

# RAJYA SABHA

*Tuesday, the 14th July, 1992/23 Asadha, 1914 (Saka)*

The House met at eleven of the clock.  
The Deputy Chairman in the Chair.

## ORAL ANSWERS TO QUESTIONS

**Janakiraman Committee report on Securities Scam**

\*81. SHRI RAJUBHAI A. PARMAR:†  
SHRI VIREN J. SHAH:

Will the Minister of FINANCE be pleased to state:

(a) what are the names of the banks that have been found involved in the doubtful transactions by the inquiry committee headed by Mr. R. Janakiraman appointed to go into the recent securities and stock market scam;

(b) what are the details of the bank officers and others against whom action has been recommended by the Committee;

(c) what is the total amount of money found to be involved in these transactions;

†The Question was actually asked on the floor of the House by Shri Rajubhai A. Parmar.

(d) what action is being taken by Government in the light of the recommendations of the Committee;

(e) what precautionary measures Government have taken to prevent recurrence of such transactions in banks; and

(f) what steps Government have taken to ensure credibility of banks in the public?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI DALBIR SINGH): (a) to (f) A Statement is laid on the Table of the House

### Statement

(a) and (c) The Committee set up by Reserve Bank of India under the chairmanship of Shri Janakiraman, Dy. Governor, RBI to enquire into the possible irregularities in Funds Management by Commercial Banks and Financial Institutions has, in its second interim report, estimated the problem exposure in securities transactions as under;

(Rs. in crores)

(i) Total value of investments made by banks and institutions for which they do not hold any securities, SGL transfer forms or BRs.	1967.84
(ii) Total exposure against BRs/SGL transfer forms issued by Bank of Karad or Metropolitan Co-op. Bank.	1470.12
(iii) The estimated shortfall in the securities held by Andhra Bank Financial Services Ltd.	104.83

3542.79

Less : Value of securities reportedly seized by Standard Chartered Bank from M/s Hiten P. Dalal.

350.00

3192.79

The break up of total value of investments made by the banks and institutions as in para (i) above for which they do

not hold either securities, SGL transfer forms or BRs has been estimated by the Committee as under:-

(Rs. in crores)

Bank/Institution	Acquisition Cost	Bank/Institution to whom payment was made	
1. National Housing Bank (NHB)	1271.20	(i) State Bank of India (SBI)	707.5
		(ii) ANZ Grindlays Bank	506.55
		(iii) Standard Chartered Bank (Stanchart)	55.18
		(iv) Canfina	1.91
			1271.20
2. State Bank of Saurashtra (SBS)	174.93	(i) SBI	99.11
		(ii) NHB	75.82
			174.93
3. SBI Caps	121.36	SBI	121.36
4. Stanchart*	460.35	Under investigation	—
	1967.84		

\*As indicated by the Bank.

The total exposure against BRs/SGL transfer forms issued by Bank of Karad Ltd. (BOK) and the Metropolitan Co-operative Bank Ltd. (MCB) (for which

those banks do not appear to have sufficient backing) held by banks/institution as in para (ii) above has been estimated by the Committee as under:—

(Rs. in crores)

Bank/Institution	Acquisition cost	BR/SGL issued
1. Canfina	435.31	Bank of Karad
2. Canbank Mutual Fund	102.97	Do.
3. Stanchart	355.94	Do.
	575.90	Metropolitan Co-op. Bank Ltd.
	1470.12	

(b) The Committee has so far not examined the staff accountability in the Security Transactions of Banks/Institutions.

(d) to (f) (i) Government have promulgated Special Court (Trial of Offences Relating to Transactions in Securities) Ordinance, 1992 on 6.6.92 for speedy trial of the offenders and recovery of the amount involved. The Custodian and the Special Court have been appointed and have started functioning as per the provisions of the Ordinance.

(ii) RBI has issued detailed guidelines on 20.6.92 to banks regarding the transactions in securities, based on recommendations of the first Interim Report.

(iii) Finance Minister convened a meeting with the Chief Executives of banks and financial institutions on 16.5.92 and directed them to immediately review their systems, internal control mechanism and investment policies.

