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RESERVE BANK OF INDIA

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**Reserve Bank rejects the Licence Application of
The Umreth Peoples Co-operative Bank Ltd., Umreth, Gujarat**

In view of the fact that the Umreth Peoples Co-operative Bank Ltd., Umreth, Kheda, 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, on March 06, 2007 delivered the order rejecting its licence application to the bank for conducting banking business in India. The Registrar of Co-operative Societies, Gujarat 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).

The Reserve Bank of India decided to reject the licence application of the Umreth Peoples Co-operative Bank Ltd., Umreth, Kheda, Gujarat as a final step after examining all the options for revival of the bank and in order to protect the interest of the depositors. In view of the severe liquidity crunch faced by the bank, it was placed under Directions under section 35A of the Banking Regulation Act, 1949(AACS) with effect from September 28, 2006. The inspection of the bank with reference to its position as on March 31, 2005 revealed deterioration in its financial condition. Its deposits were getting eroded as the realisable value of its paid-up capital and reserves was in the negative. In view of its precarious financial position, the Reserve Bank issued a show cause notice to the bank on November 27, 2006 asking it to show cause as to why the licence application for conducting banking business should not be rejected. 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 rejecting the licence application of the bank in the interests of the bank's depositors. With the rejection of its licence application and after commencement of liquidation proceedings, the process of paying the depositors of the Umreth Peoples Co-operative Bank Ltd, the amount insured as per the DICGC Act, will be set in motion.

Consequent to the rejection of its licence application, vide Speaking Order dated February 28, 2007, the Umreth Peoples Co-operative Bank Ltd., Umreth 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 Smt. Mythili Ramakrishnan, Assistant General Manager, Urban Banks Department, Reserve Bank of India, Ahmedabad. Her contact details are as below

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