

Press Releases*

November 2011

Certificate of Registration of M/s. J. P. S. K. Holdings Private Limited, New Delhi - Cancelled

November 1, 2011

The Reserve Bank of India has on September 7, 2011 cancelled the certificate of registration to M/s. J. P. S. K. Holdings Private Limited having its registered office at 15th Floor, Chiranjiv Tower, 43, Nehru Place, New Delhi-110019 for carrying on the business of a non-banking financial institution. Following cancellation of the registration certificate the company cannot transact the business of a non-banking financial institution.

By the powers conferred under Section 45-IA (6) of the Reserve Bank of India Act, 1934, the Reserve Bank can cancel the registration certificate of a non-banking financial company. The business of a non-banking financial institution is defined in clause (a) of Section 45-I of the Reserve Bank of India Act, 1934.

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

November 3, 2011

The Reserve Bank of India has imposed a monetary penalty of ₹1.00 lakh (Rupees one lakh only) on the The Mehsana Nagarik Sahakari Bank Ltd., 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 Reserve Bank of India's instructions relating to Anti-Money Laundering (AML) guidelines.

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 in the matter, the Reserve Bank of India came to the conclusion that the

* Important Press Releases during November 2011.

violation was substantiated and warranted imposition of the penalty.

The Baroda City Co-operative Bank Ltd., Vadodara – Penalised

November 4, 2011

The Reserve Bank of India has imposed a monetary penalty of ₹1.00 lakh (Rupees one lakh only) on The Baroda City Co-operative Bank Ltd., Vadodara, 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 non-adherence to Know Your Customers (KYC) norms and incorrect compliance certificate furnished for the earlier inspection report.

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 bank's reply in the matter and submission made during the personal hearing, the Reserve Bank of India came to the conclusion that the violation was substantiated and warranted imposition of the penalty.

Shreenath Co-operative Bank Ltd., Ahmedabad – Penalised

November 4, 2011

The Reserve Bank of India has imposed a monetary penalty of ₹5.00 lakh (Rupees five lakh only) on Shreenath Co-operative Bank Ltd., Ahmedabad, 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 Reserve Bank of India instructions on Know Your Customers (KYC) norms and Anti-Money Laundering (AML) guidelines.

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 bank's

reply in the matter and submission made during the personal hearing, the Reserve Bank of India came to the conclusion that the violation was substantiated and warranted imposition of the penalty.

Directions under Section 35A of the Banking Regulation Act, 1949 (AACs) - The Khedbrahma Nagarik Sahakari Bank Ltd., Khedbrahma, Distt. Sabarkantha (Gujarat)

November 4, 2011

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 Khedbrahma Nagarik Sahakari Bank Ltd., Khedbrahma, Distt. Sabarkantha (Gujarat), whereby as from the close of business as on October 31, 2011, 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 October 24, 2011, a copy of which is displayed on the bank's premises for perusal by interested members of the public.

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.

RBI and 926 Branches of Banks to Accept Advance Income Tax

November 9, 2011

As many as 926 computerised branches of public and private sector banks will receive advance income tax in Mumbai and Navi Mumbai. These arrangements have been made for the convenience of the income tax assessee. Of the 926 bank branches, 862 branches are public sector bank branches, 35 HDFC bank

branches, 10 ICICI bank branches and 19 Axis bank branches. The Reserve Bank of India has advised income tax assessee to take advantage of these standing arrangements made for their convenience.

Long queues and inconveniences can be avoided at the Reserve Bank of India counters if the assessee in Mumbai and Navi Mumbai utilise the services being made available at various designated branches of banks and deposit their income tax dues well in advance of the last date.

Reserve Bank Cancels the Licence of Solapur Nagari Audyogik Sahakari Bank Niyamit, Solapur (Maharashtra)

November 11, 2011

In view of the fact that Solapur Nagari Audyogik Sahakari Bank Niyamit, Solapur (Maharashtra), had ceased to be solvent, all efforts to revive it in close consultation with the Government of Maharashtra had failed and the depositors were being inconvenienced by continued uncertainty, the Reserve Bank of India delivered the order cancelling its licence to the bank as on the close of business on November 5, 2011. The Registrar of Co-operative Societies, Maharashtra 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, 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 on October 19, 1979 to commence banking business. The statutory inspection of the bank under Section 35 of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies) [the Act], with reference to its financial position as on March 31, 2005 revealed that the assessed networth of the bank was negative and the bank's deposits had eroded to the extent of 3.0 per cent. The financial parameters of the bank continued to deteriorate further as revealed during subsequent inspections conducted with reference to its financial position as on March 31, 2006, March 31,

2007, March 31, 2008, March 31, 2009 and March 31, 2010. The bank was issued supervisory instructions on June 27, 2006 based on its deteriorating financial position as on March 31, 2005 and these supervisory instructions were modified, from time to time, based on the findings of the relevant inspection reports.