(iv) Government has referred the case to CBI. CBI has searched 144 places and arrested 26 individuals upto 10.7.92. 7 FIRs have been registered upto 10.7.92.

(v) Administrative action has been taken on the basis of preliminary investigations against officers directly and indirectly involved and felt to be responsible. Chairman, SBI and Dy. Managing Director of SBI were asked to go on leave. CMD of Bank of Karad and two of its directors were removed. Services of CMD of UCO Bank have been terminated on 8.7.92. Managing Director of Canara Banking Financial Services was asked to proceed on leave. The Board of Metropolitan Cooperative Bank was superseded. Other officers of various banks have been suspended.

(vi) Government is considering the establishment of a Supervisory Board for coordination of the work of supervision of Banks, Financial Institutions and

other Financial Agencies in the country.

(vii) Government is also considering the establishment of a Special Bureau of Frauds to deal with serious frauds in Banks and other financial institutions.

(viii) The Prime Minister has requested the Hon'ble Speaker of Lok Sabha to proceed with the formation of a Joint Parliamentary Committee.

SHRI RAJUBHAI A. PARMAR: Sir,...

THE DEPUTY CHAIRMAN: Madam, not Sir.

SHRI RAJUBHAI A. PARMAR: Madam, there have been instances of irregular funding by nationalised banks, foreign banks and also by non-nationalised banks. I would like to know from the hon. Finance Minister whether it has been established that the Sangli Bank Ltd., Bank of Rajasthan Ltd., and the Nainital Bank Ltd. are also involved in the irregular funding to the companies owned by Harshad Mehta; and if so, the total amount involved in this securities scam by these banks and the total assets of the top management of these banks?

श्री हर्षाद सिंह : जो रिपोर्ट आई है उसमें सिक्योरिटीज न होने पर भी 1967.84 करोड़ रुपये के एस०जी०एल० ट्रांसफर फार्म/बी०आर० जारी करने, टोटल एक्सपोजर ग्रेस्ट बी० आर्जे०/एस०जी०एल० ट्रांसफर फार्म इश्यू बाई बैंक आफ कराड और मेट्रोपोलिटन कोऑपरेटिव बैंक के 1470.12 करोड़ रुपये और ग्रांथ बैंक फाइनेंशियल सर्विसेज लि० में अनमानतः 104.83 करोड़ रुपये की सिक्योरिटीज घटने—इस तरह से कुल मिलाकर 3542.79 करोड़ रुपये की अनियमितताएँ हुई हैं। इसके अलावा सरकार की नालिज में जैसे ही ये चीजें आईं, तुरन्त ही शासन ने इस पर सख्त कदम उठाया। इतना ही नहीं माननीय प्रधान मंत्री जी ने इस संबंध में जे०पी०सी० के गठन की घोषणा भी इस सदन में की। इसके पहले फाइनेंस

मिनिस्टर साहब को जैसे ही मालूम हुआ उन्होंने जानकीरमन कमेटी का गठन किया और कस्टोडियन भी बैठाया गया। आर्डिनेंस भी इशू किया गया। अभी हम यह नहीं कह सकते कि और कितने बैंक्स हैं। जांच चल रही है। जानकीरमन कमेटी की पहली और दूसरी रिपोर्ट आ चुकी है। इसमें अंदाजा लगाया जा सकता है कि प्रशासन इसमें कोई कमी नहीं छोड़ रहा है। जो भी इसके परव्य में आयेगा उसको शोल्ड करने की कोई बात नहीं है।

**श्री राजभई ए० परमार :** मेरे क्वेश्चन का जवाब नहीं आया। मैंने स्पेसिफिक क्वेश्चन पूछा था whether these three banks are involved in the securities scam or not. That reply has not come.

**THE DEPUTY CHAIRMAN:** This is the second supplementary.

**SHRI RAJUBHAI A. PARMAR:** That was my specific question. Let the reply come. (*Interruptions*).

**THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH):** Madam, as of now, I have no information with regard to the involvement of these three banks.

