



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

वेबसाइट : www.rbi.org.in/hindi

Website : www.rbi.org.in

इ-मेल email: helpdoc@rbi.org.in

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

DEPARTMENT OF COMMUNICATION, Central Office, S.B.S.Marg, Mumbai-400001

फोन/Phone: 91 22 2266 0502 फैक्स/Fax: 91 22 2266 0358

August 01, 2014

RBI cancels the Licence of The Vasavi Co-operative Urban Bank Ltd., Hyderabad (Telangana)

The Reserve Bank of India (RBI) has, on July 14, 2014 cancelled the licence of The Vasavi Co-operative Urban Bank Ltd., Hyderabad (Telangana). The order has been made effective from the close of business as on July 14, 2014. The order was issued in view of the fact that the bank had ceased to be solvent, all efforts to revive had failed and the depositors were being inconvenienced by continued uncertainty.

The Registrar of Co-operative Societies, Telangana State has also been requested to issue an order for winding up the bank and appoint a liquidator. On liquidation, every depositor will be 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 the usual terms and conditions.

With the cancellation of licence and commencement of liquidation proceedings, the process of paying the depositors of The Vasavi Co-operative Urban Bank Ltd., Hyderabad (Telangana State), 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.

Background

The Vasavi Co-operative Urban Bank Ltd., Hyderabad (Telangana) was granted the licence on July 13, 1982.

The bank had been classified as 'weak' since July 2000. The statutory inspection of the bank under section 35 of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies) with reference to its financial position as on March 31, 2013 had revealed that the financial position of the bank had deteriorated and the bank was not considered to have adequate assets to meet its outside liabilities as required under section 22(3)(a) of the Banking Regulation Act. The bank also did not comply with the requirements of minimum capital and reserves prescribed under section 11(1) of the Banking Regulation Act. The highly unsatisfactory financial position and the consequent strain on liquidity were largely on account of the poor governance of the bank.

With a view to enabling the bank to recover from its critical financial position the State Government of Andhra Pradesh, with the prior approval of the Reserve Bank, notified a scheme of restructuring of the bank in 2008. As a result, deposits of large depositors were converted into equity and institutional deposits were converted into Perpetual Debt Instruments (PDIs) after paying 30 per cent and 20 per cent,

respectively, of the deposits amount. Subsequently, in January 2009, the Reserve Bank permitted the bank to treat the entire PDI as Tier I capital for a period of five years ending March 31, 2013. As a result of these measures the financial position of the bank improved and Directions imposed on the bank were replaced with certain operational instructions. However, the improvements in the financials were short lived as the bank did not use the opportunity provided by the regulator to improve its financial performance.

Having exhausted all the recovery avenues and any prospects of revival of the bank, the Reserve Bank issued a Show Cause Notice (SCN) to it in February, 2014 asking why it should not cancel the bank's licence and take it into liquidation. The bank's replies to the show cause notice were examined, but not found to be satisfactory. The Reserve Bank, therefore, decided to cancel the licence of the bank in the interest of bank's depositors.

Consequent to the cancellation of its licence, The Vasavi Co-operative Urban Bank Ltd., Hyderabad (Telangana State), is prohibited from carrying on 'banking business' as defined in Section 5(b) of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies) including acceptance and repayment of deposits.

For any clarifications, depositors may approach Shri Ravindra Bhookya, General Manager, Urban Banks Department, Reserve Bank of India, Hyderabad. His contact details are:

Postal Address:

Urban Banks Department,
Reserve Bank of India,
Secretariat Road, Saifabad,
Hyderabad - 500004
Telephone Number: (040) 23234920
Fax Number: (040) 23235891

[Email](#)

Press Release: 2014-2015/239

Alpana Killawala
Principal Chief General Manager