

**PRESS RELEASE**



**RESERVE BANK OF INDIA**

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September 13, 2005

**Reserve Bank Cancels the Licence of  
Shri Vitrag Co-operative Bank Ltd., Surat, Gujarat**

The Reserve Bank of India, has on September 1, 2005, cancelled the licence granted to Shri Vitrag 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 September 6, 2005. A requisition has been made to the Registrar of Co-operative Societies (RCS), Gujarat for winding up of Shri Vitrag Co-operative Bank Ltd., Surat, Gujarat and to appoint a liquidator therefore. 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, 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. The bank had also violated a number of guidelines/directives of the Reserve Bank of India. The bank was placed under directions under section 35 A of the Banking Regulation Act, 1949 (As applicable to Co-operative banks) with effect from the close of business as on October 21, 2004 imposing, inter alia, restrictions on acceptance and repayment of deposits and sanctioning / renewal of loans. At the requisition of the Reserve Bank, RCS superseded the Board of Directors of the bank on November 17, 2004. A notice was 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 reply dated May 20, 2005 to the show-cause notice was not found satisfactory. The Reserve Bank of India, therefore, took the extreme measure of cancelling the licence of the bank in the interest of the bank's depositors.

Following the cancellation of its 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 of Shri Vitrag 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. His contact details are as below :

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