય રીતે નિર્ણય લેશે.

:: સમાધાન માટેના માર્ગદર્શક સિધ્ધાંતો ::

1. બેન્કના ડાયરેક્ટર્સ તથા તેમના સગા - વડાલાઓના કોઈપણ ધિરાણ ખાતામાં સમાધાન થઈ શકશે નહીં.
2. સમાધાન કરતાં પહેલાં બાકીનાએ બેન્ક તરફથી કોઈપણ રકમ આપવાના વિકલ્પ કર્યા હોય તો તે રકમ તેના લોન ખાતામાં જમા લેવી.
3. બને ત્યાં સુધી મુદત રકમનો સમાવેશ સમાધાનમાં કરવામાં આવશે નહીં.
4. ચડતા વ્યાજ, દંડનીય વ્યાજ અને લીગલ ખર્ચ વગેરેમાં બાકીદારની પરિસ્થિતીને આધારે કેટલી રકમ માફ કરી સમાધાન કરવું તે બેન્કનું બોર્ડ નક્કી કરશે.
5. સમાધાન માટેની અરજીમાં સમાધાન કરવાના ચોકકસ કારણોની નોંધ કરવી.
6. આ પ્રકારે કરેલા સમાધાનના પરિણામે કરેલ માંડવાળનો સંપૂર્ણ રેકર્ડ બેન્કમાં રાખવામાં આવશે અને તે વિગતો બેન્કની આગામી સાધારણ સભામાં મુકવામાં આવશે.
7. સમાધાન અંગેની અંતિમ મંજૂરી સાધારણ સભાની રહેશે અને એજન્ડામાં તેનો સમાવેશ કરવાનો રહેશે.
8. R.B.I. તથા રજીસ્ટ્રાર કો-ઓપ. સોસાયટી, ગાંધીનગર (સહકાર ખાતા) તરફથી બેન્કને વખતો વખત મળતા પરિપત્રોના આધારે બેન્કની મે.ક. યોગ્ય નિર્ણય લઈ વસુલાત કરી શકશે.

રિકવરી પોલીસીની હવે પછીની તારીખ: 23-04-2022 અને બોર્ડને યોગ્ય લાગે તે સમયે રિઝર્વ બેન્ક તથા રજીસ્ટ્રારશ્રી, સહકારી મંડળીઓના વખતો વખતના આદેશોને આધિન સુધારા વધારા કરી સમીક્ષા કરવામાં આવશે.

Date: 23-04-2022
Ahmedabad

CEO / I/c CEO / GM / Authorized Signatory



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

STATUTORY AUDIT POLICY AND APPOINTMENT POLICY

Approved By:

Board of Directors – Meeting Dated 23-04-2022



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

(SAY "BMCB BANK") Statutory Audit Policy and Appointment Applicable from 23-04-2022

As Reviewed in the Board of Directors meeting dtd 23-04-2022, pursuant to the requirement of Reserve Bank of India, vide its circular Ref. No. RBI/2021-22/25 Dos. CO.ARG/SEC. 01/08.91.001/2021-22 dated April 27, 2021, Our Bank's Statutory Audit Policy and Appointment was approved accordingly w.e.f. 23-04-2022 as under:

1. Objective: Reserve Bank of India, vide its circular Ref. No. RBI/2021-22/25 Dos. CO.ARG/SEC. 01/08.91.001/2021-22 dated April 27, 2021 has granted managerial autonomy to UCBs in the matter of appointment of Statutory Auditors for the F.Y. - 2021-22 and onwards and a roadmap is rolled out to operationalize the same. Our Policy for appointment of Statutory Auditors is prepared to fulfil the said object.
2. Number of Audit Firms:
 - a) The actual number of Statutory Audit Firms to be appointed can be decided by the Board subject to the prescribed minimum One Audit Firm. It has been decided by the Bank's Board to have Maximum Three Audit firms as Statutory Auditors. However, the Board may review and decide on the number of Statutory Auditor Firm any time if felt necessary.
 - b) As per RBI guidelines, Statutory Auditor has to visit and audit at least the Top 20% branches (in case of entities having less than 100 branches) to be selected in order of the level of outstanding advances, in such a manner as to cover a minimum of 15% of total gross advances of the Bank. But our Bank being a small Bank, Statutory Auditor will have to Audit atleast Top 50% Branches (Current and Prospective) of the bank and follow RBI Guidelines for the same.
3. Norms on Eligibility, Empanelment and Selection of Statutory Auditor: The eligibility norms (as advised by Reserve Bank of India) are as under:

Asset Size as on 31st March of 2021 and onwards	Minimum No. of Full Time Partners (FTPs) associated with the firm for a	Out of total FTPs, Minimum No. of Fellow Chartered Accountant (FCA) Partners Associated with the	Minimum No. of years of Audit Experience of the firm	Minimum No. of Professional Staff
---	---	--	--	-----------------------------------

	period of at least three (3) years	firm for a period of at least three (3) years		
Up to Rs.1000 Cr.	2	1	6	8
Notes	There should be at least one-year continuous association of partners with the firm as on the date of short listing	---	Audit experience shall mean experience of the audit firm as Statutory Central / Branch Auditor of Commercial Banks (excluding RRBs)/UCBs/NBFCs/AIFIs. In case of merger and demerger of audit firms, merger effect will be given after 2 years of merger while demerger will be effected immediately for this purpose.	Professional staff includes audit and article clerks with knowledge of book-keeping and accountancy and who are engaged in on-site audits but excludes typists/stenos/computer operators/secretaries/ subordinate staff, etc. There should be at least one-year continuous association of professional staff with the firm as on the date of short listing

