

NATIONAL FEDERATION OF URBAN COOPERATIVE BANKS & CREDIT SOCIETIES LTD.

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Ref. No. NF/R-1/2021-22/1071

Date: March 14th, 2022

The Chief General Manager,
Department of Banking Regulation,
Reserve Bank of India
Central Office, C-7, 1st and 2nd Floor,
Bandra-Kurla Complex, Bandra (East),
City: Mumbai, Maharashtra-400 051

Dear Sir,

**Scheme of Amalgamation of PMC Bank with Unity Small Finance Bank-
Conversion/Treatment of Institutional Deposits of UCBs- Reg.**

We refer to the Gazette notification dated 25th January 2022 issued by Ministry of Finance (DFS) announcing the scheme of Amalgamation of PMC Bank with Unity Small Finance Bank. The scheme inter-alia provides that

- i) On and from the appointed date i.e 25th January, 2022, 80% of the uninsured deposits outstanding to the credit of each institutional deposits of the transferor bank shall be converted into Perpetual Non-Cumulative preference shares of transferee bank with dividend of 1% per annum payable annually. (Para 6 (i) (f).
- ii) The remaining 20% amount of the institutional deposit shall be converted into equity warrants of transferee bank at a price of Re.1/ - warrant and these equity warrants will further be converted into equity shares of the transferee bank at the time of the initial public offer when the transferee bank goes for public issue. The price for such conversion will be determined at the lower band of the Initial Public Offer price. (para 6 (i) (i)

2. We have been receiving representations from Urban Cooperative Banks and State Federations that the UCBs which have uninsured deposits outstanding with erstwhile PMC Bank, seeking clarification that in view of the record date being 25th January, 2022, 80% uninsured deposit investment in PMC Bank to be converted into Unity SFB PNCPS (Perpetual Non-Cumulative Preference Shares) and the 20% of uninsured deposits being converted into equity warrants issued by Unity Small Finance Bank will now be treated as standard performing investments without

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requiring any provisioning irrespective of completion of requisite formalities for actual issue of PNCP/Equity Warrants/shares. Further the provisions held by the UCBs concerned can now be reversed as the investments by way of uninsured deposits which was treated as NPI will now be shown as standard assets as on 25.1.2022 onwards i.e the record date of conversion of deposits into PNCP/Equity Warrants.

3. As all UCBs have to close their books of accounts as on 31.3.2022 which is approaching fast, you are requested to clarify the position in this regard at the earliest to avoid any violation of accounting standards/practices and prudential norms prescribed by RBI in this regard. We shall be glad if you please arrange to issue a clarifactory circular to all UCBs to avoid any confusion in this regard as the Unity Small Finance Bank is likely to take time beyond 31st March, 2022 for issue of proper security instruments to the entire deposit holder UCBs. We also request you to kindly examine and instruct Unity Small Finance Bank to expedite the allotment of PNCPS/Equity Warrants to all UCBs from the record date as envisaged in the GOI notification well before 31st March 2022.

Thanking you,

Yours faithfully



(YOGESH SHARMA)
CHIEF EXECUTIVE- I/C