



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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June 19, 2013

Reserve Bank Cancels the Licence of Vaishali Urban Co-operative Bank Ltd. (Jaipur)

In view of the fact that The Vaishali Urban Co-operative Bank Ltd. Jaipur, Rajasthan, has ceased to be solvent, all efforts to revive it having failed and the depositors being inconvenienced by the continued uncertainty, the Reserve Bank of India delivered the order cancelling its licence to the bank on June 12, 2013. The Registrar of Co-operative societies, Government of Rajasthan 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 under usual terms and conditions.

The bank was granted a licence by the Reserve Bank of India on March 2, 1998 to conduct banking business under Section 22 of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies).

The statutory inspection conducted under Section 35 of the Act with reference to its financial position as on March 31, 2008 had reported large scale irregularities in the loans and advances/overdraft relating to directors and their relatives. As involvement of management in these irregularities was apparent, the Registrar of Co-operative Societies, Rajasthan had superseded the Board and appointed an Administrator on February 27, 2009 on the requisition of the Reserve Bank of India.

The statutory inspection of the bank as on March 31, 2009, indicated that the bank's net worth was fully eroded, the deposits were eroded to the extent of 28.51% of total deposits and the gross NPAs were 18.66%. Further the bank failed to report fraud involving fictitious accounts and understatement of liabilities to the RBI.

Accordingly, directions under Section 35 A of B. R. Act, 1949 (AACS) were imposed on the bank with effect from the close of business on July 12, 2010 restricting, inter alia, withdrawal in excess of ₹ 1000/- per deposit account.

Keeping in view the deteriorating financial position and irregularities stated above a Show Cause Notice (SCN) was issued to the bank on November 04, 2011. The reply of the bank dated December 12, 2011 to the SCN was not found satisfactory.

The statutory inspection as on March 31, 2010, and 2011 also indicated no improvement and the bank continued to function in violation of the provisions of Section 11(1) and 22 (3) (a) of the Act *ibid*.

The Statutory Inspection as on March 31, 2012 revealed that the bank was not complying with the provisions of Section 11(1) and 22 (23) (a) of the Act. It had a negative CRAR of 753.77%, assessed net worth of (-) 689.84 Lakh, accumulated loss of ₹ 880.35 Lakh and deposit erosion had reached the alarming level of 42.14%.

The second SCN dated December 14, 2012 was issued to the bank for cancellation of banking licence issued to the bank. The bank in its reply admitted to the erosion in deposits and reiterated its proposal for infusion of capital without filing FIR against persons responsible for the frauds.

From the facts and circumstances stated above it is observed that:

- (i) The bank does not comply with the provisions of Sections 11(1), 18 and 24 of BR Act.
- (ii) The bank is not in a position to pay its present and future depositors and as such, does not comply with Section 22(3) (a) of the Act.
- (iii) The affairs of the bank were and are being conducted in a manner detrimental to the interests of the depositors which implies non compliance with Section 22(3) (b) of the Act.
- (iv) The financial position of the bank leaves little scope for its revival.
- (v) Public interest would be adversely affected if the bank is allowed to carry on its business any further.

In view of the above the licence granted to the bank to conduct banking business deserved to be cancelled. Accordingly, the licence dated March 2, 1998 granted to the Vaishali Urban Co-operative Bank Ltd., Jaipur, Rajasthan to conduct banking business in India under Section 22 of the Act has been cancelled. With the cancellation of licence and commencement of liquidation proceedings, the process of paying the depositors of the Vaishali Urban Co-operative Bank Ltd., Jaipur, Rajasthan will be set in motion subject to the terms and conditions of the Deposit Insurance Scheme.

Consequent to the cancellation of its licence, The Vaishali Urban Co-operative Bank Ltd., Jaipur, Rajasthan is prohibited from carrying on 'banking business' as defined in Section 5(b) of Banking Regulation Act, 1949 (AACS) including acceptance and repayment of deposits.

For any clarifications, depositors may approach Shri V.R. Praveen Kumar , Deputy General Manager, Urban Banks Department, Reserve Bank of India, Jaipur. His contact details are as below.

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