

reputation of this high institution. ... (Interruptions) ... They have tried to hold the House to ransom. We protest against it. ... (Interruptions). ... The Question Hour should be taken up. My submission is that the Question Hour should not be suspended. A lot of time is wasted. The questions are of public importance. The convention of this House is that most of the time the Question Hour is not suspended. The Opposition was not interested in putting questions for the last three or four days. The questions are of high importance. I request you to go ahead with the questions.

MR. CHAIRMAN: Then I will call out Question No. 121.

SHRI V. NARAYANASAMY: My question is very important, Sir.

MR. CHAIRMAN: Question No. 121, Shri Ram Nath. Kovind.

ORAL ANSWERS TO QUESTIONS

*121. [The questioner (Shri Ramnath Kovind) was absent. For answer vide Col. 31... *infra*.]

*122. The questioner (Shri Ashok ATitra) was absent. For answer vide Col. 32... *infra*..

*123. [The questioner (Shri Mohammed Afzal alias Meem Afzal) was absent. For answer Vide Col. 33 *infra*.]

Closure of BCCI

*124. SHRI V. NARAYANASAMY:
SHRI BISHAMBHAR NATH
PANDE:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the Bank of Credit and Commerce Inter-

national (BCCI) which had its operations in Bombay was closed down and a large number of investors in India had lost huge amount of money; and

(b) if so, whether Government sought the help of Interpol to trace down the persons involved in the BCCI bank scandal?

THE MINISTER OF STATE IN
THE MINISTRY OF FINANCE
(SHRI M. V. CHANDRASHEKHAR MURTHY): (a) and (b) A Statement is being laid on the Table of the House.

- (a) Consequent upon the order of the Governor of Guyana Islands appointing a Receiver to assume control of the affairs of Bank of Credit and Commerce International (Overseas) (BCCI) (O) Ltd. the Reserve Bank of India (R.B.I.) issued order on 6th July, 1991 suspending the operations of the Bombay Branch of BCCI(O) Ltd. On the basis of a petition filed thereafter by the R.B.I., the High Court of Bombay passed orders appointing the State Bank of India as provisional liquidator. Subsequently, with the approval of the High Court of Bombay, a sale agreement was entered into with the Joint Official Liquidator of the Guyana Islands which enabled the State Bank of India to take over the assets and specified assets and liabilities of the Bombay Branch of the BO Ltd. Under the sale agreement the depositors of the Branch were paid in full with interest at compounded rates. A wholly owned subsidiary of the State Bank of India, SBI Commercial and International Bank Limited, has since taken over the assets and liabilities of the Bombay Branch of the BCCI(O) Ltd. and commenced operation from January, 1994.

(b) No reference was made to Interpol by the investigating agencies in India concerned with the case relating to the Bombay branch of BCCI (O) Ltd.

†The question was actually asked on the floor of the House by Shri V. Narayanasamy.

money because the assets of the Bank are more than the deposits. It is SHRI V. NARAYANASAMY; Mr. Chairman, Sir, the Bank of Credit and Commerce International had international banking operations. One of its branch was in Bombay. The main operation of the Bank was from Hong Kong. This Bank had transacted business running into crores of rupees Indian investors as also some of the NRIs had made investment in this Bank. About two years back, all of a sudden, this Bank was closed down and the investors lost their money. The persons who have been involved in the transactions of this Bank as also the promoters! are based in Hong Kong and they are hiding there. I don't know what action the Government of India has taken. Some countries including the U.S.A., where there were branches of this Bank, have taken action against the Bank officials as also the promoters through international organisations. As far as our country is concerned, my information is that money had been advanced by this Bank to various people for anti-national activities. It was brought to light that for the purpose of smuggling and of bringing in weapons' advances were made by this Bank to various people. When it was brought to light, on that ground alone this Bank was closed down and the promoters went out of the scene. Therefore, the persons who have invested their money in this Bank—there are lakhs of Investors in India—lost their money. Therefore, I would like to know from the Government of India what action it has taken against the foreign Bank, which had come to India and which had been operating in our country, under the Banking Regulations Act for the purpose of getting relief to the people who have invested in the Bank because the promoters have just run away and they have taken away the money which was deposited by the people in India. I would like to know from the hon. Minister what action they are taking to get relief to the people who invested their money in this Bank.

