



**भारतीय रिज़र्व बैंक**

**RESERVE BANK OF INDIA**

वेबसाइट : [www.rbi.org.in/hindi](http://www.rbi.org.in/hindi)

Website : [www.rbi.org.in](http://www.rbi.org.in)

ई-मेल email: [helpdoc@rbi.org.in](mailto: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 22660358

November 19, 2012

### **Reserve Bank Cancels the Licence of Ghaziabad Urban Co-operative Bank Ltd., Ghaziabad (UP)**

In view of the fact that Ghaziabad Urban Co-operative Bank Ltd., Ghaziabad (UP) had ceased to be solvent and with all efforts to revive it having failed and the depositors were being inconvenienced by continued uncertainty, the Reserve Bank of India delivered the order cancelling its licence to the bank on November 16, 2012. The Commissioner of Co-operation and Registrar of Co-operative Societies (RCS), Government of Uttar Pradesh, 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 April 21, 1997 to conduct banking business under section 22 of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies).

The statutory inspection of the bank conducted by the Reserve Bank under section 35 of the Act with reference to its financial position as on March 31, 2001 revealed net-worth erosion at (-) ₹1035.91 lakh and deposit erosion to the extent of 20.8% leading to non compliance with the provisions of section 11(1), and 22(3) (a) of the Act. As the operation of the bank was detrimental to the interest of the depositors the Board was superseded by the RCS on June 20, 2002.

The statutory inspection conducted with reference to March 31, 2002 revealed further deterioration in the net-worth of the bank which was assessed at (-) ₹1878.35 lakh leading to deposit erosion to the extent of 32.6%. In order to protect the present and future interest of the depositors, the bank was placed under directions in terms of section 35A of the Act from May 18, 2002 which were modified with effect from June 16, 2004 restricting acceptance of fresh deposit as also allowing withdrawals from the existing deposits in excess of ₹1000/- per depositor.

The statutory inspection as on June 30, 2004 revealed that the bank was not complying with the provisions of section 11(1) and 22(3)(a) of the Act as its net-worth had further eroded to (-) ₹3411.99 lakh and deposit erosion reached an alarming level of 74.7%. The bank had violated section 5ccv (3) of the Act by admitting some co-operative societies as its members. A show cause notice (SCN) was issued to the bank on January 19, 2005 to show cause as to why the banking licence granted to it under section 22 of the Act should not be cancelled. The bank however requested some time for improvement in the financial condition which was allowed.

Based on the statutory inspection as on March 31, 2005 which reported deposit erosion at 70.5%, another SCN was issued to the bank on October 31, 2006, to show cause as to why the banking licence granted to it should not be cancelled. The bank again sought time for improvement and was granted time.

The statutory inspection as on March 31, 2007, 2008, 2009 and 2010 also indicated no improvement and the bank continued to function in violation of the provisions of sections 11 (1) and 22(3) (a) of the Act.

The statutory inspection as on March 31, 2011 revealed no improvement in the financial position of the bank. The assessed net worth of the bank was at (-) ₹ 3388.89 lakh with deposit erosion at 69.4% and hence the bank continued to violate section 11(1) & section 22(3) (a) of the Act. Advances portfolio had almost fully turned NPA (99.5%). The bank had defaulted in the maintenance of SLR and cash reserve ratio (CRR) on many occasions during the period under review and thereby violated sections 18 and 24 of the Act.

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

- (i) The bank does not comply with the provisions of sections 11(1), 18 and 24 of BR Act 1949 (AACS).
- (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 present and future 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 April 21, 1997 granted to the Ghaziabad Urban Co-operative Bank Ltd., Ghaziabad (UP) 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 Ghaziabad Urban Co-operative Bank Ltd., Ghaziabad (UP) will be set in motion subject to the terms and conditions of the Deposit Insurance Scheme.

Consequent to the cancellation of its licence, Ghaziabad Urban Co-operative Bank Ltd., Ghaziabad (UP) 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 Shri R.P. Pandey, Deputy General Manager, Urban Banks Department, Reserve Bank of India, Lucknow. His contact details are as below:

Postal Address: The Deputy General Manager, Urban Banks Department, Reserve Bank of India, 8-9 Vipin Khand, Gomti Nagar, Lucknow -226010; Telephone No. 0522-2304878;. FAX No.0522-2393584; [Email](#):