**SHRI RAJUBHAI A. PARMAR:** My second supplementary is this. In view of the involvement of some banks in the securities scam, mainly foreign banks whose participation in the speculative securities has been found to be disproportionately high, I would like to know whether the Government proposes to bring the audit of banks under the Comptroller and Auditor General of India or some independent audit commission, and if not, the reasons thereof. Secondly, I would like to know whether the Government is considering any change in the licensing policy for opening foreign banks and their branches in India in the light of the securities scam, and if so, in what direction.

**SHRI MANMOHAN SINGH:** Now, therefore, with regard to the policy for foreign banks, as of now I do not feel there is any need for change. With re-

gard to the other point that has been made with regard to audit, the Reserve Bank of India have already ordered a special audit of security transactions of the four foreign banks which figure in the Janakiraman Committee's report.

**SHRI VIREN J. SHAH:** Madam Deputy Chairperson, in reply to part (b) of the question, it is stated here that "The Committee has so far not examined the staff accountability in the Security Transactions of Banks/Institutions." Then, in reply to parts (d), (e) & (f) it is mentioned under (v) about administrative action, etc. Would the hon. Finance Minister enlighten us to how is it that the staff accountability aspect has not been examined? So many months have passed and certain action has been taken. That also includes the staff of the Reserve Bank of India, particularly Public Debt. office. But the Janakiraman Committee report seems to be rather soft on the RBI aspect. Would he kindly enlighten on that? About the amount mentioned here—the total amount of money—every day reports keep coming. If you see the earlier, 4th May statement of the hon. Finance Minister, the amount was much lower. Now it is over Rs. 3,000 crores. Is it likely that the amount would be still higher than that, and how long would it take for the Janakiraman Committee or other organizations of the Government to find out the exact magnitude of it? Then there is the Reserve Bank Governor's statement that Rs. 1,000 crores of it will not be recovered. Where has that money gone?

**SHRI MANMOHAN SINGH:** Madam, with regard to the size of the problem exposure, I have already shared the information with the House. Beyond that I have no other figures to go by. With regard to the amount that will be recovered, as of now it is impossible to say with any finality what amount will be recovered or what amount will not be recovered. Therefore, I am not in a position to reply to the question that the hon. Member has asked, about the

Rs. 1,000 crores and where it has gone. It is too early to say where it has gone.

**SHRI VIREN J. SHAH:** Madam, my question about staff accountability has not been answered.

**SHRI MANMOHAN SINGH:** I apologize. With regard to staff accountability, it is a matter for each bank to review this matter. Also, we have referred these cases to the CBI. The RBI is finding out who are the persons who are involved in these transactions, on the basis of information made available by the CBI and other agencies. Appropriate decisions will be taken by the Bank Administration.

**SHRIMATI VEENA VERMA:** Madam, the banking regulations of the RBI have been in vogue for four decades quite successfully. I would like to know whether the Government agrees with the opinion expressed by banking experts including retired senior executives of the RBI that it was not mainly due to the failure of the banking system that a security scam of such dimensions has taken place; on the other hand, it was largely due to lack of supervision and monitoring of sensitive operations involving gross negligence. So, besides the elaborate Manual of Instructions of the RBI, what steps have been taken to bring to book and prosecute all the RBI and other responsible officers for the bungling of such an order?

**SHRI MANMOHAN SINGH:** Madam, there is no doubt that there has been collusion of certain bank officials with some unscrupulous persons in the stock market. Also I would say that the present episode does reveal certain weaknesses in the functioning of the Bank, that the top management of the Bank—that applies to the SBI, that applies to the Standard Chartered Bank—did not know what was happening. That is a weakness of the system.

As regards the supervisory role of the Reserve Bank, it is certainly true that in retrospect it does appear that a tighter system of monitoring and supervision would probably have been desirable, but that is by hindsight. I would also like to say that it is not possible for the Reserve Bank to monitor every bank. When the management of the State Bank of India certifies that their securities transactions are strictly in accordance with the circular of the Reserve Bank of July, 1991, I think, it is too much to say that this is a case of negligence of the Reserve Bank. In the same way, when the management of the Standard Chartered Bank certifies that its securities transactions are strictly being conducted in accordance with the circular of July, 1991, I think, it would be really too much to say that the Reserve Bank is responsible for what happened in the Standard Chartered Bank. But, I do admit, looking backwards, it could be said, maybe, a tighter system of supervision would have been desirable.

