

**RESERVE BANK OF INDIA**

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**Reserve Bank Cancels the Licence of
The Kanyaka Parameshwari Mutually Aided Co-operative Urban Bank Ltd., Andhra Pradesh**

In view of the fact that the The Kanyaka Parameshwari Mutually Aided Co-operative Urban Bank Ltd., Kukatpally, R.R. District, Andhra Pradesh had ceased to be solvent, all efforts to revive it in close consultation with the Government of Andhra Pradesh 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 August 16, 2006. The Registrar of Co-operative Societies, Andhra Pradesh 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/- (Rupees One lakh only) from the Deposit Insurance and Credit Guarantee Corporation (DICGC).

The bank was granted a licence by the Reserve Bank on July 21, 1997 to commence banking business. The statutory inspection of the bank conducted by the Reserve Bank with reference to its financial position as on March 31, 2004 revealed that the bank had violated several guidelines/instructions of the Reserve Bank. The bank was facing liquidity problems during January 2005 due to a run on its deposits. In order to protect the interests of the depositors, the bank was placed under directions issued under Section 35A of the B. R. Act, 1949 (AACS) vide order dated January 27, 2005. On a requisition by the Bank, the RCS superseded the Board of Directors of the bank vide order dated March 14, 2005.

The subsequent inspection of the bank conducted by the Reserve Bank of India with reference to its financial position as on March 31, 2005 revealed further deterioration in its financial condition. Its deposits were getting eroded, as realisable value of paid up capital and reserves was negative. The Reserve Bank issued a notice to the bank on April 26, 2006 asking it to show cause as to why the licence granted to it to conduct banking business should not be cancelled. The bank's reply to the Show Cause Notice was examined and was found unacceptable.

Based on the reply to the show cause notice and after being satisfied that the chances of its revival were remote the Reserve Bank of India took the extreme measure of canceling licence of the bank after examining all options for its revival, 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 Kanyaka Parameshwari Mutually Aided Co-operative Urban Bank Ltd. the amount insured as per the DICGC Act will be set in motion.

Consequent to the cancellation of its licence, the The Kanyaka Parameshwari Mutually Aided Co-operative Urban Bank Ltd., is prohibited from carrying on 'banking business' as defined in Section 5(b) of the B. R. Act, 1949 (AACS) including acceptance and repayment of deposits.

For any clarifications, depositors may approach Shri M. Chandrashekar, Deputy General Manager, Urban Banks Department, Reserve Bank of India, Hyderabad. His contact details are as below:

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