As the bank had violated operational instructions issued vide letter dated June 27, 2006 and not complied with Reserve Bank of India guidelines contained in circular dated December 17, 2009, regarding maintenance of investments in government securities, a monetary penalty amounting to ₹5.00 lakh was levied on the bank after issue of Show Cause Notice in this regard.

The bank was unable to manage its liquidity and due to run on its deposits and liquidity crisis, the bank was placed under all inclusive directions under Section 35 A of the Act, vide directive UBD.CO.BSD 1/D -28/12.22.278/2010-11 dated January 6, 2011, with effect from the close of business as on January 7, 2011, for a period of six months. The directive was modified vide order UBD.CO.BSD 1/D-45/12.22.278/2010-11 dated June 21, 2011, extending the period of directions for a further period of six months. The statutory inspection of the bank under Section 35 of the Act, with reference to the financial position of the bank as on March 31, 2011 revealed further deterioration in its financial position and other violations. Its net worth was assessed at (-) ₹1,979.04 lakh and CRAR was assessed at (-)49.4 per cent. The erosion in deposits was to the extent of 30.1 per cent. The gross and net NPAs formed 33.4 per cent and 22.3 per cent of the gross and net advances, respectively. The assessed net loss of the bank stood at ₹1,380.38 lakh for the year ended March 31, 2011 against the reported net loss of ₹1,177.71 lakh by the bank.

Serious deficiencies as mentioned above revealed that the affairs of the bank were being conducted in a manner detrimental to the interests of the depositors. The bank did not comply with the provisions of sections 11(1), 18, 22(3)(a), 22(3)(b) and 24 of the Act. Pursuant to the aforesaid serious deficiencies/irregularities and the deteriorating financial position of the bank, it was issued a notice vide letter dated August 12, 2011 to show cause (SCN) as to why the

licence granted to the bank on October 19, 1979 to conduct banking business should not be cancelled. The bank submitted its reply to the SCN vide its letter dated September 6, 2011. The reply to the SCN was considered and examined but not found satisfactory. Further, no concrete proposal was received from the bank for merger or any viable revival/restructuring plan.

Therefore, Reserve Bank of India took the extreme measure of cancelling 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 Solapur Nagari Audyogik Sahakari Bank Niyamit, Solapur (Maharashtra), the amount insured as per the DICGC Act, will be set in motion subject to the terms and conditions of the Deposit Insurance Scheme.

Consequent to the cancellation of its licence, Solapur Nagari Audyogik Sahakari Bank Niyamit, Solapur (Maharashtra) is prohibited from carrying on 'banking business' as defined in Section 5(b) of the Act.

For any clarifications, depositors may approach Smt. K. S. Jyotsna, Deputy General Manager, Urban Banks Department, Mumbai Regional Office, Reserve Bank of India, Mumbai, whose contact details are as below :

Postal Address: Urban Banks Department, Mumbai Regional Office, Reserve Bank of India, 2nd Floor, Garment House, Dr. A.B. Road, Worli, Mumbai-400018; Telephone Number: (022) 24920225, Fax Number: (022) 24935495.

Shreenath Co-operative Bank Ltd., Ahmedabad – Penalised

November 11, 2011

The Reserve Bank of India has imposed a monetary penalty of ₹5.00 lakh (Rupees five lakh only) on Shreenath Co-operative Bank Ltd., Ahmedabad, 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 violations of the directives/guidelines of Reserve Bank on compliance with Know Your Customers (KYC) norms/Anti-Money Laundering (AML) guidelines.

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 bank's reply in the matter and submission made during the personal hearing, the Reserve Bank of India came to the conclusion that the violation was substantiated and warranted imposition of the penalty.

