

Press Release*

April 2012

The Kheralu Nagarik Sahakari Bank Ltd., Dist. Mehsana (Gujarat) – Penalised

April 2, 2012

The Reserve Bank of India has imposed a monetary penalty of ₹ 5.00 lakh (Rupees five lakh only) on The Kheralu Nagarik Sahakari Bank Ltd., Dist. Mehsana (Gujarat), in exercise of powers vested in it under the provisions of Section 47(A)(1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (As applicable to Co-operative Societies), for violation of Operational Instructions of the Reserve Bank of India and single/group borrower exposure norms. These violations were observed during the course of the bank's statutory inspection with reference to its financial position as on March 31, 2011.

The Reserve Bank of India had issued a show cause notice to the bank, in response to which the bank submitted a written reply. After considering the facts of the case and the bank's reply as also personal submissions in the matter, the Reserve Bank of India came to the conclusion that the violations were substantiated and warranted imposition of the penalty.

Directions under Section 35A of the Banking Regulation Act, 1949 (AACs) The Bhuj Mercantile Co-operative Bank Ltd., Ahmedabad, (Gujarat)

April 3, 2012

The Reserve Bank of India has issued in exercise of powers vested in it under sub-section (1) of Section 35A of Banking Regulation Act, 1949 (AACs) read with Section 56 of the Banking Regulation Act, 1949, certain Directions to the Bhuj Mercantile Co-operative Bank Ltd., Ahmedabad (Gujarat), whereby as from the close of business as on April 02, 2012, the aforesaid bank shall not, without prior approval in writing from the

Reserve Bank of India, grant or renew any loans and advances, make any investment, incur any liability including borrowal of funds and acceptance of fresh deposits, disburse or agree to disburse any payment whether in discharge of its liabilities and obligations or otherwise, enter into any compromise or arrangement and sell, transfer or otherwise dispose of any of its properties or assets except to the extent and in the manner as notified in the RBI Directions dated April 02, 2012, a copy of which is displayed on the bank's premises for perusal by interested members of the public. However, the bank has been permitted to allow withdrawal a sum not exceeding ₹ 10,000/- of the total balance in every savings or current account or any other deposit account, by whatever name it may be called.

The issue of the above Directions by the RBI should not, per se, be construed as cancellation of banking licence by RBI. The bank will continue to undertake banking business with the restrictions till its financial position improves. These directions shall remain in force for a period of six months from the close of business on April 02, 2012 and are subject to review.

Reserve Bank Cancels the Licence of Shri Bhadran Mercantile Co-operative Bank Ltd., Bhadran (Gujarat)

April 9, 2012

In view of the fact that Shri Bhadran Mercantile Co-operative Bank Ltd, Bhadran (Gujarat) had ceased to be solvent, all efforts to revive it in close consultation with the Government of Gujarat had failed and the depositors were being inconvenienced by continued uncertainty, the Reserve Bank of India on March 30, 2012 delivered its order dated March 21, 2012 to the bank cancelling its licence to carry out banking business. The Registrar of Co-operative Societies, Gujarat State has also been requested to issue an order for winding up the bank and appoint a liquidator for the bank. It may be highlighted that on liquidation,

* Important Press Releases during April 2012.

every depositor is entitled to repayment of his/her deposits up to a monetary ceiling of ` 1,00,000/- (Rupees One lakh only) from the Deposit Insurance and Credit Guarantee Corporation (DICGC) under usual terms and conditions.

The bank was granted a licence by Reserve Bank of India on December 11, 1986 to commence banking business. In view of its precarious financial position and with a view to preventing preferential payments and protecting the interest of the depositors, the bank was placed under Operational Instructions under Section 36(1) of the Banking Regulation Act, 1949 (AACS) with effect from the close of business on October 31, 2006 restricting withdrawal of deposits to ` 1000/- per depositor. The statutory inspection of the bank carried out under Section 35 of the Act *ibid* with reference to its financial position as on March 31, 2010 revealed further deterioration in its financial position and other violations. Its net worth and CRAR were assessed at ` 10.72 lakh and 29.6 per cent respectively. The gross NPAs formed 81.3 per cent of the gross advances. The assessed net loss of the bank stood at ` 263.73 lakh. The statutory inspection conducted by Reserve Bank of India under Section 35 of the Banking Regulation Act, 1949 (AACS) with reference to its financial position as on March 31, 2011 revealed that the assessed networth was (-) ` 272.67 lakh, CRAR was (-) 413.5 per cent, gross NPAs were 78.2 per cent of the gross advances and the deposit erosion was 55.0 per cent. As the financial position of the bank with reference to its position as on March 31, 2011 turned precarious and revealed further deterioration, the bank was placed under Directions under Section 35A (1) of the Act *ibid* for a period of six months from the close of business on August 26, 2011 which was extended for a further period of six months from the close of business on February 26, 2012, subject to review.

A Show Cause Notice for cancellation of licence under Section 22 of the Banking Regulation Act, 1949 (AACS) was issued on December 22, 2011. The bank in its reply dated January 16, 2012 admitted the irregularities/observations and did not furnish any specific comment on the deficiencies detailed in the SCN. The bank had not submitted any concrete revival plan or any proposal for merging itself with any strong

UCB. In the absence of any proposal for merger and in view of the bank's precarious financials, chances of its revival are remote and continuation of the bank will lead only to further erosion in its deposits and will be against public interest.