**DR. YELAMANCHILI SIVAJI:** Madam, it is reported in a section of the Press that the Prime Minister circulated a questionnaire to all the Ministers, so that he could verify whether any Minister was involved in this scam. If it is so, what is its effect? How many Ministers have responded to it? How many Ministers are on the way out like Mr. Chidambaram? I would like to know this from the hon. Minister.

**SHRI MANMOHAN SINGH:** Madam, this is a question addressed to the Prime Minister. But, I would like to use this opportunity. I think the leader of the party to which Dr. Sivaji belongs, has issued, I understand, a statement that I have a son who is employed in the Citibank. I would like to state that I have no son. ... (Interruptions).

**SHRI MENTAY PADMANABHAM:** Who said it? I have not said that he has any son. ... (Interruptions).

**DR. YELAMANCHILI SIVAJI:** He is evading my question. He did not respond to my question.

**SHRI MENTAY PADMANABHAM:** I know, Madam, that the Finance Minister's daughter is studying in England.

**THE DEPUTY CHAIRMAN:** There is no son. We cannot talk about it. ... (*Interruptions*).

**SHRI MANMOHAN SINGH:** I would like to say — the hon. Member has brought up the question of my daughter — that I have no daughter who is employed in any bank, Indian or foreign.

Also I would like to say that the other day the hon. Member said that certain Ministers were getting pension from the IMF or the World Bank. I know that the reference was to me. I would like to say categorically that I have never been in the employment of the IMF or the World Bank. Therefore, there is no question of my getting pension from them. ... (*Interruptions*).

**SHRI MENTAY PADMANABHAM:** Only one minute, Madam, because he mentioned ... (*Interruptions*).

**SHRI YASHWANT SINHA:** Why is the Finance Minister bringing in extraneous matters into this question? Why should he take this opportunity of clarifying his stand? (*Interruptions*).

**SHRI MENTAY PADMANABHAM:** Since he referred to the matter which was raised by me some time back....

**THE DEPUTY CHAIRMAN:** Okay, please take your seat.

**SHRI MENTAY PADMANABHAM:** ... I would like to ask the Finance Minister ....

**THE DEPUTY CHAIRMAN:** I cannot permit you. I have already identified Mr. Subramanian Swamy.

**SHRI MENTAY PADMANABHAM:** He has referred to me, Madam. Let him take it back. ... (*Interruptions*).

**THE DEPUTY CHAIRMAN:** No. ... (*Interruptions*).

**SHRI MENTAY PADMANABHAM:** I said on the floor of the House that I would come out with all the facts on this matter at the appropriate time....

**THE DEPUTY CHAIRMAN:** There is a Short-Duration Discussion. You can discuss this.

**SHRI MENTAY PADMANABHAM:** ... after giving due notice.

He should take his words back, or give me a chance to make my clarification.

**THE DEPUTY CHAIRMAN:** There is no clarification just now. ... (*Interruptions*).

**SHRI MENTAY PADMANABHAM:** Let him take back his words, or else you give me a chance.

**THE DEPUTY CHAIRMAN:** I will allow you when the Discussion comes which is pending before the House.

**SHRI SUBRAMANIAN SWAMY:** Let him give notice for a personal explanation.

**SHRI MENTAY PADMANABHAM:** I will give notice for a personal explanation, and I will bring all the facts which are in my possession at the appropriate time. ... (*Interruptions*).

**THE DEPUTY CHAIRMAN:** Please. Let us go on with the Question Hour in a peaceful manner.

**SHRI SUBRAMANIAN SWAMY:** Maybe he was meaning that Mr. V. P. Singh's son is employed in the Citibank. Maybe, all their sons are employed in the Citibank.

**THE DEPUTY CHAIRMAN:** Subramanian Ji, your question.

**SHRI SUBRAMANIAN SWAMY:** The question I want to ask is... (*Interruptions*).

**THE DEPUTY CHAIRMAN:** Now, let us discuss the question. (*Interruptions*)

Please ask your supplementary regarding the question. (Interruptions). Please. This is Question Hour. Don't disturb.

