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**Reserve Bank Cancels the Licence of The Hirekerur Urban
Co-operative Bank Ltd, Hirekerur (Karnataka)**

In view of the fact that The Hirekerur Urban Co-operative Bank Ltd., Hirekerur, (Karnataka) had ceased to be solvent, all efforts to revive it in close consultation with the Government of Karnataka 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 November 07, 2007. The Registrar of Co-operative Societies, Karnataka 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/- from the Deposit Insurance and Credit Guarantee Corporation (DICGC).

The bank was granted a licence by Reserve Bank on November 28, 1986 to commence banking business. A quick scrutiny of the bank conducted by Reserve Bank during December 21 to December 23, 2004 indicated that there was a run on the bank from October 01, 2004 and subsequently there were heavy withdrawals from the deposit accounts. The bank was placed under directions under Section 35 A of BR Act, 1949 (AACS) vide Directive UBD.No.BSD. IV -D-152/12.03.0577/ 2004-05 dated February 21, 2005 restricting its operations, including placing a ceiling on withdrawal of deposits at Rs.500/-.

The subsequent inspections of the bank conducted with reference to its financial position as on March 31, 2005 and March 31, 2006 indicated that the financial position had further deteriorated. It was also observed that the bank had violated the directions issued by RBI under Section 35 A of the Banking Regulation Act, 1949 (AACS). A Show Cause Notice (SCN) for cancellation of licence was issued to the bank vide letter dated June 25, 2007. The reply given by the bank to the SCN was without any concrete plans for revival and was not satisfactory.

After taking into consideration the reply submitted by the bank and after examining all options for its revival, the Reserve Bank of India took the extreme measure of canceling the licence of the bank 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 amount insured as per the DICGC Act will be set in motion.

Consequent to the cancellation of its licence, The Hirekerur Urban Co-operative Bank Ltd., Hirekerur, (Karnataka) 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 R.Neelakantan, Deputy General Manager, Urban Banks Department, Reserve Bank of India, Bangalore. His contact details are as below:

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