

**RESERVE BANK OF INDIA**www.rbi.org.inwww.rbi.org.in/hindie-mail: helpprd@rbi.org.in

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Reserve Bank cancels the licence of The Royale Co-operative Bank Ltd., Surat, Gujarat

The Reserve Bank of India, has on June 2, 2005, cancelled the licence granted to the Royale Co-operative Bank Ltd., Surat, Gujarat, in view of the fact that it had ceased to be solvent. The order canceling the licence was delivered to the bank on June 7, 2005. The Registrar of Co-operative Societies, Gujarat has been requested for winding up of The Royale Co-operative Bank Ltd., Surat, Gujarat and to appoint a liquidator thereof. The Reserve Bank further said that every depositor of the bank is covered by the Deposit Insurance and Credit Guarantee Corporation (DICGC) and on liquidation is entitled to repayment of deposits up to a monetary ceiling of Rs.1,00,000. The liquidator is required to expeditiously send the claims of all depositors to DICGC.

Earlier, the inspections of the bank conducted by the Reserve Bank of India had revealed serious deficiencies in the working of the bank. The bank had become insolvent with negative net worth, negative CRAR, high NPAs and significant erosion of deposits. Thereafter, due to bank's inability to meet its clearing liability, it was suspended from the membership of Surat Bankers' Clearing House w.e.f. October 6, 2004. In view of the serious deficiencies in the working of the bank, directions were issued to it under section 35A of the Banking Regulation Act, vide order dated October 12, 2004 and the bank was precluded from incurring fresh liabilities and was restricted from making repayment of deposits from any deposit account above Rs.500. The Registrar of Co-operative Societies, Gujarat was required to supercede the Board of Directors of the bank vide Requisition dated November 4, 2004 as per the provisions of Section 115A of the Gujarat Co-operative Societies Act, 1961. Despite issue of directions, the bank did not show any improvements in its financial position. Subsequent inspection of the bank conducted with reference to its financial position as on September 30, 2004 revealed that the financial position of the bank continued to be precarious. A notice was, therefore, issued to the bank on December 8, 2004, asking it to show cause as to why the licence granted to it for carrying on banking business should not be cancelled. The bank has not submitted a reply to the same. Therefore, the Reserve Bank of India took the extreme measure of canceling the licence of the bank in the interest of the bank's depositors.

Following the cancellation of licence, the bank is prohibited from carrying on banking business as defined in Section 5(b) of the Act *ibid*, including acceptance and repayment of deposits. After the liquidation proceedings are initiated by the Government of Gujarat, the process of paying the depositors, the amount insured as per the DICGC Act will be set in motion.

The Reserve Bank has advised the depositors to approach the General Manager, Urban Banks Department, Reserve Bank of India, Ahmedabad in case of any further clarification, on contact details as below :

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