



**भारतीय रिज़र्व बैंक**

**RESERVE BANK OF INDIA**

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June 23, 2011

### **Reserve Bank Cancels the Licence of Siddharth Sahakari Bank Ltd., Pune (Maharashtra)**

In view of the fact that Siddharth Sahakari Bank Ltd, Pune, Maharashtra had ceased to be solvent, all efforts to revive it in close consultation with the Government of Maharashtra had failed and the depositors were being inconvenienced by continued uncertainty, the Reserve Bank of India delivered the order cancelling its licence to the bank before commencement of business on June 14, 2011. The Registrar of Co-operative Societies, Maharashtra 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 bank was granted a licence by Reserve Bank on November 29, 1996 to commence banking business. The statutory inspection of the bank with reference to its financial position as on March 31, 2010 had revealed that the financial parameters of the bank had deteriorated sharply. CRAR was assessed at (-) 86.8% as compared to (-) 19.2% as on March 31, 2009. Assessed Networth was (-) ₹ 375.17 lakh compared to (-) ₹ 415.12 lakh as on March 31, 2009. Erosion in deposits was to the extent of 33.6% compared to 10.8% as on March 31, 2009. The bank had also defaulted in maintenance of CRR and SLR. The bank was advised by Reserve Bank at a meeting held on July 09, 2010 that it had a time of three months to show progress in the financial health of the bank, failing which Reserve Bank would be constrained to initiate the process to cancel the licence issued to the bank. The bank was also advised at the above meeting, to explore the possibility of merger with a sound UCB.

A scrutiny conducted with reference to the bank's financial position as on September 30, 2010 had revealed further deterioration in its financial parameters. CRAR was (-) 90.3%, Net Worth was assessed at (-) ₹ 1463.41 lakh and Net Loss was assessed at ₹ 1723.70 lakh as on that date. Additionally, the bank had apprised that it was facing severe liquidity problems due to heavy withdrawals from deposit accounts during September 2010. The sponsorship of sub-membership of the bank to Pune Bankers' Clearing House was withdrawn by Cosmos Co-operative Bank Ltd, Pune with effect from October 30, 2010 as the bank had failed to meet its clearing liability.

Due to precarious financial position and liquidity crunch faced by the bank, it was placed under directions under Section 35 A of the Banking Regulation Act, 1949 (AACS) vide Directive UBD CO BSD-I No. D-25/12.22.382/2010-11 dated December 15, 2010 effective from close of business as on December 20, 2010.

Serious deficiencies as mentioned above revealed that the affairs of the bank were being conducted in a manner detrimental to the interests of the depositors. The bank did not comply with the provisions of Sections 11(1), 18, 22(3)(a) & (b) and 24 of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies).

In view of the aforesaid serious deficiencies/irregularities and the deteriorating financial position of the bank, it was issued a notice on April 06, 2011 to show cause (SCN) as to why the licence granted to the bank on November 29, 1996 to conduct banking business should not be cancelled. The bank submitted its reply to the SCN vide its letter dated April 28, 2011. The reply to the SCN was considered and examined but not found satisfactory. Further, no concrete proposal was received from the bank for merger.

Therefore, Reserve Bank of India took the extreme measure of cancelling 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 Siddharth Sahakari Bank Ltd, Pune, Maharashtra will be set in motion subject to the terms and conditions of the Deposit Insurance Scheme.

Consequent to the cancellation of its licence, Siddharth Sahakari Bank Ltd, Pune, Maharashtra is prohibited from carrying on 'banking business' as defined in Section 5(b) of the Banking Regulation Act, 1949 (AACS).

For any clarifications, depositors may approach Smt. K.S. Jyotsna, Deputy General Manager, Urban Banks Department, Mumbai Regional Office, Reserve Bank of India, Mumbai, whose contact details are as below:

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