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RESERVE BANK OF INDIA

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**Reserve Bank Cancels the Licence of The Urban Co-operative Bank Ltd.,
Siddapur, Dist. Uttara Kannada (Karnataka)**

In view of the fact that The Urban Co-operative Bank Ltd., Siddapur, Dist. Uttara Kannada (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 October 27, 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 the licence of The Urban Co-operative Bank Ltd., Siddapur, Dist. Uttara Kannada (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, 2004 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 January 6, 2005 restricting its operations. Simultaneously, the Registrar of Co-operative Societies (RCS), Karnataka was asked to supersede the Board of Directors and appoint an Administrator. Accordingly, the RCS superseded the Board of Directors of the bank with effect from January 13, 2005 and appointed an Administrator.

Keeping in view the deterioration in financial position, modified directions were issued to the bank under Section 35A of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) on November 10, 2006 placing restriction inter alia, on repayment of deposits to Rs.500/-per depositor. Notice was issued to the bank on December 5, 2006 asking it to show-cause as to why the licence granted to it should not be cancelled.

The bank submitted a reply to the show-cause vide its letters dated January 3 and 15, 2007. The bank claimed some progress in recovery of NPA and appealed for some time. However, the subsequent inspection as on March 31, 2007 revealed that there had been no improvement in its financial position.

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 The Urban Co-operative Bank Ltd., Siddapur, Dist. Uttara Kannada (Karnataka) will be set in motion subject to the terms and conditions of the Deposit Insurance Scheme.

Consequent to the cancellation of its licence, The Urban Co-operative Bank Ltd., Siddapur, Dist. Uttara Kannada (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 S.Neelakantan, Deputy General Manager, Reserve Bank of India, Urban Banks Department, Bangalore. His contact details are as below:

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