

RBI clarification on Benares State Bank Limited

October 12, 2001

It may be recalled that the Reserve Bank had issued a directive under Section 35A of the Banking Regulation Act, 1949, restraining the Benares State Bank Limited, among other things, from making payments to depositors exceeding Rs.1000 as at the close of business on September 25, 2001. The directive also stipulated that the bank was permitted to pay salaries to its employees. It can also incur other necessary expenditure for a sum not exceeding Rs. 2500 for carrying out day-to-day administration.

The Reserve Bank of India has today clarified that it had issued the directive on Benares State Bank Limited in order to protect the interest of depositors. It has further stated that insurance cover from the Deposit Insurance and Credit Guarantee Corporation is available to the depositor in respect of his deposits in the bank in the same capacity and right to the extent of Rs. one lakh.

The Reserve Bank has also been permitting the bank to allow withdrawals in excess of Rs. 1000 in certain genuine cases, such as, salaries of the staff and teachers of educational institutions, credited to the deposit accounts before issue of RBI directive, the amounts remittable by students towards university fees, etc. Pay orders and drafts drawn on or before September 25, 2001 are also allowed to be paid, if presented over the counter.

Alpana Killawala
General Manager

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