



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA

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### Reserve Bank Cancels the Licence of The Haliyal Urban Co-operative Bank Ltd., Haliyal, Karnataka

In view of the fact that The Haliyal, Urban Co-operative Bank Ltd., Haliyal, 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 rejecting its licence application to the bank after the close of business on February 26, 2009. The Registrar of Co-operative Societies, Karnataka has also been requested 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/her 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 bank was registered as a co-operative society on December 12, 1954 and had commenced banking business on March 02, 1955. After the Banking Regulation Act was made applicable to Co-operative Societies in 1966, it had submitted an application to Reserve Bank of India on March 31, 1968 for licence to conduct the banking business under section 22 of the Banking Regulation Act, 1949(AACS).

The bank was classified as "weak" from June 30, 1988 and was placed under rehabilitation. As it was not complying with the norms for issue of licence even after a lapse of many years and was not likely to qualify for the same in the near future, the bank was advised in April 2002 to take necessary steps to go out of the purview of the Act. Though it was issued supervisory instructions from time to time, it failed to show any improvement. On the contrary, its position continued to deteriorate.

The inspection of the bank conducted with reference to its financial position as on March 31, 2007 revealed that the bank's financial position had deteriorated considerably during the year and it was placed under directions under Section 35 A of the Banking Regulation Act, 1949 (As applicable to Co-operative Societies) vide Directive dated January 23, 2008. The directions, among others, prohibited acceptance of fresh deposits and further lending and restricted repayment of deposits up to a maximum of Rs.1000/- per depositor.

The Reserve Bank of India rejected the licence application of the bank after issuing a show cause notice to the bank. The reply to the show cause notice was examined and it was observed that the bank did not have any viable plan of action for its revival. In the absence of any viable proposal for turn around and achieve the required regulatory prescriptions, the possibility of revival of the bank was remote. Therefore, the Reserve Bank of India took the extreme measure of rejecting the application for licence submitted by it, in the interest of the bank's depositors. With this rejection of its application and commencement of liquidation proceedings, the process of paying the depositors of The Haliyal Urban Co-operative Bank Ltd., Haliyal, Karnataka will be set in motion subject to the terms and conditions of the Deposit Insurance Scheme.

Consequent to the rejection of its application for licence, The Haliyal Urban Co-operative Bank Ltd., Haliyal, 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 Smt Anita Bhattacharya, Deputy General Manager, Urban Banks Department, Reserve Bank of India, Bangalore. Her contact details are as below:

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