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RESERVE BANK OF INDIA

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March 2, 2007

**Reserve Bank Cancels the Licence of Shri Kalmeshwar Urban Co-operative Bank Ltd.,
Hole-Alur, Dist.Gadag (Karnataka)**

In view of the fact that Shri Kalmeshwar Urban Co-operative Bank Ltd., Hole-Alur, Dist.Gadag (Karnataka), had ceased to be solvent, all efforts to revive it in close consultation with the Government of Karnataka had failed and the depositors were being inconvenienced by continued uncertainty, the Reserve Bank of India delivered the order canceling its licence to the bank on February 28, 2007. The Commissioner for Co-operation and Registrar of Co-operative Societies, Karnataka has also been requisitioned 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/-(Rupees one lakh only) from the Deposit Insurance and Credit Guarantee Corporation (DICGC) under usual terms and conditions.

The Reserve Bank of India decided to cancel licence of Shri Kalmeshwar Urban Co-operative Bank Ltd., Hole-Alur, Dist.Gadag (Karnataka) 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 position as on March 31, 2006 indicated that its financial position was precarious. In view of the precarious financial position of the bank to protect the interests of the depositors, directions under Section 35A of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) were issued to the bank vide order dated October 06, 2006. A notice to the bank calling on it to show cause as to why its banking license should not be cancelled was issued on November 14, 2006. As no reply was received from the bank to the Show Cause Notice issued to it in spite of reminders, it was concluded that the bank had nothing to state in this regard. 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 canceling the licence of the bank in the interests of the bank's depositors. With the cancellation of its licence and commencement of liquidation proceedings, the process of paying the depositors of Shri Kalmeshwar Urban Co-operative Bank Ltd., Hole-Alur, Dist.Gadag (Karnataka) will be set in motion subject to the terms and conditions of the Deposit Insurance Scheme.

Consequent to the cancellation of its licence, Shri Kalmeshwar Urban Co-operative Bank Ltd., Hole-Alur, Dist.Gadag (Karnataka) is prohibited from carrying on 'banking business' as defined in Section 5(b) of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) including acceptance and repayment of deposits.

For any clarifications, depositors may approach Shri C.R.G.Nair, Deputy General Manager, Reserve Bank of India, Urban Banks Department, Bangalore. His contact details are as below;

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Press Release : 2006-2007/1185