

**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 Shri Swaminarayan Co-operative Bank Ltd. Vadodara, Gujarat

The Reserve Bank of India, has on June 2, 2005, cancelled the licence granted to Shri Swaminarayan Co-operative Bank Ltd. Vadodara., 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 Shri Swaminarayan Co-operative Bank Ltd. Vadodara, 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. 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 December 16, 2003 and the bank was precluded from incurring fresh liabilities and was restricted from making repayment of deposits from any deposit account above Rs.1000. The Board of Directors of the bank resigned on December 23, 2003 and the bank was placed under custodian by the Registrar of Co-operative Societies, Gujarat. Despite issue of directions, the bank did not show any improvement in its financial position. Subsequent inspection of the bank conducted with reference to its financial position as on June 30, 2004 revealed that the financial position of the bank continued to be precarious. A notice was, therefore, issued to the bank on October 7, 2004, asking it to show cause as to why the licence granted to it for carrying on banking business should not be cancelled. The reply submitted by the bank was not satisfactory. 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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