

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether it is a fact that the Unit Trust of India (UTI) has offloaded most of its Monthly Income Plan (MIP) portfolios in the market to a few large FIs;

(b) If so, the details thereof;

(c) whether UTI has sought permission from Government to sell its holdings in ITC Ltd., to its foreign partner BAT in view of its current liquidity constraints; and

(d) if so, the details of the UTI stake in ITC Ltd. and what is Government's response to the UTI's suggestion to sell its holdings?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI GANGARAM GEETE): (a) and (b) Every maturing scheme is expected to dispose of the holdings in its portfolio in order to generate the amounts required to be paid to the investors in the scheme. Accordingly, the Monthly Income Plans (MIPs) dispose of, in the market, the securities in their portfolios. According to UTI, MIPs have not disposed of any securities directly to any FIs.

(c) and (d) UTI has intimated that no permission has been sought by it from the Government to sell its holding in any specific company or buyer. UTI holds 2,94,95,935 equity shares of ITC Ltd. as on 12th July, 2002.

Crack down on Urban Cooperative Banks in Tamil Nadu

680. DR. T. SUBBARAMI REDDY: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether the RBI has cracked down on two Urban Cooperative Banks in Tamil Nadu;

(b) if so, whether this is the first time RBI has cracked down on UCBs in Tamil Nadu;

(c) whether these banks are asked to register with RBI in order to bring them under Banking Regulation Act;

(d) if so, whether the action of the RBI follows the implementation of the recommendations by the High Power Committee set up under the chairmanship of Mr. K. Madhava Rao in 1999; and

(e) if so, to what extent the recommendations of the High Power

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RAJYA SABHA

Committee has been fully implemented?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANT GANGARAM GEETE): (a) Reserve Bank of India (RBI) has reported that the licence application of two Urban Cooperative Banks in Tamil Nadu were rejected in May, 2002 and the Registrar of Cooperative Societies (RCS), Tamil Nadu was requisitioned to make an order for winding-up these banks and appoint a liquidator. However, on the request of the RCS, the orders rejecting the licence applications have since been kept in abeyance for six months.

. (b) Action against Urban Cooperative Banks (UCBs) of Tamil Nadu as well of other States is taken as and when required.

(c) All Urban Cooperative Banks have to obtain licence from the RBI under provisions of Banking Regulation Act for carrying on banking business in India.

(d) and (e) RBI has reported that the action against these two banks were taken in the usual course as they were not complying with the provisions of B.R. Act. The action was also in conformity with the recommendations of the High Power Committee set up under the Chairmanship of Mr. K. Madhava Rao. As the existing unlicensed urban cooperative banks had applied for issue of licence several years ago when the entry point norms were not so high, the High Power Committee has in its report dealt with the problem of licensing of these banks and observed that the norms for licensing should be based on (i) minimum regulatory level of Capital to Risk Asset Ratio (CRAR); (ii) net Not-Performing Assets less than 10% (iii) profitability during each of the last three years; and (iv) compliance with statutory frame-work of B.R. Act/Directions issued by the RBI from time to time. The licence applications of all unlicensed urban cooperative banks were examined in March, 2002 in the light of the above norms *vis-a-vis* their financial position and action like issue/rejection of licence was taken.

Higher collection taxes by States

681. SHRI P. PRABHAKAR REDDY: Will the Ministry of FINANCE