



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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February 20, 2014

**Cancellation of licence to carry on banking business in India
under Section 22 (4) of the B.R.Act, 1949 (AACS) -
The Municipal Co-op. Bank Ltd., Ahmedabad**

In view of the fact that The Municipal Co-operative Bank Ltd., Ahmedabad (Gujarat) had ceased to be solvent, all efforts to revive it in close consultation with the Government of Gujarat had failed and the depositors were being inconvenienced by continued uncertainty, the Reserve Bank of India (RBI) delivered the order cancelling its licence to the bank and the same is effective from the close of business of February 03, 2014. The Registrar of Co-operative Societies (RCS), Gujarat 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 ₹1,00,000/- (Rupees One lakh only) from the Deposit Insurance and Credit Guarantee Corporation (DICGC) under usual terms and conditions.

The Statutory Inspection of the bank conducted by RBI under Section 35 of the BR Act, 1949 (AACS) with reference to its financial position as on March 31, 2009 revealed that the net worth of the bank was negative at ₹ (-) 706.33 lakh, the Capital to Risk-Weighted Asset Ratio (CRAR) of the bank was negative at (-) 27.9% against the regulatory requirement of 9%, the deposits of the bank had been eroded to the extent of 25.9%, the gross Non Performing Assets (NPAs) of the bank as on March 31, 2009 was ₹ 96.73 lakh constituting 11.4% of the gross advances, the assessed net loss of the bank was ₹ (-) 718.15 lakh, etc. It had also violated Operational Instructions issued to it under Section 36 (1) of the B.R.Act, 1949 (AACS) issued vide RBI's letter dated July 01, 2008 and January 05, 2009 by sanctioning unsecured advances and issuing unsecured guarantees. The financial position of the bank was placed before the Task Force on Co-operative Urban Banks (TAFUCB) and based on the recommendations of the TAFUCB, the bank was placed under directions under Section 35A of the B.R.Act, 1949 (AACS) from the close of business of February 15, 2010 for a period of six months vide RBI, UBD, CO letter dated February 11, 2010. Further, in view of the unsatisfactory functioning of the bank, the RCS was requisitioned to supersede the Board of the bank vide UBD, CO letter dated February 08, 2010. Subsequently, an Administrator was appointed by RCS, Gujarat vide their Order dated February 17, 2010.

The financial position of the bank did not improve in the next three years i.e. March 31, 2010, March 31, 2011 and March 31, 2012 as well as revealed in the inspections conducted during this period.

The statutory inspection of the bank conducted with reference to its financial position as on March 31, 2013 revealed that the bank's financial position deteriorated further viz. CRAR of the bank was at (-) 77.7% as against the regulatory requirement of 9%, with the bank's net worth at ₹ (-) 344.12 lakh, it was not in a position to pay its present and future depositors in full due to deposit erosion of 14.8%, there were persisting irregularities from the previous inspection which the bank did not comply with, the bank's Gross NPA was at 55.1% of its gross advances as on March 31, 2013, accumulated losses amounted to ₹ (-) 674.13 lakh. However, considering the further provisioning requirement of ₹ 129.91 lakh, the bank's accumulated losses was assessed to be ₹ (-) 804.04 lakh, the bank did not comply with KYC norms in respect of old accounts.

In view of deposit erosion, continuing negative net worth and the absence of effective fit and proper management for the bank, the bank was placed under all inclusive directions with effect from February 15, 2010 which were extended for an aggregate period of 3 years from time to time. Keeping in view the precarious financial position of the bank, a Show Cause Notice (SCN) dated October 10, 2013 was issued to the bank requiring it to show cause as to why the licence granted to it under Section 22 of the B.R.Act, 1949 (AACS) on December 22, 1986 to carry on banking business in India should not be cancelled and the bank be taken into liquidation. The bank's reply dated October 25, 2013 to the SCN in this regard was examined and not found to be satisfactory. No concrete merger proposal was also received from any bank.

RBI, therefore, took the decision of cancelling the licence of the bank in the interest of bank's depositors. With the cancellation of licence and commencement of liquidation proceedings, the process of paying the depositors of The Municipal Co-operative Bank Ltd., Ahmedabad, (Gujarat), the amount insured as per the DICGC Act, 1961 will be set in motion subject to the terms and conditions of the Deposit Insurance Scheme.

Consequent to the cancellation of its licence, The Municipal Co-operative Bank Ltd., Ahmedabad, (Gujarat) is prohibited from carrying on 'banking business' as defined in section 5(b) of the BR Act, 1949 (AACS).

For any clarifications, depositors may approach The General Manager, Urban Banks Department, Ahmedabad Regional Office, Reserve Bank of India, Ahmedabad whose contact details are as below:

Postal Address: Urban Banks Department, Ahmedabad Regional Office, La-Gajjar Chambers, Ashram Road, Ahmedabad-380 009. Telephone Number: (079) 26585184, Fax Number: (079) 26584853, [Email](#).