- a) The Audit Firm should not be disqualified for an appointment as an Auditor u/s 141 of the Companies Act and other sections of applicable Acts viz. Co-operative Societies Act, Multi-State Co-operative Act, etc.
- b) The SA firm's total exposure should not exceed 10% of the Tier I capital of the Bank
- c) The firm or any of the partners should not be debarred by RBI or NFRA, ICAI and no such application is pending before such authority in these regards.
- d) None of the partners should be indebted to the Bank and neither of the partner or its relatives are in the willful list of Defaulters of any Bank or FIs/NBFCs
- e) None of the partners and their relatives should be Directors of the Bank.
- f) They should not be the Concurrent Auditors of the Bank for the specified period.
- g) The Statutory Auditor of the firm should have a fair knowledge of the functioning of the cooperative sector and shall preferably have working knowledge of the Gujarati Language.
- h) In case any audit firm (after appointment) does not comply with any of the eligibility norms (on account of resignation, death etc. of any of the partners, employees, action by Government Agencies, NFRA, ICAI, RBI, other Financial Regulators, etc.), it will promptly inform the Bank with full details, and, the Bank, in turn will approach RBI.
- i) Further, the audit firm shall take all necessary steps to become eligible within a reasonable time and in any case, the audit firm should be complying with the above norms before commencement of Annual Statutory Audit for Financial Year ending 31st March and till the completion of annual audit.

- j) In case of any extraordinary circumstance after the commencement of audit, like death of one or more partners, employees, etc., which makes the firm ineligible with respect to any of the eligibility norms, Bank will approach RBI to allow the concerned audit firm to complete the audit, as a special case.
- k) In case of completion of statutory audit for the first year, the audit firm denies to continue for the next years, then Bank will have to do the whole process of appointment and permission again.

4. Procedure for Selection and appointment of Statutory Auditors: Bank will select audit firms considering the following points / parameters:

- a) As far as possible, at least two audit firms having their Head Office or branches located in Area of Operation of the Bank.
- b) The firms whose partner/s or relatives of partners (as defined in Director's relatives in RBI master circular on Board of Directors) are on the Board of our Bank will not be appointed as auditors for the Bank.
- c) The Bank will prepare a list of at least 2 shortlisted audit firms. The list of shortlisted audit firms will be placed before BOD. BOD will approve at least 2 suitable audit firms in order of preference, to take care of the situation, where first preference is found to be ineligible / refuses appointment.
- d) However, in case of reappointment of Statutory Auditor till completion of tenure of continuous term of 3 years, there would not be any requirement of short listing and sending names of multiple audit firms to RBI while seeking approval to appointment. The audit firm should give their consent in writing for consideration of appointment in our bank for the particular year and the subsequent continuing years subject to their fulfilling the eligibility norms prescribed by RBI from time to time.
- e) Upon deciding preference as Statutory Auditors in consultation with the BOD and verifying their compliance with the eligibility norms as prescribed by RBI, the Bank will send the list of at least 2 audit firms (in order of preference), to RBI for its prior approval for appointment of Statutory Auditor.
- f) While approaching RBI for its approval for appointment of Statutory Auditor, the Bank will indicate the total asset size as on March 31st of the previous year (audited figures) along with Board Resolution recommending names of Audit Firms for appointment in order of preference and Form B and Form C to facilitate expedite approval of appointment of Audit Firms

5. Scope and periodicity of Audit: The scope and periodicity of the Statutory Audit will be as per prevailing statutory / regulatory guidelines issued by regulatory / supervisory authorities in this regard from time to time. In absence to any statutory / regulatory guidelines, the scope and periodicity as approved by the BoD shall prevail.

6. Tenure and Rotation:

- a) The Bank will make the appointment of Statutory Auditors for a continuous period of three years subject to the firms satisfying the eligibility norms each year.
- b) An Audit Firm would not be eligible for reappointment in the Bank for six years (two tenures) after completion of full or part of one term of the audit tenure.

7. Relinquishment of the internal assignments, if any: In the event of acceptance of the appointment as Statutory Auditor of the Bank, all the internal assignments of the Auditor in our Bank, if any, will stand withdrawn.

8. Other Guidelines

- a) The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the proposed SAs for the Bank or any audit/ non-audit works for its group entities is atleast one year before or will be atleast one year after its appointment as SAs.
 - b) Concurrent Auditor of the Bank should not be considered for appointment as Statutory Auditor.
 - c) The restrictions will also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.
 - d) The incoming audit firm shall not be eligible if it is associated with the outgoing audit firm under the same network of audit firms.
 - e) The BOD shall monitor and assess the independence of the auditors. Any concerns in this regard will be flagged by the BOD to RO of RBI.
 - f) In case of any concern with the management of the Bank such as non-availability of information / non-co-operation by the Management, which may hamper the audit process, the Auditor shall have to approach the Board of the Bank under intimation to the concerned RO of RBI
9. Number of Assignments: One audit firm can concurrently take up statutory audit of a maximum of four Commercial Banks, eight UCBs and eight NBFCs during a particular year subject to compliance with required eligibility criteria and other conditions for each Entity. The limit prescribed for UCBs does not include audit of other co-operative societies.
10. Professional Standards of Statutory Auditor: The Board will review the performance of Statutory Auditors on an annual basis. Any serious lapses / negligence in audit responsibilities or conduct issues on the part of Statutory Auditor or any other matter considered as relevant shall be reported to RBI with approval / recommendation of the Board with full details of the audit firm within two months from completion of the annual audit.
11. Remuneration and Expenses: The Audit fees for Statutory Audit will be decided by Board of Directors and will be limited to the provisions of Multi-State Co-operative Societies Act. The Audit Expenses shall be re-imbursed to the SAs subject to following limits:

Type of Expenses	Re-imburement Limit*
Food Expenses Limit	Rs. 400/- per person per day.
Travelling by Road	Rs. 8/- per k.m. Car
Travelling by Transport	On actual basis

Lodging and Boarding Expenses Limit	Kutch & Ahmedabad Region	Mumbai Region
Professional	Rs. 750/- per person per night	Rs. 1000/- per person per night
Associates / Interns / Subordinates	Rs. 500/- per person per night	Rs. 750/- per person per night

*CEO is authorized to permit the maximum limit of expenses subject to Actual Bills submitted for Re-imbursement.