It is therefore, evident from the above that:

- The bank does not comply with the provisions of Section 11(1), 22 (3) (a) and 22 (3) (b) of the Act *ibid*.
- The bank is not in a position to pay its present and future depositors.
- The affairs of the bank are being conducted in a manner detrimental to the interest of the depositors.
- The financial position of the bank leaves no scope for its revival.
- In all likelihood public interest will be affected if the bank is allowed to carry on its business any further.

Therefore, Reserve Bank of India took the extreme measure of cancelling the licence of the bank in the interest of bank's depositors. With the cancellation of licence and commencement of liquidation proceedings, the process of paying the depositors of the Shri Bhadran Mercantile Co-operative Bank Ltd, Bhadran (Gujarat), the amount insured as per the DICGC Act, 1961 will be set in motion subject to the terms and conditions of the Deposit Insurance Scheme.

Consequent to the cancellation of its licence, Shri Bhadran Mercantile Co-operative Bank Ltd, Bhadran (Gujarat) is prohibited from carrying on business of 'banking' as defined in Section 5(b) of the Banking Regulation Act, 1949 (AACS).

For any clarifications, depositors may approach Smt. M. K. Subhashree, Assistant General Manager, Urban Banks Department, Reserve Bank of India, Ahmedabad. Her contact details are as below:

Postal Address: Urban Banks Department, Reserve Bank of India, La Gajjar Chambers, Ashram Road, Ahmedabad -380 009, Telephone Number: (079) 26589338, Fax Number: (079) 26584853.

RBI implements Web-based On-line Bidding for Primary Auctions of G-Secs

April 11, 2012

The Reserve Bank of India has, since February 2012, introduced an additional facility of web-based NDS auction module to facilitate online bidding by Constituents Subsidiary General Ledger clients (CSGL clients)/Gilt account holders (GAHs) in primary auctions of Government Securities (G-Secs).

Explaining the module, the Reserve Bank stated that the module permits internet-based direct participation of GAHs in primary auctions of G-Secs. However, the access is subject to controls by respective Primary Member (PM) as PM would continue to be responsible for settlement of CSGL bids/trades in respect of its GAHs, as is presently the case.

The web-based auction module is an additional facility and all regulations related to current CSGL account holders/PMs and client bidding system would remain, the Reserve Bank stated and added that all actions on web-based NDS auction application would also be governed by the extant Rules, Regulations, Notifications and/or any other instructions issued by it from time to time. The Reserve Bank would also have no role in any dispute between any GAH and its PM for any action performed on this application by either GAH or its PM.

Further details and operational guidelines on the web-based NDS auction facility are available on CCIL website (www.ccilindia.com). Market participants may also contact NDS-auction Helpdesk on 022-66639399 or mail to 'auctionshelpdesk@ccilindia.co.in' in regard to any further queries on the application.

Reserve Bank of India penalises Shri Vinayak Sahakari Bank Ltd., Ahmedabad

April 11, 2012

The Reserve Bank of India, in exercise of powers vested in it under the provisions of Section 47 A (1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (AACS), imposed a monetary penalty of ` 5.00 lakh

(Rupees five lakh only) on Shri Vinayak Sahakari Bank Ltd., Ahmedabad, for violation of RBI instructions/directions relating to operational instructions, destruction of records of banking transactions, non production of books of account before the Inspecting Officer and non-filing of STRs.

RBI had issued a Show Cause Notice to the bank in response to which the bank submitted a written reply and after considering facts of the case, bank's reply and personal submissions in the matter, RBI came to the conclusion that the violations were substantiated and warranted imposition of penalty.

Bank Rate

April 18, 2012

The Reserve Bank of India has decided to lower the Bank Rate to 9.0 per cent per annum from 9.5 per cent per annum with effect from April 17, 2012.

The Udhna Citizen Co-operative Bank Ltd., Surat, (Gujarat)

April 26, 2012

The Reserve Bank of India had issued a directive, in the interest of public, to the Udhna Citizen Co-operative Bank Ltd., Surat (Gujarat), in exercise of the powers vested under sub-section (1) of Section 35 A of the Banking Regulation Act, 1949 (AACS), from the close of business as on November 2, 2010, in terms of which the aforesaid bank shall not, without prior approval of RBI in writing grant or renew any loans or advances, make any investment, incur any liability including borrowal of funds and acceptance of fresh deposits, disburse or agree to disburse any payment whether in discharge of its liabilities and obligations or otherwise, enter into any compromise or arrangement and sell, transfer or otherwise dispose of any of its properties or assets except as notified in the RBI Directions dated October 26, 2010 a copy of which is displayed on the bank's premises for perusal by interested members of the public. In particular, a sum not exceeding ` 1000/- (Rupees one thousand only) of the total balance in every savings bank or current account or any other deposit

OTHER ITEMS

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account may be allowed to be withdrawn subject to conditions stated in the above RBI Directions.

The period of directive was last extended upto May 2, 2012, vide modified directive No. UBD.CO. BSD II / D- 59 /12.21.354 / 2010-11 dated October 14, 2011.

The period of directive imposed on the bank has since been further extended up to November 1, 2012, vide modified directive No. UBD.CO.BSD II /D- 81

/12.21.354 / 2011-12 dated April 20, 2012 in exercise of the powers vested under sub-section (1) of Section 35 A of Banking Regulation Act, 1949 (AACs), subject to review.

The detailed modified directive is displayed on the bank premises for interested members of the public to peruse.
