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RESERVE BANK OF INDIA
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**Reserve Bank Cancels the Licence of the Sindh Mercantile Co-op. Bank Ltd.,
Ahmedabad (Gujarat State)**

In view of the fact that the Sindh Mercantile Co-op. Bank Ltd. (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 after the close of business on November 28, 2006. The Registrar of Co-operative Societies, Gujarat State 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 rules and procedures.

The bank faced severe liquidity crunch in the month of September 2002. In order to protect the interest of the depositors and in the public interest, the bank was placed under directions vide the Reserve Bank's order dated October 12, 2002.

A statutory inspection of the bank was undertaken with reference to the financial position as on March 31, 2005 followed by a scrutiny of its financial position as on September 30, 2005. Since no improvement was observed in the financial condition of the bank, the bank was issued a Show Cause Notice (SCN) for cancellation of its licence on December 28, 2005. The reply of the bank to the SCN has been found unsatisfactory.

As the bank did not have a viable plan of action for revival and the chances of its revival were remote, the Reserve Bank of India took the extreme measure of canceling the 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 after commencement of liquidation proceedings, the process of paying the depositors of Sindh Mercantile Co-op. Bank Ltd., Ahmedabad (Gujarat), the amount insured as per the DICGC Act, will be set in motion.

Consequent to the cancellation of its licence, the Sindh Mercantile Co-op. Bank Ltd., Ahmedabad (Gujarat) 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 clarification, depositors may approach Shri V.G. Venkatachalapathy, Deputy General Manager, Urban Banks Department, Reserve Bank of India, Ahmedabad. His contact details are as below

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