12. Removal: Bank will not remove the audit firm during the above period without the prior approval of the Reserve Bank of India. The BOD of the Bank will be the complete authority to recommend removal of any Statutory Auditor to RBI.
13. Declarations/Undertaking to be obtained from the Audit Firm:
 - a) A suitable undertaking from the firm to the effect that the Audit work till be carried out by their own staff and they will not subcontract the audit work.
 - b) There are no adverse remarks / disciplinary proceedings pending / initiated against the firm / any of its partners on the records of ICAI, which would make them ineligible for appointment as auditors.
 - c) None of the partners or the Firm / Company in which they are Partners / Directors are defaulters in any Bank or Financial Institution.
 - d) Associate firms or sister concerns of Statutory Audit Firm will be disqualified for internal assignment where the main firm / partners are allotted Statutory Audit in a particular year.
 - e) In event of lapses in carrying out audit assignments resulting in misstatement of Bank's financial statements, and any violations / lapses vis-à-vis the RBI's directions / guidelines regarding the role and responsibilities of the SA will be liable to be dealt with suitably under the relevant Statutory / Regulatory framework.
14. Review of the Policy: The policy will be reviewed as and when felt necessary by the Board and as per RBI Guidelines.
15. Approval By Board of Directors: The Board of Directors approved the Policy in Board Meeting held on 23-04-2022.

For, The Bhuj Mercantile Co-operative Bank Ltd.

Date: 23-04-2022
Ahmedabad

I/c CEO / GM / Authorized Signatory



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

SAFE DEPOSIT LOCKER POLICY

Approved By:

Board of Directors – Meeting Dated 23-04-2022



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

(SAY "BMCB BANK")
SAFE DEPOSIT LOCKER POLICY
Applicable from 23-04-2022

As Reviewed in the Board of Directors meeting dtd 23-04-2022, as per RBI Circular no. RBI/2021-22/86 dtd 18-08-2021, our Bank's Safe Deposit Locker Policy was Reviewed / modified / updated accordingly as under:

Sr. No.	Point	Sub Point	Content of Policy
1.	Safe Deposit Locker		
	1.1		Presently Locker facility is available in various branches of the Bank. Safe deposit lockers can be hired by an individual singly or jointly with another individual(s), HUFs, firms, limited companies, associates, societies, trusts, etc. Prevalent KYC norms are applicable for locker hirers. Lockers cannot be allotted to minors either singly or jointly with others.
	1.2		Bank is having a system to ensure that identification Code of the bank / branch is embossed on all the locker keys with a view to facilitating identification of lockers / locker ownership by law enforcement agencies in case of need.
	1.3		Further, the custodian of the locker shall, regularly/periodically, check the keys maintained in the branch to ensure that they are in proper condition.
	1.4		Bank shall permit the locker-hirer to operate the locker only with the key provided by the bank, although there is no restriction in allowing

		the customer to use an additional padlock of her /his own if there are such provisions in lockers.
2.	Customer Due Diligence (CDD) for Lockers	
	2.1	The existing customers of the bank who have made an application for locker facility and who are fully compliant with the CDD criteria under the Master Direction – Know Your Customer (KYC) Directions, 2016 (as updated from time to time) may be given the facilities of safe deposit lockers/ safe custody article subject to on-going compliance.
	2.2	Customers who are not having any other banking relationship with the bank may be given the facilities of safe deposit locker / safe custody article after complying with the CDD criteria under the Master Direction – Know Your Customer (KYC) Directions, 2016 (as updated from time to time) and subject to on-going compliance. The due diligence shall be carried out for all the customers in whatever rights and capacities they may be hiring the locker
	2.3	Bank have incorporated a clause in the locker agreement that the locker-hirer/s shall not keep anything illegal or any hazardous substance in the Safe Deposit locker. If the bank suspects that the deposit of any illegal or hazardous substance by any customer in the safe deposit locker, the bank shall have the unconditional right to take appropriate action against such customer as it deems fit and proper in the circumstances within purview of law as amended from time to time
	2.4	The bank must obtain a recent passport size photographs of locker-hirer(s) and individual(s) authorised by locker hirer(s) to operate the locker and preserve in the records pertaining to locker-hirer being maintained in the bank's branch
3.	Locker Allotment	
	3.1	To facilitate customers making informed choices, bank shall maintain a branch wise list of vacant lockers as well as a waitlist in Core Banking System (CBS) or any other computerized system compliant with Cyber Security Framework issued by RBI, for the purpose of allotment of lockers and ensure transparency in allotment of lockers.

	3.2	The bank shall acknowledge the receipt of all applications for allotment of locker and provide a wait list number to the customers, if the lockers are not available for allotment.
4.	Model Locker Agreement	
	4.1	Bank had approved an existing agreement for safe deposit lockers with the approval of Board.
	4.2	In due course a fresh locker agreement, bank may adopt the model locker agreement to be framed by IBA as and when received by the bank in phased manner. This agreement will cover instructions and the directions of the Hon'ble Supreme Court in this regard.
	4.3	Bank hereby take care that there should not be any unfair terms or conditions incorporated in locker agreements.
	4.4	Further, the terms of the contract shall not be more onerous than required in ordinary course of business to safeguard the interests of the bank.
	4.5	Bank shall renew this revised locker agreements with existing locker customers by January 1, 2023.
	4.6	At the time of allotment of the locker to a customer, the bank shall enter into an agreement with the customer to whom the locker facility is provided, on a paper duly stamped.
	4.7	A copy of the locker agreement in duplicate signed by both the parties shall be furnished to the locker- hirer to know his/her rights and responsibilities. Original Agreement shall be retained with the bank's branch where the locker is situated

5. Locker Rent

Following will be the Locker Rent Amount as per the Size of the Locker.