SHRI M. V. CHANDRASHEKHAR MURTHY: Sir, the BCCI, Bombay branch, was operating since 31.3.1983. On 6th July, the Bank of England moved against this group and the Governor of Cayman Islands has appointed a Receiver to assume control of the affairs of BCCI. Subsequently, the Reserve Bank of India also issued an order on 6th July, 1991, against the Bombay branch to suspend its operations immediately and the RBI appointed two officers as Observers to ensure that the interest of the depositors and creditors are protected. The RBI further moved the High Court for liquidation of this Bank and also for the appointment of SBI as the provisional liquidator. On 5th July, 1991, there were about 13,029 depositors with a deposit of Rs. 285 crores. The value of its assets was estimated at Rs. 426.04 crores whereas the liabilities, excluding capitals and reserves, were approximately to the tune of Rs. 409.3 crores. Then, the depositors were also insured to an amount of Rs. 30,000/- for depositor's account by the Deposit Insurance and Credit Guarantee Corporation. The SBI took over this Branch. The SBI has offered to purchase this Branch for a sum of 40 crores. Now, it is operating as a subsidiary of the SBI. All the depositors of the BCCI were to be paid in full along with the interest at the contracted rate of interest applicable to such liabilities. Sir, the RBI has reported that no depositor would lose any part of his deposit. It has started functioning from January 1994. The RBI has also ordered for special audit of the accounts of this Branch. The accounts have been audited but no major violations or serious lapses have been pointed out in the special audit report. To safeguard the interests of the investors of the foreign banks, capital adequacy norms are also being strictly enforced by the RBI. They will ensure that no irregularities are committed by the banks..

SHRI V. NARAYANASAMY: Sir, the hon. Minister said that the investors would not lose any

flood. But, the Minister has not replied to my second part of the supplementary. I wanted to know about the amount that was advanced by the Bank for nefarious activities. The hon. Minister has not given any reply in this regard. The hon. Minister has said that special audit was done and the audit report was found perfectly all right. My complaint is this. I wanted to know what investigation has been ordered to probe the advancement of money that was made by this Bank to dubious persons for anti-national activities. The Minister has not given any reply. Then, the persons who are involved in the scam and the persons who are involved in the transactions and also the promoters are hiding in Hong Kong and other places. I wanted to know whether you have approached the Interpol for the purpose of tracing the accused persons who are involved in these transactions and the promoters who have taken away the money from this country. The Minister has not replied to this question. Sir, the branch which is operating in India has to follow the rules and regulations of this country. Is it not the duty of the Government to trace all the persons who are involved in these nefarious activities? Therefore, I would like to know whether they are thinking of taking action even after two years to bring those people here to try them for these activities.

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH): Mr. Chairman, Sir, the Branch of the BCCI in Bombay is a Branch of a bank incorporated in Cayman Island. As far as this Branch is concerned, the special audit ordered by the Reserve Bank of India has not substantiated any of the charges that the hon. Member has levelled. Therefore, the Reserve Bank of India was of the view that as far as the Bombay Branch operations were concerned, there was no violation. Therefore, there is no question of prosecuting anyone who was con-

cerned with the Bombay Branch. As regards the Headquarters, I think the people responsible for the activities of the Overseas Branch are being prosecuted in accordance with the provisions of the laws in those countries. They have not violated any law in this country. Therefore, the question of prosecuting them, does not arise, *

DR. SHRIKANT RAMACHANDRA JICHKAR: Sir, the SBI has taken over the staff of the BCCI. Sir, the staff of the BCCI was very highly paid. I would like to know whether the pay and allowance of the BCCI staff would be on a par with those of the present SBI staff.

SHRI M. V. CHANDRASHEKHAR MURTHY: Sir, the entire staff, except one person who was involved in the gaminal activities, have been taken over by the SBI. Regarding emoluments I don't have the figures. I will collect the details about emoluments and inform the hon. Member.

DR. SHRIKANT RAMCHANDRA JICHKAR: Sir, their emoluments were more than the SBI's general average. So, how would they bring their emoluments on par with the SBI's emoluments?