The Surat People's Co-operative Bank Ltd., Dist. Surat (Gujarat) – Penalised

November 11, 2011

The Reserve Bank of India has imposed a monetary penalty of ₹1.00 lakh (Rupees one lakh only) on The Surat People's Co-operative Bank Ltd., Dist. Surat (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 (AACS) by admitting Co-operative Societies as members and giving unsecured advances beyond the prescribed ceiling in violation of the relative provisions of Banking Regulation Act, 1949 and Reserve Bank of India's instructions.

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.

The Ahmedabad Mercantile Co-operative Bank Limited, Ahmedabad, Gujarat – Penalised

November 11, 2011

The Reserve Bank of India has imposed a monetary penalty of ₹1.00 lakh (Rupees one lakh only) on The Ahmedabad Mercantile Co-operative Bank Limited, Ahmedabad, 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 certain violations namely, floating of trust for general

public, enrolling co-operative societies as members and not displaying its name correctly in advertisements, publicity material, stationery items, etc., thus violating the relative provisions of Banking Regulation, 1949 (AACS) and other RBI instructions.

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 bank's reply in the matter and submissions made in the personal hearing, the Reserve Bank of India came to the conclusion that the violation was substantiated and warranted imposition of the penalty.

The Municipal Co-operative Bank Ltd., Ahmedabad – Penalised

November 11, 2011

The Reserve Bank of India has imposed a monetary penalty of ₹1.00 lakh (Rupees one lakh only) on The Municipal Co-operative Bank Ltd., Ahmedabad, 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) for violation of Reserve Bank of India's instructions on Know Your Customer (KYC) norms and unsecured advances observed during the course of bank's inspection as on March 31, 2010.

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.

Reserve Bank Cancels the Licence of Gujarat Industrial Co-operative Bank Ltd., Ahmedabad (Gujarat)

November 14, 2011

In view of the fact that Gujarat Industrial Co-operative Bank Ltd, Ahmedabad (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 delivered the order cancelling its licence to the bank before commencement of business on November 11, 2011. The Central Registrar of Co-operative Societies, New Delhi 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, 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.

2. The bank was granted a licence by Reserve Bank of India on September 29, 1999 to commence banking business. The statutory inspection conducted by Reserve Bank of India conducted under Section 35 of the Banking Regulation Act, 1949 (AACS) with reference to its financial position as on March 31, 2007 revealed that the assessed networth was (-) ₹6930.61 lakh, CRAR was (-) 24.0 per cent and gross and net NPAs were 40.8 per cent and 30.4 per cent of the gross and net advances respectively and the deposits of the bank was eroded to the extent of 14.8 per cent.

3. (a) 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 Directions under Section 35A of the Banking Regulation Act, 1949 (AACS) with effect from the close of business on September 20, 2008 restricting withdrawal of deposits to ₹1000/- per depositor.

(b) The Board of Directors of the bank was superseded under section 36 AAA of Banking Regulation Act, 1949 (AACS) and an Administrator was appointed from the same date due to certain serious irregularities such as raising fictitious entries under branch adjustment/interest receivable heads, huge shortfall in provisioning due to wrong asset classification and under-reporting of NPAs, accounting fraud committed in non-banking assets, malfunctioning of the Board of Directors and its deliberate attempt to project better financial position of the bank with the help of manipulated balance sheet.

(c) A criminal complaint has been filed by the Administrator of the bank against the ex-Board of

Directors for their acts of omissions and commissions leading to huge losses to the bank.

4. The financial parameters of the bank continued to deteriorate during the subsequent inspections conducted with reference to its financial position as on March 31, 2008 and March 31, 2009.

5. The revival plan submitted by the Administrator of the bank in July 2009 was not found viable as it was not in conformity with the extant guidelines issued by RBI. A Show Cause Notice for cancellation of licence under Section 22 of the Banking Regulation Act, 1949 (AACS) was issued on August 20, 2009. The reply submitted by the bank was examined but was not considered satisfactory and the decision on the future set up of the bank was kept in abeyance as efforts were being taken for merging the bank with a strong UCB.

6. 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 (-) ₹29184.18 lakh and (-) 365.0 per cent, respectively. The erosion in deposits was to the extent of 60.4 per cent. The gross and net NPAs formed 85.4 per cent and 21.3 per cent of the gross and net advances, respectively. The assessed net loss of the bank stood at ₹3963.93 lakh as against the reported net loss of ₹3872.93 lakh.

7. (a) The revised revival plan submitted by the bank in March/April 2010 was considered but found not viable as it was not in conformity with RBI guidelines.

