



प्रेस प्रकाशनी PRESS RELEASE



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई 400001

वेबसाइट : www.rbi.org.in/hindi

DEPARTMENT OF COMMUNICATION, Central Office, S.B.S. Marg, Mumbai 400001
फोन/Phone: 91 22 2266 0502 फैक्स/Fax: 91 22 2270 3279

Website : www.rbi.org.in

इ-मेल email: helpdoc@rbi.org.in

February 16, 2010

Reserve Bank Cancels the Licence of the Chadchan Shree Sangameshwar Urban Co-operative Bank Ltd., Chadchan, Karnataka

In view of the fact that the Chadchan Shree Sangameshwar Urban Co-operative Bank Ltd., Chadchan (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 13, 2010. 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 licence by Reserve Bank of India on September 04, 1986 to commence banking business. The statutory inspection conducted by Reserve Bank with reference to its financial position as on March 31, 2007 had revealed several disquieting features in the functioning of the bank. Accordingly, it was placed under operational instructions inter-alia permitting renewal of only standard loans and prohibiting sanction of fresh loans, extension of area of operations, declaration of dividend, etc. The next inspection conducted with respect to position as on March 31, 2008 had revealed that the bank's financial position had further deteriorated and the restrictions imposed were continued. The latest inspection conducted with reference to position as on March 31, 2009 revealed drastic deterioration of the financial position. In view of the deficiencies observed in the functioning of the bank, in public interest and in the interest of the depositors to prevent preferential payment and to preserve the assets of the bank, the bank was placed under directions under Section 35A of the Act vide directive dated August 08, 2009 prohibiting it from sanctioning/renewing of loans and advances, making investments, borrowings and acceptance of fresh deposits. A cap of Rs.1000/- per depositor was placed on withdrawal of deposits. Subsequently, a show cause notice (SCN) for cancellation of licence was issued on August 25, 2009. The reply to the SCN did not furnish any viable plan for revival of the bank.

After taking into account the foregoing 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 Chadchan Shree Sangameshwar Urban Co-operative Bank Ltd., Chadchan (Karnataka), the amount insured as per the DICGC Act will be set in motion.

Consequent on cancellation of its licence, the Chadchan Shree Sangameshwar Urban Co-operative Bank Ltd., Chadchan (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 Indranil Chakraborty, 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 (080) 2229 1696, Fax (080) 2229 3668/2221 0185, [Email](mailto:helpdoc@rbi.org.in).