SHRI MANMOHAN SINGH: As I have mentioned, under the new arrangement, this is a separate subsidiary of the State Bank of India. Even when it operated as a branch, it was a highly profitable branch. Therefore, there is no question of the bank not being able to pay their salaries. As my colleague has said, we don't have precise details about the salaries being paid. But whatever salaries are being paid. I think that the new bank, which is a successor to the branch of the BCCI, will operate in such a manner as to be able to pay those salaries.

SHRI JAGESH DESAI: Mr. Chairman, Sir, I would like to know from the Minister what the terms given to the auditors were, what types of accounts they had to audit and what the report of auditors says. I would also like to know whether this bank had met the private sector advances *and, not, what actions were taken by the Government.

SHRI M. V. CHANDRASHEKHAR MURTHY: Sir, I have already replied to this point. As per the directions of the RBI a special audit of the accounts of the Bombay branch of the BCCI has been conducted by a very renowned chartered accountancy firm, Messrs. S. B. Billimoria and Company. They have pointed out in their report that there had been no major violations of law. So, no serious lapses have been pointed out in their report.

SHRI JAGESH DESAI: What about private sector advances by the banks?

SHRI M. V. CHANDRASHEKHAR MURTHY: Sir, at present, I don't have the information. I will collect the details and pass them on to the hon. Member

SHRI SANJAY DALMIA: I would like to know how much the assets and liabilities of the bank were which were taken over by the SBI and whether the liabilities were not more than the assets. If the liabilities were more than the assets, then why were the excess liabilities over the assets taken over?

SHRI M. V. CHANDRASHEKHAR MURTHY: Sir, there were 30 029 depositors to a tune of Rs. 285 crores and the value of the assets of this bank was estimated to be approximately Rs. 426 crores whereas the liabilities excluding the capitals and reserves were approximately to the tune of Rs 409.3 crores. The BCCI was making huge profits even though

it was a very small branch and the liabilities were far less than the assets. The RBI has taken all measures to protect the interests of the investors and the depositors.. Also, the SBI has offered a sum of Rs. 40 crores only for the purchase of this branch.

SHRI G. SWAMINATHAN: Sir, the auditors, Messrs. Billimoria and Company, seem to have stated that there had not been any major violations. Is there any definition of a major and minor violation? I would like to know whether there is a general definition regarding major and minor violation for the banks. Also, what kind of minor violations have been there? Depending upon the banks, a minor violation can run into many lakhs. So, what is the nature of minor violations? I would also like to know whether these violations also will be brought into light and whether action will be taken on those things.

SHRI M. V. CHANDRASHEKHAR MURTHY: Sir already, the RBI is discussing and monitoring the audit report of this branch.

SHRI K. RAHMAN KHAN: Mr. Chairman, Sir, I would like to know what is the capital of the BCCI and what are the reserves of the BCCI, because, according to the hon. Minister, the total liability was Rs. 409 crores and the value of the assets was Rs. 420 crores. I would like to know whether the total liability includes the capital which was brought by the BCCI as the original holding company.

SHRI M. V. CHANDRASHEKHAR MURTHY: Sir at present I don't have the figures of capital and the reserves. I will collect the figures and pass them on to the hon. Member.

SHRI SANJAY DALMIA

of the Bank? I would like to know

whether the prosecutors sought assistance and help from the Government of India and the Reserve Bank of India. To what extent did we assist the prosecution?

SHRI MANMOHAN SINGH: Mr. Chairman, Sir, I am sorry. Would you kindly ask the hon. Member to repeat the question?

MR. CHAIRMAN: Will you kindly repeat the question? Being a maiden question, you can repeat it!

SHRI VAYALAR RAVI: According to press reports, a prosecution was being launched in London against the Directors of the Bank. I want to know whether the prosecutors have sought help and assistance from the Government of India and the Reserve Bank of India and if so -whether we have promised to extend our help and assistance in the process of prosecution of the Directors of the Bank.

SHRI MANMOHAN SINGH: Sir, I have already mentioned that as far as the operations of the Bombay branch of this Bank were concerned, we had not come across any serious violation of the Indian laws. Therefore, there is no question of our prosecuting the Directors.