Locker Size	Locker Rent p.a.
A Series	500/- + GST
B Series	1000/- + GST
C Series	1500/- + GST
D Series	2000/- + GST
E Series	2500/- + GST

	F Series	3000/- + GST
	G Series	3500/- + GST
	H Series and above	4000/- + GST
	**Bank will provide One Locker of any size without charging any Rent to Staff members	
	5.1	Based on past practice bank had faced certain incidences where the locker-hirer neither operates the locker nor pays the rent annually.
	5.2	Based on new guidelines of RBI in this regard Bank can optionally obtain a Term Deposit, at the time of allotment, which would cover three years' rent and the charges for breaking open the locker in case of such eventuality.
	5.3	Bank, however, shall not insist on such Term Deposits from the existing locker holders or those who have satisfactory operative account and regularity of rent payment in time.
	5.4	Bank may also give an option to the locker-hirer to offer an advance locker rent for 3 years with locker breaking open charges as amended by the bank from time to time in case of need.
	5.5	If locker rent is collected in advance, in the event of surrender of a locker by a customer, the proportionate amount of advance rent collected shall be refunded to the customer.
	5.6	In the case of merger / closure / shifting of branch warranting physical relocation of the lockers, the bank will give a public notice in two local newspapers within an area of operation of the bank.
	5.7	In the case of merger / closure / shifting of branch, the concerned locker holder customers will be intimated individually at least two months in advance along with options for them to change or close the facility.
	5.8	In the case of unplanned shifting due to natural calamities or any other such emergency, bank will make necessary efforts to intimate their customers suitably at the earliest when the situation become the normal.
6.	Security of the Strong Room/Vault	
	6.1	Till date Bank had taken necessary steps to ensure that the area in which the locker facility is housed is properly secured to prevent criminal

		breaking and entering. The risks of accessibility of an allotted locker from any side without involvement of the locker-hirer concerned may be assessed and kept on record. Bank is having a single defined point of entry and exit to the locker room/vault. The place where the lockers are housed had been secured enough to protect against hazard of rain / flood water entering and damaging the lockers in contingent situations. The fire hazard risks of the area had also been assessed and try to minimize the same area. The bank, as per their policy, shall conduct necessary engineering / safety verification as and when needed to identify the risks and carry out necessary rectification
	6.2	The area of branch having the lockers had been taken care for adequately guarded by the bank where required.
	6.3	As per internal security of the bank, bank may cover the entry and exit of the strong room and the common areas of operation under CCTV camera and preserve its recording for a period of not less than 180 days.
	6.4	In case any customer has complained to the bank that his/her locker is opened without his/her knowledge and authority, or any theft or security breach is noticed/observed, the bank shall preserve the CCTV recording till the police investigation is completed and the dispute is settled.
7.	Locker Standards	
	7.1	All the new mechanical lockers to be installed by the bank in due course shall conform to basic standards / benchmarks for safety and security as prescribed by Bureau of Indian Standards (BIS) or any other enhanced industry standards applicable in this regard.
8.	Locker Operations	
	8.1	Regular Operations by Customers
	1.	The locker hirer and/or the persons duly authorized by him/ her only shall be permitted to operate the locker after proper verification of their identity and recording of the authorization by the officials concerned of the bank.
	2.	The bank shall maintain a record of all individuals, including the locker-hirers, who have accessed the lockers and the date and

			time (both check-in and check-out time) on which they have opened and closed the locker and obtain their signature.
		3.	The ingress and egress register for access to Vault Room by locker-hirers or any other individual including the bank's staff shall be maintained to record the movement of individuals in the Vault Room area with their signatures at appropriate place in the records.
		4.	The bank's officer authorizing the locker-hirer to access the locker, after unlocking the first key shall not remain present when the locker is opened by the locker-hirer.
		5.	The bank shall ensure that there is adequate privacy to the locker-hirers in the operations when customers access the lockers at the same time.
		6.	Bank shall send an email and SMS alert to the registered email ID and mobile number of the customer before the end of the day as a positive confirmation intimating the date and time of the locker operation and the redressal mechanism available in case of unauthorized locker access.
9.	Internal Controls by bank		
	9.1	There exists a system of inter change of locks whenever the locker is surrendered by the hirer.	
	9.2	The keys of vacant lockers shall be kept in sealed envelopes.	
	9.3	The duplicate master keys shall be deposited with another branch of the bank.	
	9.4	There shall be proper record of joint custody of master keys.	
	9.5	Bank shall conduct surprise periodic verification of surrendered/vacant lockers and their keys by an officer of the bank who is not connected with their custody and proper record shall be maintained as a proof of such verification.	
	9.6	Bank shall ensure that the Locker Register and the Locker Key Register are maintained in CBS or any other computerized system compliant with the Cyber Security Framework issued by the Reserve Bank.	

