

**RESERVE BANK OF
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April 24, 2007

**Reserve Bank rejects the licence application of Varada Co-operative
Bank Ltd., Karajagi, Haveri, Karnataka**

In view of the fact that there is no improvement in the financial position of the Varada Co-operative Bank Ltd., Karajagi, Haveri, Karnataka and the affairs of the bank are being conducted in a manner detrimental to the interests of the depositors, the Reserve Bank of India is satisfied that the application dated March 31, 1998 of the bank for issue of licence to carry on banking business deserves to be rejected. The Reserve Bank of India delivered the order rejecting the application dated March 31, 1998 for issue of licence to carry on banking business in India under Section 22 of the Act read with Section 56 of the Banking Regulation Act, 1949 to Varada Co-operative Bank Ltd., Karajagi, Haveri, Karnataka, on April 18, 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 reject the application dated March 31, 1998 for issue of licence of Varada Co-operative Bank Ltd., Karajagi, Haveri, 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 and 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 November 1, 2006. A notice to the bank calling on it to show cause as to why its licence application for carrying on banking business should not be rejected and why steps should not be taken to wind up the bank, was issued on November 8, 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 rejecting the licence application (dated March 31, 1998) of the bank in the interests of the bank's depositors. With the rejection of its licence application and commencement of liquidation proceedings, the process of paying the depositors of Varada Co-operative Bank Ltd., Karajagi, Haveri, Karnataka will be set in motion subject to the terms and conditions of the Deposit Insurance Scheme.

Consequent to the cancellation of its licence application, Varada Co-operative Bank Ltd., Karajagi, Haveri (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 Smt. Gopalan Jayasree, Assistant General Manager, Reserve Bank of India, Urban Banks Department, Bangalore. Her contact details are as below;

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