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March 7, 2007

**Reserve Bank Cancels the Licence of
The Basavakalyan Pattana Sahakara Bank Niyamith, Basavakalyan, (Karnataka)**

In view of the fact that The Basavakalyan Pattana Sahakara Bank Niyamith, Basavakalyan, (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 March 5, 2007. 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/- (Rupees One Lakh only) from the Deposit Insurance and Credit Guarantee Corporation (DICGC).

The bank was granted a licence by Reserve Bank on January 18, 1997 to commence banking business. The statutory inspection of the bank conducted by RBI with reference to its financial position as on March 31, 2006 revealed that the bank was not complying with several provisions of the Banking Regulation Act 1949 (As applicable to Cooperative Societies) and had also violated several RBI guidelines / instructions. The realizable value of capital and reserves (Net Worth) of the bank had become negative. The bank was placed under directions under Section 35A of the Banking Regulation Act 1949 (As Applicable to Cooperative Societies) vide order dated September 28, 2006 restricting its activities with a ceiling on repayment of deposits upto Rs. 500/- per depositor.

The Reserve Bank issued a notice to the bank on October 16, 2006 asking it to show cause as to why the licence granted to it under Section 22 of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) on January 18, 1997 to conduct banking business should not be cancelled. The bank's reply to the show cause notice was examined and was found unacceptable.

As the realizable value of bank's paid-up capital and reserves was negative and the chances of its revival were remote in the absence of a viable action plan, the Reserve Bank of India took the extreme measure of canceling licence of the bank after examining all options for its revival, 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 Basavakalyan Pattana Sahakara Bank Niyamith, Basavakalyan, (Karnataka), the amount insured as per the DICGC Act will be set in motion.

Consequent to the cancellation of its licence, The Basavakalyan Pattana Sahakara Bank Niyamith, Basavakalyan, (Karnataka) is prohibited from carrying on 'banking business' as defined in Section 5(b) of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) including acceptance and repayment of deposits.

For any clarifications, depositors may approach Shri C. R. G. Nair, Deputy General Manager, Urban Banks Department, Reserve Bank of India, Bangalore. His contact details are as below:

Postal Address: 10/3/8, Nrupathunga Road, Bangalore 560 001. Telephone Number: (080) 22291696; Fax Number: (080) 22293668/ 22210185.

Alpana Killawala
Chief General Manager**Press Release : 2006-2007/1209**