



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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

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April 9, 2010

**Reserve Bank Cancels the Licence of National Co-operative Bank Ltd.,
Kurnool, Dist. Kurnool, (Andhra Pradesh)**

In view of the fact that National Co-operative Bank Ltd., Kurnool, Dist. Kurnool, (Andhra Pradesh) had defaulted in repayment of deposits, was a chronic defaulter in submission of statutory returns since 2005, had failed to produce audited balance sheets since 2005 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 licence to the bank after the close of business on April 7, 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 licence by Reserve Bank on June 16, 1999 to commence banking business. The statutory inspection conducted with reference to the financial position as on March 31, 2007, revealed that the bank could not submit the audited accounts for the financial years 2005-06 and 2006-07 and failed to submit statements and other related documents. It was observed that Board of Directors of the bank was ineffective and responsible for non-compliance with various statutory requirements. As such the Registrar of Co-operative Societies, Andhra Pradesh, was issued a requisition to supersede the Board of Directors of the bank on August 3, 2009 and appoint an Administrator to look after the affairs of the bank.

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, could not be conducted as the bank had not made available records such as Trial Balance, audited / un audited Balance Sheet and Profit & Loss Account for the year ended March 31, 2009, the NPA Register, discharged FDRs, documents for loans and other basic records.

The Reserve Bank of India issued a show cause notice to the bank on September 3, 2009, asking it to show cause as to why the licence 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 comprehensive and realistic time bound action plan to rectify the serious deficiencies in its functioning. In the absence of any viable action plan to comply with statutory requirements, the Reserve Bank of India took the extreme measure of cancelling 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 National Co-operative Bank Ltd., Kurnool, Dist. Kurnool, (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, National Co-operative Bank Ltd., Kurnool, Dist. Kurnool, (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. P.Subrahmanyam, 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 : 2009-2010/1374

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