



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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July 20, 2010

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Reserve Bank Cancels the License of Vizianagaram Co-operative Bank Ltd. Vizianagaram, Andhra Pradesh

In view of the fact that the operations of the Vizianagaram Co-operative Urban Bank Ltd. Vizianagaram, (Andhra Pradesh) were being carried out in a manner detrimental to the interest of its depositors and that of the public in general, its financial position was on the decline with no scope for revival in the foreseeable future and all efforts to ensure regulatory compliance in consultation with the Government of Andhra Pradesh had failed and the depositors were being inconvenienced by continued uncertainty, the Reserve Bank of India delivered the order canceling its license to the bank after the close of business on June 10, 2010. The Registrar of Co-operative Societies, Andhra Pradesh State 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 granted a license by Reserve Bank on February 26, 1986 to commence banking business. The statutory inspection conducted with reference to the financial position as on March 31, 2003 onwards, revealed that the financial position of the bank was deteriorating in important financial parameters viz. assessed net worth, CRAR, Gross / Net NPAs, etc. resulting in deposit erosion. A requisition was made to the Registrar of Co-operative Societies, Andhra Pradesh to supersede the Board of Directors of the bank. A Special Officer/Administrator was appointed on January 27, 2004 and PIC committee was appointed on February 21, 2005 to manage the affairs of the bank. However, the bank could not show improvement despite sufficient time being allowed and as such Operational instructions had been issued to the bank on April 26, 2007 restricting it from allowing premature withdrawal of deposits and also from accepting fresh deposits.

The statutory inspection of the bank under Section 35 of the Banking Regulation Act 1949 (AACS) with reference to its financial position as on March 31, 2009 revealed that the bank was not having adequate assets to meet its liabilities as required under Section 22 (3) (a) of the Act. Further, the bank had not complied with the requirements of minimum capital and reserves in terms of the provisions of Section 11 (1) of the Act. It was not in a position to pay its present and future depositors in full, as and when their claims accrue. The financial position of the bank left no scope for revival and in all likelihood, public interest would be adversely affected if the bank was allowed to carry on banking business.

The Reserve Bank of India issued a show cause notice to the bank on November 13, 2009, asking it to show cause as to why the license granted to it to conduct banking business should not be cancelled. The bank's reply to the show cause notice was not found satisfactory. The bank did not submit any concrete plan of action to turn around its financial position. In the absence of any viable action plan to comply with statutory requirements, Reserve Bank of India took the extreme measure of canceling the license of the bank in the interest of the bank's depositors. With the cancellation of its license and commencement of liquidation proceedings, the process of paying the depositors of Vizianagaram Co-operative Urban Bank Ltd., Vizianagaram, (Andhra Pradesh) will be set in motion subject to the terms and conditions of the Deposit Insurance Scheme.

Consequent to the cancellation of its licence, Vizianagaram Co-operative Urban Bank Ltd., Vizianagaram, (Andhra Pradesh), 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. B. D. Prasada Rao, General Manager, Urban Banks Department, Reserve Bank of India, Secretariat Road, Saifabad, Hyderabad . His contact details are as below:

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Press Release : 2010-2011/107

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