



February 7, 2008

**Reserve Bank Cancels the Licence of the Laxmeshwar  
Urban Co-operative Credit Bank Ltd, Laxmeshwar, Karnataka**

In view of the fact that The Laxmeshwar Urban Co-operative Credit Bank Ltd, Laxmeshwar, (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 February 05, 2008. 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 Laxmeshwar Urban Co-operative Credit Bank Ltd., Laxmeshwar, Karnataka State was granted a licence on April 01, 1997 by the Reserve Bank of India to conduct banking business. The statutory inspection conducted with respect to position as on March 31, 2005 revealed that the financial position of the bank was precarious and it was placed under directions, stipulating a withdrawal limit of Rs.1000/- per depositor.

The subsequent inspection conducted with respect to position as on March 31, 2006 revealed that there was no improvement in the bank's financial position. The latest inspection with respect to position as on March 31, 2007 revealed that the position of the bank continued to be precarious, with no scope for turn around.

In view of the above, a Show Cause Notice for cancellation of licence was issued on August 23, 2007.

After taking into consideration the reply submitted by the bank to the show cause notice issued, 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 Laxmeshwar Urban Co-operative Credit Bank Ltd., Laxmeshwar, (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 S.Neelakantan, Deputy General Manager, Urban Banks Department, Reserve Bank of India, Bangalore. His contact details are as below:

Postal Address: 10/3/8, Nrupathunga Road, Bangalore 560 001. Telephone Number: (080)-22291696; Fax Number: (080) 2229 3668/2221 0185; or by email.

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