

## STATEMENTS BY MINISTERS

### I. Affairs of Bank of Credit and Commerce International (Overseas) Ltd., Bombay Branch.

**THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH):** Madam, The Bank of Credit and Commerce International (Overseas) Limited (incorporated in Grand Cayman), a wholly owned subsidiary of Bank of Credit and Commerce International Holdings (Luxembourg) submitted an application to Reserve Bank of India (RBI) in April, 1977 for opening two branches in India. However, BCCI was permitted by Reserve Bank of India to open only a representative office in June, 1977. Representative Offices are not permitted to do any banking business but function only as a liaison office.

2. BCCI, however, pursued its request for establishment of branches in India. Reserve Bank of India issued a licence in February, 1983 for opening one branch in Bombay. The branch commenced its operations with effect from 31st March, 1983.

3. BCCI was involved in controversy in 1986 when investigations by Enforcement Directorate revealed that the bank was releasing foreign exchange against the Foreign Travel Scheme to travel agents without verifying the signatures of the actual travellers, with the result that a substantial amount of foreign exchange was released on the strength of the forms bearing forged and fake signatures. Some of the employees of the bank were detained under COFEPOSA Act. Subsequently four of these were released on the recommendations of the Advisory Board that heard the cases as provided in the COFEPOSA Act. Detention order of one employee was revoked by the Government on the ground that other employees had been released under similar circumstances. However, the case was adjudicated by Order dated 20-6-1988 imposing a penalty on the bank, its employees, as well as travel agents and ordering confiscation of the seized exchange of US\$ 1,32,000 as

well as the Indian currency of Rs. 17,00,057 taken over from the bank. The Enforcement Directorate investigated the matter relating to irregular release of foreign exchange against Foreign Travel Scheme and the Directorate was not in possession of any evidence regarding use of such money for buying arms. Reserve Bank of India also deputed a special investigation team in January, 1987 to look into the matter and find out whether the seriousness of irregularities justified demands for cancellation of the licence of the bank. The inspection revealed that there were mainly procedural irregularities in foreign exchange operations and conduct of the bank in certain areas but such irregularities had also been observed in the case of other authorised dealers in India. This did not warrant revoking of licence.

4. There were also reports in 1988 from Intelligence Agencies that BCCI has made overtures for acquisition of property and is trying to enter the Hotel and real estate business in Lucknow and Bombay. The Intelligence Agencies viewed this as fraught with security risk. Reserve Bank of India looked into the matter and Reserve Bank of India scrutiny of BCCI Bombay Branch did not reveal financing/acquisition of real estate business/property.

5. The Reserve Bank of India received an intimation from the Bank of England on the evening of 5th July, 1991 stating that the Governor of Cayman Islands had issued an order appointing a receiver to take charge of the affairs of BCCI International (Overseas) Ltd., a branch of which is functioning in Bombay.

6. On the morning of 6th July, Reserve Bank of India received another intimation from the BCCI, Bombay Branch that they had received instructions from their Central Office to suspend the operations of their Bombay Branch with immediate effect. On receipt of these intimations, Reserve Bank of India issued an order

on 6th July, to BCCI, Bombay to suspend its operations unless otherwise permitted in writing by Reserve Bank of India. Reserve Bank of India appointed simultaneously two Reserve Bank of India officers as observers to ensure that the interest of depositors and creditors is protected. Reserve Bank of India also issued a press note indicating that in Reserve Bank of India's view, the total value of assets of the Bombay Branch, *prima facie*, is more than liabilities and hence the interest of depositors is safe.

7. On the 15th July, 1991, Reserve Bank of India moved an application in the High Court at Bombay under Section 38 of the Banking Regulation Act, 1949 for taking the local office of the bank into liquidation and also for appointment of State Bank of India as a liquidator. The Court passed an ad-interim order appointing the State Bank of India as provisional liquidator. The provisional liquidator is taking stock of the situation and making an inventory of assets and liabilities.