(b) The merger proposal from Saraswat Bank Ltd., Mumbai did not materialise. The commercial banks which conducted the due diligence for taking over the assets and liabilities of the UCB expressed their unwillingness for the same.

8. Serious deficiencies as mentioned above revealed that the affairs of the bank were being conducted in a manner detrimental to the interests of the depositors. The bank did not comply with the provisions of Sections 11(1) and 22(3)(a) & (b) of the Act *ibid*. In view of the aforesaid serious deficiencies/irregularities and the deteriorating financial position

of the bank, the Reserve Bank of India issued a Show Cause Notice (SCN) to the bank on April 21, 2011 to show cause as to why the licence granted to it on September 29, 1999 to conduct banking business should not be cancelled. The bank submitted its reply to the SCN vide its letter dated May 23, 2011, which was examined but not found satisfactory. Further, no concrete proposal for merger or any viable revival/restructuring plan was received from the bank.

9. 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 Gujarat Industrial Co-operative Bank Ltd, Ahmedabad (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.

10. Consequent to the cancellation of its licence, the Gujarat Industrial Co-operative Bank Ltd, Ahmedabad (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 Shri Kamaljeet Singh, Assistant General Manager, Urban Banks Department, Reserve Bank of India, Ahmedabad. His contact details are as below:

Postal Address: Urban Banks Department, Reserve Bank of India, Ahmedabad Regional Office, La Gajjar Chambers, Ashram Road, Ahmedabad-380 009; Telephone Number: (079) 26582822, Fax Number: (079) 26584853.

Reserve Bank Cancels the License of The Charminar Co-operative Urban Bank Ltd., Hyderabad (Andhra Pradesh)

November 16, 2011

In view of the fact that the operations of The Charminar Co-operative Urban Bank Ltd., (Andhra Pradesh) had ceased to be solvent, all efforts to turnaround in consultations with the Government of Andhra Pradesh had failed and the depositors were

being inconvenienced by continued uncertainty, the Reserve Bank of India delivered the order dated November 08, 2011 canceling its license to the bank after the close of business on November 15, 2011. The Registrar of Co-operative Societies, Andhra Pradesh 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, 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, if he/she has not received the same as per the Scheme of Reconstruction notified by the Government of Andhra Pradesh under Section 115 (B) (i) of the Andhra Pradesh Co-operative Societies Act, 1964 vide GO. MS. No. 4 dated February 27, 2003.

2. The bank was granted a license by Reserve Bank on September 24, 1985 to commence banking business. Based on the findings of the inspection conducted with reference to its financial position as on September 30, 2001, Operational Instructions under Section 36 of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies) [B. R. Act, 1949 (AACS)] were issued to the bank on January 2, 2002 imposing, inter alia, certain restrictions on its acceptance/payment of deposits as also on lending. However, the liquidity position continued to remain critical.

3. The scrutiny conducted by RBI in February 2002 revealed that the bank was not in a position to meet the demand of its depositors. In order to protect the interest of the depositors, directions under Section 35 of the B. R. Act, 1949 (AACS) were issued to the bank from the close of business on February 25, 2002 restricting, inter alia, acceptance of any fresh deposits and repayment of deposits to a maximum of ₹1000/- per depositor. The bank's Board was superseded on March 2, 2002 and Registrar of Co-operative Societies (RCS), Andhra Pradesh appointed a Persons-in-Charge (PIC) Committee to manage the affairs of the bank.

4. With a view to restructure and revive the bank, the Government of Andhra Pradesh notified a Scheme of Reconstruction in consultation with RBI which came into force with effect from March 3, 2003.

Consequently, directions issued under Section 35A of BR Act, 1949 (AACs) were revoked. The Scheme, however, failed to yield the desired results. The subsequent inspections of the bank also revealed no improvement in its financial position.

5. The statutory inspection of the bank conducted with reference to its financial position as on March 31, 2010 and the scrutiny carried out with reference to its financial position as on March 31, 2011 revealed no improvement in the functioning of the bank. Its net worth and CRAR as on March 31, 2011 were assessed at (-) ₹137.33 crore and (-) 999.9 per cent. The entire loan portfolio was assessed as impaired and the entire deposits were considered as eroded.