**SHRI SUBRAMANIAN SWAMY:** The first time the Reserve Bank smelt that something wrong was going on was through a circular issued by the Deputy Governor in July 1991. Then there was a report of the Reserve Bank sometime in January 1992. Then there was an income-tax raid on Harsad Mehta's residence the day before the Budget was presented in 1992. I would like to know which was the first date when the Finance Minister in Delhi came to know that something rotten was going on in the securities matter.

**SHRI MANMOHAN SINGH:** It was sometimes in the month of March that the Governor of the Reserve Bank told me that he suspected certain irregularities in the securities transactions. It was in the context of what I had mentioned to him that I suspected funds were flowing into the stock market and he could not account from where that amount was coming. The credit policy had been tightened in October 1991. It was further tightened in April 1992. Therefore, the question was where were the funds coming from? It was in that context that the Reserve Bank reported to me that from some of the preliminary things that he had looked into, he found some irregularities in the security transactions of the State Bank of India. That was in the month of March.

**SHRI H. HANUMANTHAPPA:** The Minister time and again says that some bank officials have colluded with the unscrupulous people, but the Committee has not so far examined the involvement of the officers or the accountability of the staff. There is some contradiction in this. Added to this, the day this scam has surfaced we are only concentrating on the banks. What was the responsibility of the Revenue intelligence and the Income-tax Department? Even in a normal transaction, if there is an inflow of more funds into any bank account, the Income-tax Department has a right to inspect the ledger and the

banks are obliged to give every information they lay their hands on. How is it that the Income-tax Department which is functioning under the same Ministry had kept quite? To what extent have they also colluded with the scam? I would like to know whether this aspect has been examined?

**SHRI MANMOHAN SINGH:** I do not see any contradiction. The Janakiraman Committee was asked to look into the problem, the magnitude of the problem and the institutions that were involved. Once that was identified the question of fixing responsibility was taken up. That process is on. Therefore, I do not see any contradiction in the Janakiraman Committee not going into that question of fixing responsibility. It was primarily concerned with getting a feel of what amount of money was involved and which were the institutions which were involved. Subsequently, I think the rest of the things have followed. The CBI and others have gone into these things. They have booked certain individuals. That process is on.

The second question was with regard to the income-tax. The Income-tax Department organised a raid on eight concerns connected with a particular broker on the 28th of February, 1992. Unfortunately because of the fact that these accounts were in a computer and the pass-word was simply not available and the persons concerned would not co-operate it took the Income-Tax Department nearly two months to decode and to get at the minimum information that was contained. There is no question of Income-Tax Department being negligent in this matter.

**THE DEPUTY CHAIRMAN:** Shri Sukomal Sen.

**SHRI JAGESH DESAI:** Madam, I have raised my hand.

**THE DEPUTY CHAIRMAN:** I know that you have raised your hand. I have with me your name. If I allow each and everyone then, I think there is no need to have a discussion in the evening. (Interruptions).

**SHRI SUKOMAL SEN:** Madam, the Minister said in reply to part (b) of the question that the Committee has so far not examined the staff accountability. But he has said that it is yet to be done. Madam, the Reserve Bank of India has a major role to play since it is a supervising bank. When the CBI enquiry was going on, even when the Janakiraman Committee enquiry was going on at that time, the Finance Minister was on record giving a clean chit to the Governor of the Reserve Bank of India. He said that he is free from all these things, difficulties and problems. Madam, even the Prime Minister could not give a clean chit to his Cabinet colleagues. He has said openly that if any of his colleague was involved in it, he would be dropped. But the Finance Minister has been so bold that he gave a clean chit to the Governor of the Reserve Bank of India. I would like to know from him on what basis has he given a clean chit to the Governor of RBI? Has he made a personal enquiry into his conduct or was he satisfied with the Governor that he openly gave a clean chit when the Parliament was not in session?

**SHRI MANMOHAN SINGH:** Madam, I can share whatever information I have. I had said in my statement in retrospect that the supervisory arrangements in the Reserve Bank of India would certainly need strengthening. But from this to conclude that the Governor of the Reserve Bank of India was personally in any way involved in perpetuating this fraud, I think, would be a grossly unfair statement. I know that the Governor from March onwards has worked diligently to get to the root of the matter and I am satisfied in this matter. He has performed his duty in a manner worthy of his office.