	9.7	The Locker Register shall be updated in case of any change in the allotment with complete audit trails.
	9.8	The bank custodian shall check whether the lockers are properly closed post locker operation.
	9.9	If the same is not done, the lockers must be immediately closed, and the locker-hirer shall be promptly intimated through e-mail, if registered or through SMS, if mobile number is registered or through letter so that they may verify any resulting discrepancy in the contents of the locker.
	9.10	The bank custodian shall record the fact of not closing the locker properly in the register and its closure by the bank with the date and time.
	9.11	Further, the custodian of the locker room shall carry out a physical check of the locker room at the end of the day to ensure that lockers are properly closed, and that no person is inadvertently trapped in the locker room after banking hours.
10.	Nomination Facility	
	10.1	The bank shall offer nomination facility in case of safe deposit lockers and safe custody of articles, in accordance with the provisions of section 45-ZC to 45-ZF of the Banking Regulation Act, 1949 and Banking Companies (Nomination) Rules, 1985/Co-operative Bank (Nomination) Rules, 1985.
	10.2	In case the nominee is a minor, the same procedure as prescribed for the bank accounts shall be followed by the bank.
	10.3	A passport size photo of the nominee attested by the customer may be obtained from the customers, at his/her option and preserved in the records.
	10.4	For the various Forms (Forms SC1, SC2 and SC3 for Articles left in Safe Custody and Forms SL1, SL1A, SL2, SL3 and SL3A for Safety Lockers) prescribed under Banking Companies (Nomination) Rules, 1985/Co-operative Bank (Nomination) Rules, 1985, only Thumb-impression(s) shall be required to be attested by two witnesses. Signatures of the account holders need not be attested by witnesses.

	10.5	Bank shall have appropriate systems and procedures in place to register the nomination, cancellation and / or variation of the nomination, in their books, made by the locker hirers.
	10.6	Bank shall devise a proper system of acknowledging the receipt of duly completed form of nomination, cancellation and / or variation of the nomination. Such acknowledgement shall be given to all the customers irrespective of whether the same is demanded by the customers or not.
11.	Locker Rent Recovery / Overdue	
	11.1	Access to Locker will be denied if the rent is overdue
	11.2	Bank will serve a letter after 15 days of rent overdue to the hirer. If the rent remains unpaid bank will issue a final letter giving notice that the Bank shall break open the Locker without further intimation to hirer if the rent is not paid within 14 days from the date of the letter. This letter will be sent by Register Post with Acknowledgement due
	11.3	Bank will make all the efforts to contact the hirer and if no recovery is forthcoming, Bank will proceed with break open of the locker as per practice mentioned in this policy.
12.	Settlement of Claims in case of death of a Customer	
	12.1	Settlement of Claims in case of death of a customer will be settle of claims as per bank's established procedures as amended from time to time. The said procedures adopted by the bank is in conformity with the regulatory instructions and the Model Operational Procedure (MOP) for settlement of claims of the deceased constituents formulated by the IBA as amended from time to time.
	12.2	Bank is having a established procedures for nomination and release of contents of safety lockers / safe custody article to the nominee and protection against notice of claims of other persons in accordance with the provisions of Sections 45 ZC to 45 ZF of the Banking Regulation Act, 1949 and the Banking Companies (Nomination) Rules, 1985/Co-operative Bank (Nomination) Rules, 1985 and the relevant provisions of Indian Contract Act and Indian Succession Act.
	12.3	To ensure that the articles left in safe custody and contents of lockers are returned to the genuine nominee, as also to verify the proof of death,

		bank has devised its own claim formats, in terms of applicable laws and regulatory guidelines as amended from time to time.
	12.4	Time limit for settlement of claims: Bank shall settle the claims in respect of deceased locker hirers and shall release contents of the locker to survivor(s) / nominee(s), as the case may be, within a period not exceeding 15 days from the date of receipt of the claim subject to the production of proof of death of the depositor and suitable identification of the claimant(s) with reference to nomination, to the bank's satisfaction.
	12.5	Bank shall report to Board, on monthly basis with progress report, on an ongoing basis, the details of the number of claims received pertaining to deceased locker-hirers / depositors of safe custody article accounts and those pending beyond the stipulated period, with reasons therefore the Board of the bank shall review the settlement of claims and make suggestions to ensure that the claims are settled as early as possible unless there is any litigation pending before the Courts or any difficulty is being faced in identifying the true claimant with reference to nomination.
13.	Settlement of claims in respect of missing persons	
	13.1	The settlement of claims in respect of missing persons shall be governed by the provisions of Section 107/108 of the Indian Evidence Act, 1872.
	13.2	Section 107 deals with presumption of continuance and Section 108 deals with presumption of death
	13.3	As per the provisions of Section 108 of the said Act, presumption of death can be raised only after a lapse of seven years from the date of his/ her being reported missing.
	13.4	As such, nominee/ legal heirs must raise an express presumption of death of the subscriber under Section 107/ 108 of the Indian Evidence Act before a competent court.
	13.5	If the court presumes that he/ she is dead, then the claim in respect of a missing person can be settled.
14.	Access to the articles in the safe deposit lockers / return of safe custody articles	

	14.1	If the sole locker hirer nominates an individual to receive the contents in the locker, in case of his death, after verification of the death certificate and satisfying the identity and genuineness of such individual approached, the bank shall give access of the locker to such nominee with liberty to remove the contents of the locker, after an inventory was taken in the prescribed manner.	
	14.2	In case the locker was hired jointly with the instructions to operate it under joint signatures, and the locker hirer(s) nominates any other individual(s), in the event of death of any of the locker hirers, the bank shall give access of the locker and the liberty to remove the contents jointly to the survivor(s) and the nominee(s) after an inventory was taken in the prescribed manner.	
	14.3	In case the locker was hired jointly with survivorship clause and the hirers instructed that the access of the locker should be given to "either or survivor", "anyone or survivor" or "former or survivor" or according to any other survivorship clause permissible under the provisions of the Banking Regulation Act, 1949, the bank shall follow the mandate in the event of death of one or more of the joint locker-hirers	
15.	Bank shall, however, ensure the following before giving access to the contents to nominee / survivor:		
	1.	a.	Bank shall ensure that bank had exercised due care and caution in establishing the identity of the survivor(s) / nominee(s) and the fact of death of the locker hirer by obtaining appropriate documentary evidence.
		b.	Bank will Make diligent effort to find out whether there is any order or direction from Courts/Forums restraining it from giving access to the locker of the deceased.
		c.	Bank will Make it clear to the survivor(s) / nominee(s) that access to articles in the locker / safe custody articles is given to them only as a trustee of the legal heirs of the deceased locker hirer i.e., such access given to them shall not affect the right or claim

