

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANT GANGARAM GEETE): (a) Yes, Sir. The Securities and Exchange Commission (SEC) in USA had issued a 'Cease and Desist' (C and D) order against State Bank of India (SBI) on 19th November, 2001.

(b) The C and D Order was issued for marketing Resurgent India Bonds (RIBs) in USA without filing a registration statement with the Commission in terms of Section 5 of the Securities Act. SBI reportedly did not register the RIBs with the commission as it considered RIBs as deposits, whereas the Commission took the view that the RIBs were securities which needed to be registered with the Commission before their marketing in USA.

(c) No, Sir.

(d) Does not arise.

(e) SBI did not prefer an appeal as no monetary payment was levied and the RIB issue was already over.

Majority holding in ARCIL

2150. SHRI RAJKUMAR DHOOT: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether it is a fact that Asset Reconstruction Company (India) Ltd. (ARCIL) to tackle bad debts of banks and financial institutions has been allowed majority holding and management by private sector;

(b) if so, the details thereof;

(c) the reasons as to why it could not function as a public sector undertaking with full Government and legal backing;

(d) what advantages have been contemplated to keep ARCIL in the private sector; and

(e) the safe guards taken to ensure that ARCIL does not exceed its brief in recovering the debts?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANT GANGARAM GEETE): (a) to (e) Government has promulgated an Ordinance, "The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest

Ordinance, 2002" on 21st June, 2002 which provides legal framework for Asset Reconstruction Companies (ARC). Replacement Bill has also been introduced in Lok Sabha.

It is expected that with the promulgation of this Ordinance many ARCs would be set up in the private sector.

Government wants Asset Reconstruction Companies to be in private sector and function on sound business principles so that their liabilities do not devolve on the Government.

CRISIL rating of IDBI

2151. SHRI RAJKUMAR DHOOT: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether it is a fact that CRISIL rating of IDBI has come down from AAA+ to AA+ in about two years;

(b) if so, the reasons therefor; and

(c) the steps being taken to improve the credibility of IDBI?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANT GANGARAM GEETE): (a) IDBI has reported that CRISIL revised the rating for IDBI bonds and Certificate of Deposits from "AAA" to "AA+" during July 2001.

(b) According to the rating rationale of CRISIL, the rating revision is attributed to decline in profitability of IDBI due to a combination of asset quality problems and contraction in spreads and non-fructification of the earlier indicated recapitalisation plan.

(c) To address the concerns of the rating agency, steps have been taken by IDBI to improve the asset quality, profitability and further strengthening its fundamentals. The steps include measures to reduce borrowing cost, administrative cost of IDBI and diversification of asset base in favour of short term loans with higher yield.

Vigilance of RBI over Private Banks

2152. SHRI NANDI YELLAIAH: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether there is any constant vigilance over the functioning of