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RESERVE BANK OF INDIA

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Reserve Bank Cancels the Licence of The Harugeri Urban Co-operative Credit Bank Ltd., Harugeri, Karnataka

In view of the fact that the Harugeri Urban Co-operative Credit Bank Ltd., Harugeri, (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 January 22, 2007. 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 the Reserve Bank on November 24, 1987 to commence banking business. A special scrutiny conducted on April 9, 2003 revealed that the bank was facing severe liquidity problem. In view of the critical liquidity position and other deficiencies observed during the scrutiny, in order to protect the interest of the depositors, the bank was placed under directions under Section 35A of the Banking Regulation Act 1949(AACS) on June 11, 2003 prohibiting it, inter alia, from sanctioning/renewing of loans and advances, making investments, borrowings and accepting fresh deposits. The Board of Directors was superseded and an Administrator was appointed by RCS with effect from August 14, 2003.

The statutory inspection of the bank carried out under Section 35 of the Act, with reference to its financial position as on March 31, 2005 revealed that the financial position of the bank had further deteriorated and was precarious. A notice was issued to the bank on May 17, 2006 asking it to show cause as to why the licence granted to it to conduct banking business should not be cancelled.

After taking into consideration the reply submitted by the bank and after examining all options for its revival, the Reserve Bank of India 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 Harugeri Urban Co-operative Credit Bank Ltd., the amount insured as per the DICGC Act will be set in motion.

Consequent to the cancellation of its licence, the Harugeri Urban Co-operative Credit Bank Ltd. 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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