			which any person may have against the survivor(s) / nominee(s) to whom the access is given.
	2.	Similar procedure shall be followed for return of articles placed in the safe custody of the bank.	
		a.	The bank shall ensure that, the contents of locker, when sought to be removed on behalf of a minor nominee, are handed over to a person who is, in law, competent to receive the articles on behalf of such minor.
		b.	Further, the bank shall prepare an inventory of the articles in the presence of two independent witnesses, one officer of the bank who is not associated with the locker facility or safe deposit of articles and the claimant (s), who may be a nominee or an individual receiving the articles, on behalf of a minor.
		c.	The bank shall obtain a separate statement from the nominee (claimant) or the person competent to receive articles on behalf of the minor, as the case may be, that all the contents in the locker or in the safe custody of the bank, as the case may be, are received and the locker is empty, and they have no objection to allotment of the locker to any other customer as per norms.
		d.	While giving access to the survivor(s) / nominee(s) of the deceased locker hirer / depositor of the safe custody articles, bank may avoid insisting on the production of succession certificate, letter of administration or probate, etc., or obtain any bond of indemnity or surety from the survivor(s)/nominee(s), unless there is any discrepancy in nomination.
		e.	In case where the deceased locker hirer had not made any nomination or where the joint hirers had not given any mandate that the access may be given to one or more of the survivors by a clear survivorship clause, bank shall adopt a established procedures to facilitate access to legal heir(s) / legal representative of the deceased locker hirer.
16.	Closure and Discharge of locker items		

	1.	This part refers to the breaking open of the locker in a manner other than through the normal access by the customer using her/his original key or password under any one of the following circumstances:
	a.	if the hirer loses the key and requests for breaking open the locker at her /his cost; or
	b.	if the Government enforcement agencies have approached the bank with orders from the Court or appropriate competent authority to seize lockers and requested for access to the lockers; or
	c.	if the bank is of the view that there is a need to take back the locker as the locker hirer is not co-operating or not complying with the terms and conditions of the agreement.
	2.	Discharge of locker contents at the request of customer
	a.	If the key to the locker, supplied by bank is lost by the locker-hirer, the customer (locker hirer) shall notify the bank immediately.
	b.	An undertaking may also be obtained from the customer that the key lost, if found in future, will be handed over to the bank.
	c.	All charges for opening the locker, changing the lock and replacing the lost key may be recovered from the hirer.
	d.	The charges applicable for replacement of lost keys / issue of new password shall be communicated to the locker hirer.
	e.	The opening of the locker must be carried out by the bank or its authorized technician only after proper identification of the hirer, proper recording of the fact of loss and written authorization by the customer for breaking open the locker.
	f.	The operation shall be done in the presence of the customer/s and an authorized official of the bank.
	g.	It must be ensured that the adjoining lockers are not impacted by any such operations and the contents of the lockers are not exposed to any individual other than the locker-hirer during the break-up or restoration process,

	3.	a	Attachment and recovery of contents in a Locker and the Articles in the safe custody of the bank by any Law Enforcement Authority
		b.	In case of attachment and recovery of the contents in a locker of a customer or the articles left by a customer for safe custody of the bank by any Authority acting either under the orders of a Court or any other competent authority vested with the power to pass such orders, the bank shall co-operate in execution and implementation of the orders.
		c.	The bank shall verify and satisfy itself about the orders and the connected documents received for attachment and recovery of the contents in a locker or articles in the safe custody of the bank.
		d.	The customer (locker-hirer) shall be informed by letter as well as by email/SMS to the registered email id/mobile phone number that the Government Authorities have approached for attachment and recovery, or seizure of the locker or articles deposited for safe custody.
		e.	An inventory of the contents of locker and articles seized and recovered by the Authority shall be prepared in the presence of such Government Authorities, two independent witnesses and an officer of the bank and shall be signed by all.
		f.	A copy of the inventory may be forwarded to the customer to the address available in the bank's records or handed over to the customer against acknowledgement.
		g.	Bank shall also record a video of the break-open process and the inventory assessment, wherever legally permissible, and preserve the video to produce as evidence in case of any dispute or Court or fraud case in future.
	4	Discharge of locker contents by bank due to non-payment of locker rent	
		a.	If the locker remains inoperative for a period of seven years and the locker-hirer cannot be located, even if rent is being paid

		regularly, the bank shall be at liberty to transfer the contents of the locker to their nominees/legal heir or dispose of the articles in a transparent manner.
	b.	Before breaking open the locker, the bank shall follow the procedure as prescribed in above. Bank shall ensure that the procedure to be followed by them for disposal of the articles left unclaimed for a reasonably long period of time as mentioned above is incorporated in their locker agreement.
	c.	The bank shall ensure that appropriate terms are inserted in the locker agreement executed with the customer specifying the position in case the locker is not in operation for long period.
	d.	A clause may also be incorporated in the locker agreement to discharge the bank from liability in case the locker is not in operation and the locker is opened by the bank and contents are released as per law and as per the instructions issued by the Reserve Bank and the terms and conditions prescribed in the agreement.
17.	Liability for Bank	
	17.1	The bank shall put in place a detailed Board approved policy outlining the responsibility owed by them for any loss or damage to the contents of the lockers due to their negligence as bank owe a separate duty of care to exercise due diligence in maintaining and operating their locker or safety deposit systems.
	17.2	The duty of care includes ensuring proper functioning of the locker system, guarding against unauthorized access to the lockers and providing appropriate safeguards against theft and robbery. Further, bank shall adhere to the Master Directions on Frauds for reporting requirements about the instances of robberies, dacoities, thefts and burglaries.
18.	Liability of bank arising from natural calamities like earthquake, flood, thunderstorm, lightning etc. or due to sole negligence of the customer	
	18.1	The bank shall not be liable for any damage and/or loss of contents of locker arising from natural calamities or Acts of God like earthquake,

