



प्रेस प्रकाशनी PRESS RELEASE



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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July 10, 2009

Reserve Bank Cancels the Licence of The Katkol Co-operative Bank Ltd., Katkol, Karnataka

In view of the fact that the Katkol Co-operative Bank Ltd., Katkol, (Karnataka) had ceased to be solvent, all efforts to revive it in close consultation with the Government of Karnataka had failed and the depositors of the bank 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 July 03, 2009. The Registrar of Co-operative Societies, Karnataka has also been requested to issue an order for winding up of the bank and appoint a Liquidator for the bank. It may be highlighted that on liquidation every depositor is entitled to repayment of his deposits up to a monetary ceiling of Rs.1,00,000/- from the Deposit Insurance and Credit Guarantee Corporation (DICGC).

The bank was granted a licence by Reserve Bank on November 09, 1987 to commence banking business. The statutory inspection conducted with reference to the financial position as on March 31, 2005 revealed that the bank was facing severe liquidity problem. In view of the critical liquidity position and various other deficiencies observed during the inspection, in order to protect the interest of the depositors, the bank was placed under directions under Section 35A of the Banking Regulation Act 1949(AACS) vide order dated August 03, 2006.

The subsequent inspections of the bank conducted with reference to position as on March 31, 2006 and March 31, 2007 revealed further deterioration in the financials of the bank. Since it was reported that a proposal for merger with a sound bank was under way, it was decided to wait for a specific merger proposal.

The statutory inspection of the bank carried out under Section 35 of the Act, with reference to its financial position as on March 31, 2008 revealed that the financial position of the bank had further deteriorated and was precarious. A notice was issued to the bank on February 11, 2009 asking it to show cause as to why the licence granted to it to conduct banking business should not be cancelled.

After taking into consideration the reply submitted by the bank and after examining all options for its revival, the Reserve Bank of India took the extreme measure of canceling the 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 the Katkol Co-operative Bank Ltd., the amount insured as per the DICGC Act will be set in motion.

Consequent to the cancellation of its licence, the Katkol Co-operative Bank Ltd. 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 Smt Anita Bhattacharya, Deputy General Manager, Urban Banks Department, Reserve Bank of India, Bangalore. Her contact details are as below:

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