**श्री अजीत जोगी :** सबसे सैटिस्फाइड थे तो हो कैसे गया। इन्कम टैक्स भी ठीक था, गवर्नर भी ठीक था...  
(व्यवधान)

**THE DEPUTY CHAIRMAN:** Now I think we can move on to the next question... (Interruptions)...

**श्री अजीत जोगी :** हो कैसे गया। वह भी ठीक है। गवर्नर भी ठीक है। इन्कम टैक्स भी ठीक है फिर घोटाला कैसे हुआ।  
Why are you defending everyone?

**SHRI MURLIDHAR CHANDRAKANT BHANDARE:** Madam, may I come to a more immediate and urgent issue? The deluge of the scam continued for some time but it has led all the Stock Exchanges to be closed and completely paralysed. I want the hon. Finance Minister to tell the House as to what steps he is taking for restoring the normal functioning of the Stock Exchanges and particularly those dealing with the tainted shares.

**SHRI MANMOHAN SINGH:** Madam, this is a matter before the Special Judge. There was a preliminary hearing yesterday. This matter would be heard again today. I share the concern of the hon. Members about the continued closure of the Stock Exchanges. We are in constant discussions with the authorities concerned.

**SHRI MURLIDHAR CHANDRAKANT BHANDARE:** Tainted shares?

**SHRI MANMOHAN SINGH:** Well, I would say that after today's discussions in the court we will review the matter again.

**THE DEPUTY CHAIRMAN:** Mr. Yashwant Sinha. (Interruptions). Let us not make it a discussion. If you feel like having a discussion, we could have it in the evening. It is pending before the House.

**SHRI YASHWANT SINHA:** Madam Deputy Chairman, my question is in two parts. Part (a) of my question is this. The Finance Minister has just now said the matter was brought to his notice by the Governor, Reserve Bank of India, sometime in March of this year. Now, the Janakiraman Committee was appointed on the 30th April. I would like to know this from the Finance Minister. If he was made aware that something irregular like a scam



was taking place in the securities transactions in March then what held up action for almost two months and why did not the Ministry act on the information given by the RBI Governor earlier? That is part (a) of my question. Now part (b) of my question is this. He has just now given a certificate to the RBI Governor. I am not quarrelling with it for the time being. But I would like to know from him whether he has come across any personal involvement of the Chairman of the State Bank of India who has been asked to go on leave. And, if there is no personal involvement, is it on the basis of moral responsibility that he has gone on leave? If it is moral responsibility, should it not apply across the board from the lowest to the highest?

**SHRI MANMOHAN SINGH:** Madam when this matter came to my notice, it was towards the end of March. At that time, we had no idea about the dimension of the trouble. (*Interruptions*).

**AN HON. MEMBER:** You said January.

**SHRI MANMOHAN SINGH:** I said March.

**THE DEPUTY CHAIRMAN:** I hear it was March. He has been consistent about it.

**SHRI MANMOHAN SINGH:** And therefore, by the first week of April, the problems in the State Bank of India were brought to the notice of the State Bank of India authorities and that is how they got into this act. Between the 10th and the 22nd, I think the State Bank of India then recovered the money from that particular broker. So, there has been no delay in taking action on this point.

The second point that the hon. Member has raised is about the responsibility of the State Bank of India. It is not a question of moral responsibility. The State Bank of India was a victim of this fraud.

**SHRI YASHWANT SINHA:** I asked about the Chairman.

**SHRI MANMOHAN SINGH:** The State Bank of India was a victim of this fraud. I think it was the responsibility of the Chairman of the State Bank of India. I think he should have been more vigilant. I am convinced that the State Bank of India Chairman was not indirectly involved but it is the failure of the management of the State Bank of India. (*Interruptions*).