		floods, lightning and thunderstorm or any act that is attributable to the sole fault or negligence of the customer. Bank shall, however, exercise appropriate care to their locker systems to protect their premises from such catastrophes.
19.	Liability of bank arising from events like fire, theft, burglary, dacoity, robbery, building collapse or in case of fraud committed by the employees of the bank	
	19.1	It is the responsibility of bank to take all steps for the safety and security of the premises in which the safe deposit vaults are housed.
	19.2	It has the responsibility to ensure that incidents like fire, theft/ burglary/ robbery, dacoity, building collapse do not occur in the bank's premises due to its own shortcomings, negligence and by any act of omission/commission.
	19.3	As bank cannot claim that they bear no liability towards their customers for loss of contents of the locker, in instances where loss of contents of locker are due to incidents mentioned above or attributable to fraud committed by its employee(s), the bank's liability shall be for an amount equivalent to one hundred times the prevailing annual rent of the safe deposit locker.
20.	Risk Management, Transparency and Customer Guidance	
	1.	Branch Insurance Policy
	a.	Bank, with the approval of their Board, shall have a branch insurance policy to minimize the loss due to incidents like robbery, fire, natural calamities, loss during shifting/merger of branch, etc., affecting contents of lockers.
	2.	Insurance of locker contents by the customer
	a.	Bank shall clarify in their locker agreement that as they do not keep a record of the contents of the locker or of any articles removed therefrom or placed therein by the customer, they would not be under any liability to insure the contents of the locker against any risk whatsoever. Bank shall under no circumstances offer, directly or indirectly, any insurance product to its locker hirers for insurance of locker contents.

	3.	Customer guidance and publicity	
		a.	The bank shall display the model locker agreement with all the Terms & Conditions and the Standard Operating Procedures (SOPs) on various aspects on their websites and/or at branches (if official website is not available) where locker facility is being provided by them for public viewing. The bank shall ensure that the customers are made aware of the bank's terms and conditions to avail those facilities.
		b.	Bank shall display updated information on all kinds of charges for safe deposit lockers and safe custody articles on their websites.
		c.	Bank shall place on their websites, the instructions together with the policies / procedures put in place for giving access of the locker/safe custody article to the nominee(s) / survivor(s) / legal heir(s) of the deceased locker hirer/safe custody article. Further, a printed copy of the same shall also be given to the nominee(s) / survivor(s) / legal heir(s).

Policy Review

The bank will review the Safe Deposit Locker policy as and when required by the board of directors to keep the policy up-to-the date and in pace with any new developments.

APPROVAL BY BOARD OF DIRECTORS: The Board of Directors reviewed Safe Deposit Locker Policy in Board Meeting held on **23-04-2022**.

Date: 23-04-2022
Ahmedabad

CHAIRMAN / CEO / GM.



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

STAFF ACCOUNTABILITY POLICY

Approved By:

Board of Directors – Meeting Dated 23-04-2022.



THE BHUJ MERCANTILE CO-OP. BANK LTD.

H.O. Mithakhali Six Roads, Ahmedabad GJ-380006, www.bhujbank.com

Multi-State Bank.

(SAY "BMCB BANK") **STAFF ACCOUNTABILITY POLICY** **Applicable from 23-04-2022**

As Reviewed in the Board of Directors meeting dtd 23-04-2022, Our Bank's Staff Accountability Policy was Reviewed / modified / updated accordingly w.e.f. 23-04-2022 as under:

1. The Bank as per directives of Reserve Bank of India prepared, documented and put in place a "Staff Accountability Policy". The main objectives of the "Staff Accountability Policy" are:
2. To identify the nature and extent of the negligence (of omission/commission) of the employees involved, malafide if any, in handling the transaction and to subject the employees to disciplinary proceedings commensurate with their contributory
3. To ensure that deterrent action against employees is confined only to those errant Employees, whose lapses are deliberate on their part or are in breach of duty.
4. To ensure that cases involving malafide / gross negligence and/or complicity. of employees are dealt with separately from cases of those which have not resulted from malafide / gross negligence.
5. Bank equipped with state-of-the-art technology, services, operations and more customer-friendly products. The term Accountability means that one is responsible for one's actions and omissions. It is inherent in any business that every employee whatever be his rank, is prima facie accountable /responsible for every act.
6. **Definition:** Every employee is duty bound to discharge work faithfully in accordance with:
 - a. System & Procedures laid down
 - b. Rules & Regulations in force
 - c. Guidelines whether general or specific &
 - d. To work within the authority delegated or when such authority is exceeded with the approval of appropriate authority.
7. Due diligence must be seen to have been exercised in one's discharge of duty at the originating level where the responsibility cast is direct or at the supervisory / controlling level indirect, becomes constructive to bear.
8. The actions with malafide intentions even if within the delegated authority or actions without due diligence or actions exceeding delegated authority without the approval of the appropriate authority

will not qualify for indemnity or absolution from staff accountability even though there may not be any monetary loss to the bank.