8. As regards the points raised in this House in respect of reports alleging payments to Indian politicians and bureaucrats and financing of terrorist organisations by the BCCI (Overseas) Ltd., Bombay Branch, from the information available from the Intelligence Agencies and the Reserve Bank of India, there is no indication of specific instances or any definite information of that nature. Nothing that impinges on the security of the country has come to the notice of the Government. However, Government is fully alert about this aspect of the matter.

9. I have made the above statement on the basis of information available at present. In case further information becomes available, Government will take appropriate action.

SHRI A. G. KULKARNI (Maharashtra): I am not happy that the Statement did not go to explain the

extent the discussions seeking clarifications and the Special Mentions took place in this House on the subject. At that time I had specifically mentioned about an information received by me from various sources — both inside the country and outside the country — about the involvement of the Syndicate Bank in collusion with the BCCI bank for various activities. I came to know through very, very reliable sources that the Syndicate Bank was used for sending through correspondence banking export documents. According to the latest information which I have got, \$60 million worth of documents are lying with the BCCI. There is no possibility of recovering the proceeds. At the very outset may I know from the Finance Minister whether the Syndicate Bank through these operations has lost some money; and whether the money belonged to the Kerala employees working in the Gulf countries?

[The Vice-Chairman (Shri Shankar Dayal Singh) in the Chair]

The second type of money is the black money of the Indian industrialists which has been earned in foreign exchange and kept abroad in the BCCI. You have said in your statement that attention has been given to it by the Reserve Bank of India. May I know from the Minister whether the Reserve Bank of India has paid any attention to find out as to how to safeguard the interests of the depositors, our friends, from Kerala? May I also know from the Minister whether he had made any attempt to find out the black money stashed abroad in BCCI by the Indian industrialists?

SHRI R. K. DHAWAN (Andhra Pradesh): Is it industrialist or industrialists?

SHRI A. G. KULKARNI: How did you hear it? I am aware of the industrialist as well as industrialists. I

[Shri A. G. Kulkarni]

will take care of that, Madam Vice-Chairman...

**THE VICE-CHAIRMAN (SHRI SHANKAR DAYAL SINGH):** Madam has gone.

**SHRI A. G. KULKARNI:** I am sorry. What happens is that suddenly the change of Chair takes place from the female Member to the male Member when we talk on this side. So I could not see this side.

**THE VICE-CHAIRMAN (SHRI SHANKAR DAYAL SINGH):** You look this side only.

**SHRI A. G. KULKARNI:** When an intervention is taking place from no less a person than Mr. R. K. Dhawan, I have to be very careful and it has to be replied properly.

I want to know about the Syndicate Bank, the involvement of the Indian industrialists and safeguarding the interests of our Keralite depositors, not only Keralites but other depositors also. The Minister did not mention anything about these matters in his statement. But I want to know about these aspects from him specifically. He can say "yes" or "no". He is the authority on that. May I know from the Minister whether BCCI was not permitted to open a branch in Bombay for five years when he was the Governor of the Reserve Bank of India... (Interruptions)... The present Finance Minister was the Governor of the Reserve Bank of India at that time. I think at a subsequent period between 1980 and 1982 the Parliament passed an Act taking over the powers of the RBI by the Government of India to permit opening of BCCI branch. May I know from the Minister, what was the compelling reason in taking away the right of the RBI from the Reserve Bank to the Government in the Ministry of Finance. On narcotics and drugs, he says there was no evidence. But he was the Governor of the Reserve Bank at the time when this happened. Can he remember there was one Mr. Padia?

The auditor of the company, B.C.C.I. Proctor and Woodhouse in London had found out that Padia, in collaboration with the Indian industrialist—no 's', only one—was running a bank between bank and the Isle of Man companies were concerned with the business. They had sponsored Padia. He was really dismissed from one bank and re-employed in the MCCI. Then, he was also, if I do not mistake, deported from India. But he again came back under one pretext or other. The last point I want to know is this. You say that there were narcotics etc. But the Isle of Man eleven companies belong to Indian people under benami names and the names are Mr. Naleen Shah and Shah from U.K. If so, I want to know whether the BCCI which held the shares of an Indian industrial company had transferred those shares to the Larsen and Toubro and thereby (Interruptions). What Mr. Fotedar... (Interruption).

