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Reserve Bank Cancels the Licence of The Baroda Mercantile Co-operative Bank Ltd., Vadodara (Gujarat)

In view of the fact that the Baroda Mercantile Co-operative Bank Ltd., Vadodara Gujarat, had ceased to be solvent, all efforts to revive it in close consultation with the Government of Gujarat had failed and the depositors were being inconvenienced by continued uncertainty, the Reserve Bank of India delivered the order cancelling its licence to the bank on May 16, 2006 at 2:40 p. m. The Registrar of Co-operative Societies, Gujarat has also been requested to issue an order for winding up the bank and appoint a liquidator for the bank. It may be highlighted that on liquidation every depositor is entitled to repayment of his deposits up to a monetary ceiling of Rs. 1,00,000/- from the Deposit Insurance and Credit Guarantee Corporation (DICGC) under usual terms and conditions.

The Reserve Bank of India decided to cancel the licence of the Baroda Mercantile Co-operative Bank Ltd., Vadodara, Gujarat as a final step after examining all the options for revival of the bank and in order to protect the interest of the depositors. The inspection of the bank with reference to its financial position as on June 30, 2002 revealed that the bank's financial position was unsatisfactory. The bank was, therefore, issued directions under Section 35A of the Banking Regulation Act, 1949 (As applicable to Co-operative Societies) with effect from the close of business of October 10, 2002 including a cap of Rs 1000/- on withdrawal of deposits by an individual depositor. The scrutiny of the bank conducted with reference to its position as on June 30, 2004 revealed further deterioration in its financial condition. Its deposits were getting eroded as realizable value of paid-up capital and reserve was in the negative. The Reserve Bank had issued a notice to the bank on January 13, 2005 asking it to show cause as to why the licence granted to it to conduct banking business should not be cancelled. As the bank did not have a viable plan of action for its revival and the chances of its revival were remote, the Reserve Bank of India took the extreme measure of cancelling licence of the bank in the interest of the bank's depositors. With the cancellation of its licence and commencement of liquidation proceedings, the process of paying the depositors of the Baroda Mercantile Co-operative Bank Ltd., Vadodara, will be set in motion subject to the terms and conditions of the Deposit Insurance Scheme.

Consequent to the cancellation of its licence, the Baroda Mercantile Co-operative Bank Ltd., Vadodara is prohibited from carrying on 'banking business' as defined in Section 5(b) of the Banking Regulation Act, 1949 (AACS) including acceptance and repayment of deposits.

For any clarifications, depositors may approach Shri S.Rajgopal, General Manager, Urban Banks Department, Reserve Bank of India, Ahmedabad. His contact details are as below :

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