



प्रेस प्रकाशनी PRESS RELEASE



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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

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March 12, 2010

Reserve Bank Cancels the Licence of the Rabkavi Urban Co-operative Bank Ltd., Rabkavi, Karnataka

In view of the fact that the Rabkavi Urban Co-operative Bank Ltd., Rabkavi (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 March 09, 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 December 10, 1986 to commence banking business. The statutory inspection conducted by Reserve Bank with reference to its financial position as on March 31, 2004 had showed significant deterioration in its 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 March 01, 2005, stipulating withdrawal limit of maximum Rs.500/- per depositor. The bank's financial position was reviewed periodically and based on the improvement in its financial /liquidity position, the directions were partially relaxed on various occasions vide directives dated July 05, 2005, January 13, 2006, October 18, 2006, August 16, 2007 and September 17, 2007.

The Inspection of the bank conducted with reference to its financial position as on March 31, 2008 had revealed further deterioration in the bank's financial position. The restrictions imposed earlier were continued. The latest statutory inspection of the bank conducted by the RBI with reference to its financial position as on March 31, 2009 had revealed that its financial position was precarious. A notice dated August 31, 2009 was issued to the bank asking it to show cause as to why the licence granted to it to carry on banking business in India under section 22 of the Act should not be cancelled. The bank's 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 Rabkavi Urban Co- operative Bank Ltd., Rabkavi(Karnataka), the amount insured as per the DICGC Act will be set in motion.

Consequent on cancellation of its licence, the Rabkavi Urban Co-operative Bank Ltd., Rabkavi (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:

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Press Release : 2009-2010/1238

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