

**PRESS RELEASE**



**RESERVE BANK OF INDIA**

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June 11, 2005

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

The Reserve Bank of India, has on June 7, 2005, cancelled the licence granted to The Century Co-operative Bank Ltd., Surat, Gujarat, in view of the fact that it had ceased to be solvent. The order canceling its licence was delivered to the bank on June 10, 2005 at 10.00 a.m. A requisition has been made to the Registrar of Co-operative Societies, Gujarat for winding up of The Century Co-operative Bank Ltd., Surat, Gujarat and to appoint a liquidator therefor. It may be highlighted that on liquidation of the bank every depositor is covered by the Deposit Insurance and Credit Guarantee Corporation (DICGC) and is entitled to repayment of his deposits up to a monetary ceiling of Rs.1,00,000.

Earlier, an inspections of the bank conducted by the Reserve Bank of India with reference to its financial position as on March 31, 2003 revealed that the bank had sanctioned large amounts of temporary overdrafts and unsecured advances, which accounted for 40.4 per cent of its total advances. The bank was accordingly advised to regularise the position and send a report to the Reserve Bank of India as on September 30, 2003. However, the bank did not provide any satisfactory reply. Subsequently, a scrutiny of the bank's books of accounts was conducted by the Reserve Bank of India, which revealed that the bank had allowed large unsecured advances in the nature of overdrafts in current accounts violating the Reserve Bank's directives. On August 31, 2004 the bank failed to meet its clearing liability and was suspended from the Surat Clearing House triggering a run on its deposits. The bank's liquidity position deteriorated and it was placed under directions under Section 35A of the Banking Regulation Act, 1949 (AACS) with effect from the close of business as on September 10, 2004 imposing, inter-alia, restrictions on acceptance and repayment of deposits.

A subsequent inspection of the bank conducted with reference to its position as on September 30, 2004, revealed further deterioration in its financial position. Its financial parameters were found to be severely impaired. On account of high NPAs, its Net Worth and CRAR had turned negative and a significant portion of its deposits had been eroded. The bank had also violated a number of guidelines/directives of the Reserve Bank. A notice was, therefore, issued to the bank on February 4, 2005, asking it to show cause as to why the licence granted to it for carrying on banking business should not be cancelled. The bank's reply to the notice was examined but was found not satisfactory. The Reserve Bank of India, therefore, took the extreme measure of canceling the licence of the bank in the interest of the bank's depositors.

Following the cancellation of its licence, the Century Co-operative Bank Ltd., Surat 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 of The Century Co-operative Bank Ltd., Surat, Gujarat, the amount insured as per the DICGC Act will be set in motion.

For any clarifications, depositors may approach the General Manager, Urban Banks Department, Reserve Bank of India, Ahmedabad on contact details as below :

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| Post Address     | Urban Banks Department, Reserve Bank of India, La Gajjar Chambers, Ashram Road, P.B. No.1, Ahmedabad-380 009 |
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**Press Release: 2004-2005/1304**