SHRI VAYALAR RAVI: Mr. Chairman Sir, I asked whether the prosecutors abroad had sought our assistance and help and if so, what action was taken

SHRI MANMOHAN SINGH: Sir, when the operations of the Bombay branch were in conformity with the Indian laws I don't know what information we could provide to the prosecutors which should be of material help to them.

SHRI V. NARAYANASAMY: Funds were diverted from India to other countries. We would like to know whether you will co-operate in pro-

secuting those cases.

SHRI MANMOHAN SINGH: I have said that there is no evidence that the operations of this Bank were being conducted in any manner which could be considered as a serious violation of the Indian laws.

श्री रंजनी साहू : : सभापति महोदय, मंत्री महोदय ने अपने उत्तर में कहा है कि एस.बी.आई. कार्पोरेशन और इंडस्ट्रियल बैंक लिमिटेड जो होल्दी एस.बी.आई. की सब्सिडियरी है, की स्थापना की गई है। मैं मंत्री महोदय से जानना चाहूँगा कि इस बैंक का स्ट्रक्चर क्या है और इस की स्थापना के पीछे क्या सिर्फ बी.सी.सी.आई. का लेनदेन निपटाने का उद्देश्य है या जो एस.बी.आई. का सोशल ग्रांजेंटिव है, उस की भी जिम्मेदारी है ?

SHRI MANMOHAN SINGH: Sir, this is a wholly-owned subsidiary of the State Bank of India now known as the SBI Commercial and International Bank Limited. So whatever rules and regulations of the Reserve Bank applied to the international banks would apply to this bank as well. But this is not a domestic bank in the sense in which, for example, the banks incorporated in India and having a net work all over India have to invest a certain portion of their funds in the priority sectors. This bank has only one branch as of now. All the rules and regulations which apply to the international banks operating in India would apply to this bank also.

श्री रंजनी रंजन साहू : इस का तात्पर्य यह है कि यह हमारे देश में देश का विदेशी बैंक है जिसके ऊपर सोशल ग्रांजेंटिवज जो हमारे डोमेस्टिक बैंकों को अप्लाई करते हैं, वह इस बैंक पर अप्लाई नहीं करना। जो सोशल ग्रांजेंटिवज के लिए बैंकों की स्थापना की गई है, वह इसके ऊपर क्यों नहीं लागू किया गया है ?

SHRI MANMOHAN SINGH: Sir, there are several foreign banks operating in our country. Gradually we are trying to bring them to devote larger and larger proportions to their resources to the priority sectors. Now, this bank has been taken over by the State Bank of India only in January. I think time should be allowed for the State Bank to put this Bank, which was under Liquidation, on its own feet. In due course of time the State Bank of India will, no doubt, look into all these issues which the hon. Member has mentioned.

SHRI VIRENDRA KATARIA: Sir, may I know from the hon. Minister whether the Government was fully aware of this Bank's operational activities and whether at any time the Government tried to find out its credibility and if not, what are the reasons therefor? What is the total invested amount? And when has it come to the notice for the Government that the persons involved decamped with that money?

SHRI MANMOHAN SINGH: Sir, from time to time right from the 80s onwards, there have been suspicions, doubts about the functioning of the BCCT. But as far as the operations of the Indian branch of the Bank are concerned, I have already mentioned that there has been no serious irregularity committed by this Branch.

SHRI VIRENDRA KATARIA: My reply has not come. How much amount was involved which those persons decamped with?

SHRI MANMOHAN SINGH: I do not follow that question, honestly, Sir. I would like the hon. Member..

MR. CHAIRMAN: The Minister has said that there were no irregularities. So, the amount involved cannot be...

AN HON. MEMBER: No serious irregularity.