**THE DEPUTY CHAIRMAN:** Shri Dineshbhai Trivedi. (*Interruptions*).

**SHRI YASHWANT SINHA:** The Minister says it was a supervisory failure on the part of the SBI Chairman.

**SHRI MANMOHAN SINGH:** It was a direct responsibility.

**SHRI GURUDAS DAS GUPTA:** What is supervisory authority of the country? (*Interruptions*).

**THE DEPUTY CHAIRMAN:** Mr. Das Gupta I have not identified you, Shri Dineshbhai Trivedi.

**SHRI DINESHBHAI TRIVEDI:** Madam, I am very happy that the Government and the Finance Minister are trying to do their level best to bring order to the securities scam. But, Madam, it is very-very unfair. I draw the attention of the Finance Minister to a letter written by the Managing Director of the State Bank of India where he is directly blaming the Reserve Bank of India for not reconciling the statement of their branch. That is point No. 1.

Point No. 2 is this. Madam, I seek your permission to read two lines from that letter of the Managing Director. This is in "The Economic Times" of Saturday, the 11th July 1992. It says,

"It is the bank...."

—it means the State Bank of India—

".....which had detected the fraud...."

"—not the Reserve Bank of India—"

"and because of the quickest possible action taken by the bank, we could recover the entire amount of Rs. 622 crores in the first instance." It is interesting

to note in this context that Mr. S. Venkitaraman, Governor, Reserve Bank of India has ever since the securities fraud at SBI became public, been stating that it is the Reserve Bank of India which has detected the fraud." It means the State Bank of India Managing Director is very clear about it, that it was the State Bank of India which detected the fraud. In this case also, the hon. Finance Minister is wrong. May I know whether he is aware of this letter? A lot of things are written in this letter. What would he like to do in this context?

**THE DEPUTY CHAIRMAN:** You may say he is not right. You may not use the word 'wrong'.

**SHRI MANMOHAN SINGH:** Madam, I cannot go by press reports. On the basis of evidence which I had seen. I stand by what I have stated. (*Interruptions*)

**THE DEPUTY CHAIRMAN:** I am going by the list. (*Interruptions*). We can go to the next question. (*Interruptions*). We have already a Short Duration Discussion before the House. Whatever you have in your mind, you can speak at that time. Shri Jagesh Desai.

**SHRI JAGESH DESAI:** Madam, for the first time in the history of this country four foreign banks' accounts are ordered to be audited by a Special Auditor. There will be pressures because all the four banks are from U.K. and U.S.A. I hope the Government will see that audit is done, in depth, the guilty are punished and if necessary, their licence are cancelled. At para 7 in the second interim report of the Javakiraman Committee, it has been mentioned that in several banks reconciliation is not completed as yet though two months have passed. I fear that many such scandals may come to the surface after reconciliation. I would like to know from the hon. Minister as to which are these banks whose accounts have not yet been reconciled. What are the reasons for not reconciling the accounts? What steps is the Government taking to see that their accounts are reconciled immediately so that if there are frauds, they may come to the surface?

**SHRI MANMOHAN SINGH:** Madam, with regard to the special audit, the Reserve Bank has already ordered the special audit with respect to the our foreign banks. I can assure this hon. House that all banks, including foreign banks, have to abide by the laws of our country. If anybody violates these laws, action will be taken against him.

**THE DEPUTY CHAIRMAN:** There is Q. No. 85 regarding that. (*Interruptions*).

**SHRI JAGESH DESAI:** Madam, reconciliation is the most important aspect. (*Interruptions*).

#### Grounding of Pawan Hans helicopters

\*82. **SHRI VIREN J. SHAH:** Will the Minister of CIVIL AVIATION AND TOURISM be pleased to state:

(a) whether it is a fact that three Dauphin helicopters of Pawan Hans Ltd. suffered damage within a week in June, 1992 in three separate incidents resulting in their grounding;

(b) if so, what are the details of the incidents and the reasons for which the helicopters were damaged;

(c) what is the extent of loss suffered by the company;

(d) whether any enquiry has been held into these incidents; and

(e) if so, what are the results thereof?

**THE MINISTER OF STATE IN THE MINISTRY OF CIVIL AVIATION AND TOURISM (DEPARTMENT OF CIVIL AVIATION):** (SHRI M.O.H. FAROOK): (a) to (c) A Statement is laid on the Table of the House.

#### Statement

(a) Yes, Sir.

(b) to (c) 1. On 16th June, 1992 a Dauphin helicopter VT-ELE at Bombay while on a flight to an offshore rig at Bombay High experienced governor mal-