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**Reserve Bank Cancels the Licence of  
Sri Sampige Siddeswara Urban Co-operative Bank Ltd., Chitradurga, (Karnataka)**

In view of the fact that the Sri Sampige Siddeswara Urban Co-operative Bank Ltd., Chitradurga, (Karnataka) had ceased to be solvent, all efforts to revive it in close consultation with the Government of Karnataka had failed and the depositors of the bank were being inconvenienced by continued uncertainty, the Reserve Bank of India delivered the order, canceling its licence to the bank after the close of business on July 26, 2006. The Registrar of Co-operative Societies, Karnataka has also been requested to issue an order for winding up of 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).

The bank was granted a licence by Reserve Bank on March 12, 1986 to commence banking business. The statutory inspection conducted under Section 35 of the Act, with reference to its financial position as on 31 December 2003 revealed that the financial position of the bank had steeply deteriorated as compared to the position at the time of the previous inspection conducted with respect to its position as on September 30, 2002. The bank was accordingly classified as Grade-IV and it was decided to monitor its progress under the rehabilitation plan with a view to revive it.

The subsequent inspection of the bank, carried out with reference to its position as on September 30, 2004 revealed that the bank's financial position had deteriorated further. Accordingly, in order to protect the interests of the depositors, the bank was placed under directions issued under Section 35 A of the Act with effect from June 18, 2005, restricting its activities with a ceiling on repayment of deposits upto Rs.1000/- per depositor.

The statutory inspection of the bank conducted with reference to the position as on March 31, 2005 had revealed that the financial position of the bank had become precarious. The bank was, therefore, served a Show Cause Notice on February 01, 2006 as to why the licence granted to it under Section 22 of the Act on March 12, 1986 to carry on banking business, should not be cancelled and the bank be taken into liquidation. The bank was specifically advised therein that its reply should be received within one month from the date of receipt of the notice and if no reply is received within the aforesaid period, it will be presumed that the bank has nothing to state in the matter and Reserve Bank of India will proceed accordingly and take further action. However, in spite of repeated reminders, there was no response from the bank. In the circumstances, it was construed that the bank had nothing to state in reply to the show cause notice issued to it.

Having regard to all these facts, the Reserve Bank of India being satisfied that allowing the bank to carry on banking business any further would be detrimental to the interests of the present, took the extreme measure of canceling the 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 Sampige Siddeswara Urban Co-operative Bank Ltd., Chitradurga, Karnataka, the amount insured as per the DICGC Act will be set in motion.

Consequent to the cancellation of its licence, the Sampige Siddeswara Urban Co-operative Bank Ltd., Chitradurga, Karnataka, 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 C.R.G.Nair, Deputy General Manager, Urban Banks Department, Reserve Bank of India, Bangalore. His contact details are as below:

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