

**RESERVE BANK OF
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April 19, 2007

**Reserve Bank Cancels the Licence of The Rahuta Union Co-operative
Bank Ltd., 24 Parganas (North), West Bengal**

In view of the fact that the Rahuta Union Co-operative Bank Ltd., 24 Parganas (North), West Bengal, had ceased to be solvent, all efforts to revive it in consultation with the Government of West Bengal 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 April 16, 2007. The Registrar of Co-operative Societies, West Bengal 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/her deposits up to a monetary ceiling of Rs.1,00,000/- from the Deposit Insurance and Credit Guarantee Corporation (DICGC) under usual terms and conditions.

The Reserve Bank of India decided to cancel the licence of the Rahuta Union Co-operative Bank Ltd., 24 Pargannas (N), West Bengal 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 statutory inspection conducted with reference to its financial position as on March 31, 1999 revealed that the financial position had weakened. Its deposits were getting eroded as realizable value of paid-up capital and reserves was in the negative. Subsequent inspection/scrutiny of the bank revealed further deterioration in its financial position. Accordingly, in view of the serious deficiencies in the working of the bank and in order to arrest further deterioration of its financial assets, it was placed under Directions under section 35A of the Act, with effect from the close of business as on May 04, 2002 by putting restrictions on acceptance of term deposits and granting fresh advances. The statutory inspection of the bank, conducted with reference to its financial position as on March 31, 2006, revealed further deterioration in its financial position. Therefore, the bank was issued further directions, effective close of business on October 04, 2006, placing a cap of Rs.1000/- on the withdrawal of deposits per depositor.

Thereafter, the Reserve Bank issued a notice to the bank on November 15, 2006 asking it to show cause as to why the licence granted to it to conduct banking business should not be cancelled. 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 cancelling licence of the bank in the interest of the bank's depositors. Accordingly, the licence dated April 26, 1996 granted to the Rahuta Union Co-operative Bank Ltd., 24 Parganas, West Bengal to conduct banking business in India under Section 22 of the Act is hereby cancelled. With the cancellation of its licence and after commencement of liquidation proceedings, the process of paying the depositors of the Rahuta Union Co-operative Bank Ltd., 24 Parganas(North), West Bengal, the amount insured as per the DICGC Act, will be set in motion.

Consequent to the cancellation of its licence, the Rahuta Union Co-operative Bank Ltd., 24 Parganas(North), West Bengal 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 S C Murmu, Dy.General Manager, Urban Banks Department, Reserve Bank of India, Kolkata. His contact details are as below;

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