

**RESERVE BANK OF
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**Reserve Bank Cancels the Licence of
The Chetak Urban Co-operative Bank Ltd, Parbhani, (Maharashtra)**

In view of the fact that The Chetak Urban Co-operative Bank Ltd, Parbhani, (Maharashtra) had ceased to be solvent, all efforts to revive it in close consultation with the Government of Maharashtra 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 May 19, 2007. The Registrar of Co-operative Societies, Maharashtra 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/- (Rupees One Lakh only) from the Deposit Insurance and Credit Guarantee Corporation (DICGC).

The bank was granted a licence by Reserve Bank on August 3, 1994 to commence banking business. The statutory inspection of the bank conducted by RBI with reference to its financial position as on March 31, 2005 revealed that the bank was not complying with several provisions of the Banking Regulation Act, 1949 (As applicable to Cooperative Societies) and had also violated several RBI guidelines / instructions. The realizable value of capital and reserves (Net Worth) of the bank had become negative. The bank was placed under directions under Section 35A of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) vide order dated July 17, 2006 precluding it from incurring any liability and restricting repayment of deposits to Rs 1000/- per depositors.

The Reserve Bank issued a notice to the bank on September 4, 2006 asking it to show cause as to why the licence granted to it under Section 22 of the Banking Regulation Act, 1949(AACS) to conduct banking business should not be cancelled. The bank's reply to the show cause notice was examined and a fresh scrutiny was conducted with reference to bank's financial position as on Sept 30, 2006 to verify the bank's claim of making substantial recoveries. The scrutiny revealed further deterioration in the financial position. As the realizable value of bank's paid-up capital and reserves was negative and the chances of its revival were remote, the Reserve Bank of India took the extreme measure of canceling the licence of the bank after examining all options for its revival, 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 Chetak Urban Co-operative Bank Ltd, Parbhani, (Maharashtra), the amount insured as per the DICGC Act will be set in motion.

Consequent to the cancellation of its licence, The Chetak Urban Co-operative Bank Ltd , Parbhani, (Maharashtra) 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 Anand Prakash, General Manager, Urban Banks Department, Reserve Bank of India, Nagpur. His contact details are as below:

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