6. In terms of revised restructuring scheme, the bank for all its depositors having deposits above ₹10 lakh were to be paid the balance amount in 8 equal half yearly installments starting from March 2009. It was observed that the last installment (5th) was paid not out of the cash generated from recovery of NPAs but by disposing off the fixed deposits maintained with other banks. The bank itself accepted that any further recovery in NPA accounts were not possible. Without any further recovery in NPA accounts, the bank can hardly make repayment of the next installments.

7. From the facts and circumstances mentioned above it is observed that:

- i. The bank is not complying with the provision of Sections 11(1) 22(3)(a) and 22(3)(b) of the Act.
- ii. The bank is not in a position to pay its depositors in full, as and when their claims accrue.
- iii. The affairs of the bank are being conducted in a manner detrimental to the interests of its depositors.
- iv. The financial position of the bank leaves no scope for revival.
- v. In all likelihood, the public interest will be adversely affected if the bank is allowed to carry on banking business

8. The Reserve Bank of India issued a show cause notice to the bank on July 14, 2011, asking it to show cause as to why the license granted to it to conduct

banking business should not be cancelled. In the reply to the show cause notice, the bank has not submitted any action plan for revival and its reply to the show cause notice was not found satisfactory. In the absence of any viable action plan to turnaround, Reserve Bank of India took the extreme measure of canceling the license of the bank in the interest of the bank's depositors. With the cancellation of its license and commencement of liquidation proceedings, the process of paying the depositors of The Charminar Co-operative Urban Bank Ltd., Hyderabad (Andhra Pradesh) will be set in motion subject to the terms and conditions of the Deposit Insurance Scheme.

9. Consequent to the cancellation of its licence, The Charminar Co-operative Urban Bank Ltd., (Andhra Pradesh), is prohibited from carrying on 'banking business' as defined in Section 5(b) of the Banking Regulation Act, 1949 (AACs) including acceptance and repayment of deposits.

For any clarifications, depositors may approach Shri R. N. Dash, General Manager, Urban Banks Department, Reserve Bank of India, Hyderabad. His contact details are as below:

Postal Address: Urban Banks Department, Reserve Bank of India, Secretariat Road, Saifabad, Hyderabad-500004; Telephone Number: (040) 23234920; Fax Number: (040) 23235891.

Reserve Bank Cancels the Licence of Bhandari Co-operative Bank Ltd., Mumbai (Maharashtra)

November 16, 2011

In view of the fact that Bhandari Co-operative Bank Ltd., Mumbai (Maharashtra), had ceased to be solvent, all efforts to revive it in close consultation with the Government of Maharashtra had failed and the depositors were being inconvenienced by continued uncertainty, the Reserve Bank of India delivered the order cancelling its licence to the bank as on the close of business on November 11, 2011. The Registrar of Co-operative Societies, Maharashtra 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, 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 on October 26, 1987 to commence banking business. The bank was issued supervisory instructions on October 4, 2005 based on the inspections findings with reference to its financial position as on March 31, 2005 and these supervisory instructions were modified, from time to time, based on the findings of the subsequent inspection reports.

The statutory inspection of the bank under Section 35 of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies) [the Act], with reference to its financial position as on March 31, 2009 revealed that the assessed networth of the bank was negative and the bank's deposits had eroded to the extent of 0.5 per cent. Based on the inspection report as on March 31, 2009, the bank was advised on January 8, 2010 that, in addition to the existing supervisory action, fresh lending to be allowed only from accretions to deposits and proceeds from loan recoveries against FDs, NSC, KVP, LIC policies and Government Securities only. The bank was also advised to increase its net worth and raise CRAR to 9 per cent by March 31, 2010. There was severe deterioration in the quality of loan assets during the period under review. The loan portfolio has excessive concentration of Auto loans, with grave irregularities.

The statutory inspection of the bank as on March 31, 2010 revealed that the financial position of the bank had further deteriorated. Its assessed net worth stood at (-) ₹999.98 lakh and assessed CRAR stood at (-) 2.5 per cent. The erosion in deposits was to the extent of 9.5 per cent. The gross and net NPAs formed 34.5 per cent and 26.6 per cent of the gross and net advances respectively. The inspection report was forwarded to the bank on October 1, 2010 for rectification of deficiencies and compliance. However, the compliance submitted by the bank vide letter dated November 11, 2010 was not considered satisfactory as the major deficiencies observed in the inspection report

continued to persist.