9. Accountability detection Mechanism: Accountability can be identified from the following sources:

- a. Inspection report of the branches / Head Office
- b. Report of Internal / External concurrent Auditors / Statutory Auditors, RBI Inspectors / RCS.
- c. Charge taking report from the new incumbent
- d. Branch visits / Interface, Review of NPAs, Inspection Reports, Periodical Returns, Year-end statements etc.
- e. Complaints
- f. Any other source

10. Areas of Accountability: Irregularities or lapses may originate from any of the following areas of operation.

- a. Credit Management
- b. Non-Credit areas including irregularities / lapses which lead to commission of frauds and may include theft, embezzlement, cheating forgeries etc.

11. Credit Management: Lending Process: The lending starts with pre-sanction survey and continue up to the stage of supervision and follow up till the amount is taken out and segregated for the purposes of initiating recovery proceedings. It broadly involves the following stages.

- a. Checking and satisfying that existing accounts are conducted satisfactorily and KYC norms have been adhered to while opening of accounts. Due diligence in the case of new accounts at entry level is to be ensured.
- b. Pre-sanction Inspection / Survey and submitting of related reports.
- c. Processing & Appraisal
- d. Recommendations together with stipulated terms and conditions.
- e. Sanctions as per the Master Policy on Credit Risk Management of the bank from time to time.
- f. Disbursement after completing the usual formalities like documentation, creation of securities, registration of charge, bringing in margins, obtaining of approvals / clearances adherence to mode of disbursals including the compliance of laid down stipulations / sanction terms.
- g. Post disbursement follow up / supervision as per usual guidelines.
- h. Overall monitoring and control including review of advances as per laid down periodicity.

12. Non-Credit Areas:

- a. Non-compliance with" KYC" and Anti Money laundering (AML) related policy and procedural guidelines of RBI / Bank for opening & servicing accounts and thus exposing the Bank to legal & financial risks.
- b. Non-compliance of the guidelines issued by the DIT wing with regard to functioning of CBS branches with particular reference to backups, passwords etc.
- c. Lack of control over security stationery items & expenditure.

- d. Non-Submission / delayed submission of control returns.
- e. Lack of control in long outstanding items of sundry asset account /other impersonal accounts /bankers accounts etc.
- f. Rude behavior with the customers of the branch.
- g. Erosion of errors.
- h. Permitting write offs in accounts without specific authority or in violation of guidelines.
- i. Non-presentation of documents received for collection, both in inward and outward.
- j. Releasing documents received under collection without payment (for acceptance in case of usance documents)
- k. Persistent tendency to delay customer service reflected by frequent customer complaints.
- l. Non-adherence to bank's human resources management policies and procedures and obligations under labour legislations.
- m. Non-compliance of other IT security guidelines including operational aspects.
- n. Unauthorized debit to customers account
- o. Use of expired A/C/other impersonal accounts for transfer of funds to own or other accounts for self-enrichment.
- p. Irregularities in purchase of various items.
- q. Creation of dummy a/cs for passing through unauthorized transactions.
- r. Permitting unauthorized access to the system to outsiders.
- s. Failure of all types to comply with statutory obligations.

13. The above list is indicative and not exhaustive and shall cover non-compliance / violation of any guidelines issued by the bank from time to time.

14. Staff accountability simply boils down to neglect, whether casual, willful, or even conspired negligence to follow established norms & procedures among staff at lateral levels and more so at supervisory levels.

15. Bank transactions are so numerous and varied that fraud can be perpetrated in any of the areas. Normally a bank fraud is a deliberate act and or commission by any person carried out in the course of banking transaction or in books of accounts maintained manually or under computer system in the bank resulting in to wrongful gain to any person for a temporary period or otherwise with or without any monetary loss to the bank.

16. Where there is a prima facie case of fraud, forgery, falsification of records accommodation supersession of material facts, bribery etc. by an employee acting independently or in connivance with an outsider the matter would be viewed seriously and accountability fixed accordingly without reference to the loss that may be suffered by the bank, for the bank basically relies on the faith and confidence in each employee.

17. The staff where there is a case of major misconduct, the board will take decision for the formation of disciplinary action committee and the proceedings to be carried on. Every errant employee will be given the right of natural justice and will be given the opportunity to present his hearing to defend himself. The decision on the findings of the disciplinary action committee will be taken by the board

and subsequent decision on the punishment to the aggrieved employee will also be taken by the board. The aggrieved employee shall have the right to appeal to the board within a reasonable period of 45 days. The board decision will be final to either accept or reject the appeal made by the aggrieved employee.

18. Minor penalties:

- a. Reprimand
- b. Transfer to another Branch
- c. Delay or Stoppage of increment and or promotion
- d. Recovery from pay of the whole or part of any pecuniary loss caused to the bank by the employee.

19. Major penalties:

- a. Degradation to a lower post or grade or to a lower stage in his / her incremental scale. Such reduction to lower grade or post or to the initial stage of the incremental scale will be treated as fresh joining in that lower grade or post or at the initial stage of the incremental scale and the employee will not have any right of benefit or any claim for restoration of seniority / grade/ scale/ post and or any other pecuniary benefits on accumulated and or accruing basis at any time in future by virtue of his / her holding any higher post / grade / scale in the past.
- b. Compulsory Retirement
- c. Discharge from service
- d. Dismissal / Termination

20. It may be borne in mind that negligence arises when there is a duty and duty is defined in terms of the laid down rules and procedures. Thus the negligence / omission / commission should be examined with reference to the above laid down rules and procedures as well as any other rules framed by the Board and it is expected that the guidelines / circulars issued from time to time in credit / non-credit /fraud areas are complied within its spirit. An Annexure of latest Staff Rules currently in effect is also annexed herewith.

21. APPROVAL BY BOARD OF DIRECTORS: The Board of Directors reviewed Staff Accountability Policy in Board Meeting held on 23-04-2022.

Date: 23-04-2022
Ahmedabad

CEO / I/c CEO / GM / Authorized Signatory