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September 17, 2005

**Reserve Bank cancels the licence of
The Metro Cooperative Bank Ltd., Surat, Gujarat**

The Reserve Bank of India, vide its order of September 8, 2005 cancelled the licence granted to the Metro Cooperative Bank Ltd., Surat Gujarat, in view of the fact that it had ceased to be solvent. The order cancelling its licence was delivered to the bank on September 16, 2005 at 11.00 a. m. A requisition has been made to the Registrar of Cooperative Societies (RCS), Gujarat for winding up of The Metro Cooperative 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/-.

In October 2004, the bank failed to meet its clearing liability and ceased to be a member of the Surat Bankers' Clearing House. In view of the bank's poor liquidity position and on the request of the bank, the Reserve Bank of India issued Directions under Section 35A of the Act prohibiting the bank from accepting fresh deposits, and restricting repayment of deposits up to Rs. 500/- per depositor with effect from the close of business of October 21, 2004.

Earlier, an inspection of the bank by the Reserve Bank of India with reference to its financial position as on September 30, 2004 revealed the serious concerns relating to the precarious financial position and management aspects of the bank. Its financial parameters were found to be severely impaired. On account of high NPAs, its Net worth and Capital to Risk Weighted Assets Ratio had turned negative and a significant portion of its deposits had been eroded. The bank had also violated a number of the Reserve Bank's guidelines/directives. The functioning of the Board of Directors was far from satisfactory. There was a complaint against the bank-alleging opening of fictitious accounts and fraudulent transactions in certain accounts of the bank. A scrutiny of the bank's books of accounts was conducted by the Reserve Bank of India in December 2004, which revealed a number of irregularities committed by the management. In the light of the findings of the scrutiny and the irregularities in the functioning of the bank, the Reserve Bank requisitioned the RCS to supersede the Board of the bank and accordingly the RCS superseded the Board of Directors on February 19, 2005 and an Administrator was appointed.

A notice was issued to the bank on March 11, 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 cancelling the licence of the bank in the interest of the bank's depositors. With the cancellation of its licence, the Metro Cooperative 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 Metro 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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