The statutory inspection of the bank as on March 31, 2011 revealed that the financial position of the bank continued to deteriorate. The assessed net worth as on March 31, 2011 stood at (-) ₹2555.04 lakh, CRAR stood negative at (-) 29.8 per cent. Deposits have also been eroded to the extent of 25.6 per cent, gross NPAs constituted 54.5 per cent of gross advances, net NPAs sharply increased from 26.6 per cent as on March 31, 2010 to 42.3 per cent as on March 31, 2011 and the assessed loss increased from ₹1365.85 lakh in 2009-10 to ₹2498.23 lakh during 2010-11. The bank had sanctioned several 'auto-rickshaw'/'housing' loans that turned to be fraudulent transactions.

In view of the precarious financial position as revealed by the findings of the inspection with reference to its financial position as on March 31, 2011, and inability of the management to bring about any improvement, the bank has been placed under all-inclusive directions under Section 35A of the Act vide directive UBD.CO.BSD-I/D-50/12.22.021/2011-12 dated August 04, 2011, with effect from the close of business on August 11, 2011, for a period of six months.

The management had not displayed sufficient firmness/seriousness in dealing with the recalcitrant officers responsible for the irregularities in auto/housing loan accounts and also recovery of core NPAs. The Board of Directors was ineffective and was responsible for deterioration in the financial position of the bank and for conducting the affairs of the bank in a manner detrimental to the interest of the depositors. Based on a requisition for supersession of the Board of Directors issued by RBI vide letter dated August 11, 2011, RCS superseded the Board of Directors of the bank vide his orders dated August 17, 2011 and appointed a Board of Administrators to manage the affairs of the bank.

Serious deficiencies as mentioned above revealed that the affairs of the bank were being conducted in a manner detrimental to the interest of its depositors. The bank does not comply with the provisions of Section 11(1), 22(3) (a) and 22(3) (b) of the Act. It was observed that all the financial parameters of the bank had deteriorated. The assessed net worth which stood at (-) ₹999.98 lakh as on March 31, 2010 further

deteriorated to (-) ₹2555.04 lakh as on March 31, 2011 with deposit erosion increasing from 9.5 per cent to 25.6 per cent during the above period. There was no viable merger proposal by the bank. A show cause notice dated August 26, 2011 was issued to the bank requiring it to show cause as to why the licence granted to it under Section 22 of the Act, on October 26, 1987 to carry on banking business should not be cancelled and the bank be taken to liquidation. The bank's reply vide its letter dated September 21, 2011 was examined and not considered satisfactory as the bank had admitted to the precarious financial position. It has also stated that the gross and net NPAs have increased to ₹3156.00 lakh and ₹1981.00 lakh respectively as on August 31, 2011. The financial position continues to be precarious and the bank had not submitted documentary evidence for having brought out any improvement.

Therefore, Reserve Bank of India took the extreme measure of cancelling 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 Bhandari Co-operative Bank Ltd., Mumbai (Maharashtra), the amount insured as per the DICGC Act, will be set in motion subject to the terms and conditions of the Deposit Insurance Scheme.

Consequent to the cancellation of its licence, Bhandari Co-operative Bank Ltd., Mumbai (Maharashtra) is prohibited from carrying on 'banking business' as defined in Section 5(b) of the Act.

For any clarifications, depositors may approach Smt.K.S.Jyotsna, Deputy General Manager, Urban

Banks Department, Mumbai Regional Office, Reserve Bank of India, Mumbai, whose contact details are as below:

Postal Address: Urban Banks Department, Mumbai Regional Office, Reserve Bank of India, 2nd Floor, Garment House, Dr. A.B. Road, Worli, Mumbai-400 018. Telephone Number: (022) 24920225, Fax Number: (022) 24935495.

Certificate of Registration of M/s. Canaan International Creditcap Limited, Hyderabad – Cancelled

November 17, 2011

The Reserve Bank of India has on September 15, 2011 cancelled the certificate of registration No.09.00044 dated March 2, 1998 issued to M/s. Canaan International Creditcap Limited, having its registered office at Plot No. W 4/510, Usmanasahebpur, Stonehousepur, Nellore-524002, Andhra Pradesh for carrying on the business of a non-banking financial institution. Following cancellation of the registration certificate the company cannot transact the business of a non-banking financial institution.

By the powers conferred under Section 45-IA (6) of the Reserve Bank of India Act, 1934, the Reserve Bank can cancel the registration certificate of a non-banking financial company. The business of a non-banking financial institution is defined in clause (a) of Section 45-I of the Reserve Bank of India Act, 1934.