MR. CHAIRMAN: Shri Ram Gopatl Yadav,

श्री रामगोपाल यादव : सर, जो स्थिति आज इस देश में है, उससे ऐसा लगता है कि स्कंदल इस देश के बैंकों में अभिन्न रूप से जुड़े गये हैं। देश के अंदर चले विदेशी बैंक हैं, चाहे देशी बैंक हैं, जहाँ ऐसा लगता है कि जैसे नटवरलाल पैदा हो गये हैं, जो घोटाले और स्कंदल करते ही रहते हैं। यद्यपि यह संभव वा. सी. सी. आई. से संबंधित है लेकिन मैं एक विस्तृत परिप्रेक्ष्य में मानना चाहता हूँ कि इस तरह यह जो बी. सी. सी. आई. के इनवेस्टर्स के साथ धोखाधड़ी का गयी है या इस तरह की धोखाधड़ी में जो हमारे यहां लेक्चरिटी स्कैम हुआ है, उसमें कोई समानता है, कोई साम्य है? क्या इस स्कैम से जुड़े हुए लोगों का डाइरेक्ट या इन्डाइरेक्ट रूप से इन लोगों के साथ भा संबंध है, जो कि बी. सी. सी. आई. स्कंदल से जुड़े हुए हैं? मैं यह भी जानना चाहता हूँ कि यदि वित्त मंत्री जी से सल्लान में लाया जाय कि हिन्दुस्तान के अंदर तमाम बैंकों में गड़बड़ाइयाँ चल रही हैं और इनवेस्टर्स के साथ धोखाधड़ी की गयी है तो क्या वह उन मामलों में कार्यवाही करने के लिये सदन को आश्वासन देंगे?

SHRI MANMOHAN SINGH: Sir, I have already mentioned that as far as the depositors of this Bank are concerned, there is no evidence that they have been cheated. And even after liquidation—and that liquidation was brought about because of the overseas operations of this Bank—no depositor has suffered. So, there is no question of any depositor of the Bank being cheated in the process.

MR. CHAIRMAN: Shri Surinder Kumar Singhla, I am in a position of being too generous because I have

allowed every Member in this particular situation.

SHRI SURINDEH KUMAR SINGLA: Sir in the context of the hon. Finance Minister observation, that from 1980 onwards, there have been suspicions about the fraudulent practices being there is it a fact that the Government of India or the Reserve Bank of India wrote a letter to the Federal authorities there, where the Bank's headquarters are located? If any letter was written is there any answer from them? Sir, I have information from the media to the effect that they have not replied to the Government of India or to the Reserve Bank of India. Is it a fact? If it is a fact I would like to know whether you wrote again to the federal authorities where the Bank is headquartered.

SHRI MANMOHAN SINGH: I would submit that correspondence between the Central Banks of various countries is a confidential affair. The Central Banks are fairly in touch with them. Therefore it would not be proper for me to disclose on the floor of the House as to what transpired between the Reserve Bank of India and the other investigating authorities.

It is true that the affairs of the B. C. C. I. were being investigated abroad. But it is also a fact that for many years, nothing came out of it. It is only in the last two-three years that all these facts about the operations of this Bank have come to notice.

MB. CHAIRMAN: Mr. Bisbambhar Nath Pande has just arrived. Mr. Pand, would you like to exercise your right to put a supplementary? You are the second person in the list.

SHRI MA KHAN LAL FOTEDAR: Are you giving him the option Sir?

SHRI BISHAMBHAR NATH PANDE: Enough supplementaries have been asked. Therefore, I do not want to ask any question.

SHRIMATI CHANDRIKA ABHI: NANDAN JAIN; Mr. Chairman Sir, I appreciate the decision of the Government in closing down the BCCT's Bombay Branch and handing it over to the State Bank of India. Fortunately, a provision has been made to re-pay the deposits made by small investors simply because the assets are higher than the liabilities. But I am afraid the same facility is not extended to investors of Indian origin living abroad who have invested their life's savings in the S.C.C.I., England.

Sir., this question was raised again in Parliament. Therefore I would like to know from the hon. Finance Minister whether this matter has been taken up with the B.C.C.I., England or, the Government of U.K. to see to it that the small investors do not suffer and they are paid back their deposits made in the B.C.C.I., England.

SHRI MANMOHAN SINGH: Sir, as I understand it, the hon. Member's question relates to deposits in the overseas branches of the B.C.C.I. We have no control over them. I think we can only request the authorities of those countries to see that the interests of the depositors are safeguarded. We have no jurisdiction in those countries.