**THE MINISTER OF HEALTH AND FAMILY WELFARE (SHRI M. L. FOTEDAR):** I am not saying anything.

**SHRI A. G. KULKARNI:** Mr. Fotedar, I am on facts. Let us face facts as an honest person would face facts. Let us not be afraid of anything. I want to find out what is happening.

**SHRI VITHALBHAI M. PATEL (Gujarat):** How do you say it is a fact?

श्री अरविश्व गजेश कुलकर्णी : पटेल जी, यह गजरात, महाराष्ट्र का मामला नहीं है।

Don't provoke me. Otherwise, I will go further also. Mr. Vice-Chairman, I say that these shares were transferred to L&T by the BCCI. Is a foreign bank authorised or was required to get permission for transfer of these debentures or shares, whatever they are.

I have already stated that I am more concerned with the BCCI. The

collusion between the Syndicate Bank and the BCCI has been a conduit for transferring black money. So, what action do you propose to take against the Syndicate Bank? I am told that the Senate is discussing in the USA the involvement of politicians. I do not believe in Hereshmen. What friends were telling, he may or may not have said. But I say, the Senate and the UK Commons are discussing the BCCI. Let us be very alert in protecting the interests of the Indian people who have kept their deposits with the BCCI or the Syndicate Bank which have been locked with the BCCI. How are you going to repay them?

**SHRI MURLIDHAR CHANDRAKANT BHANDARE** (Maharashtra): Mr. Vice-Chairman, Sir, the BCCI scandal is one of the most shocking. It has indulged in every immoral as well as illegal activity spreading from errorism; drugs, even funding nuclear armaments and bribing the bureaucrats and the politicians? It has haken a good part of the world. There have been animated debates in the U. S. Senate as well as the British House of Commons and it is indeed a matter of regret that despite the fact that several thousands of Indian depositors have lost their money, there is not even one word about it in the whole statement. (Interruptions)

**SHRI MANMOHAN SINGH**: Nobody has lost deposits there.

**SHRI R. K. DHAWAN**: Have they lost black money?

**SHRI MURLIDHAR CHANDRAKANT BHANDARE**: I can tell you places like Dubai and others, at least honest people have also been working there. I do not know the activities of the dishonest and corrupt people. There were honest Indian depositors also. I am subject to correction because with the information which the hon. Finance Minister has, obviously he can say that no honest Indian had any money. I would be

happy if that statement came and I need not waste my time any more and even I would sit down. But I know that many honest Indians had deposited money which they earned by hard work and they are now in a very perilous position and I would have expected that some sort of an assurance, the details about such deposits, the extent to which honest Indian depositors had lost it and what steps the Government of India was taking to safeguard their interests, could have come. This is one aspect of the matter. The second aspect of the matter is that despite the fact that world-wide disclosures have come about the totally nefarious activities of the BCCI, I am afraid that our intelligence agencies are still groping in the dark. I think a time has come when this Parliament at least should have a complete picture of the involvement of the people in these nefarious things because the sooner we weed them out, the better it is. I may tell you if it does not come while Mr. Manmohan Singh is the Finance Minister, they will never see the light of day. I have great hope in him and therefore, with these two queries I will request the hon. Finance Minister to come with a more detailed statement at some future date.

**श्री प्रमोद महाजन (महाराष्ट्र) :**

उपसमाध्यक्ष महोदय, मत कुछ महीनों से बैंक आफ कामर्स एंड क्रेडिट इंटरनेशनल के बारे में विश्व के समाचार पत्रों में जो जानकारी प्रकाशित हो रही है - उससे यह माना जाता है कि विश्व बैंकिंग के इतिहास में घोषणा की का यह सब से बड़ा कांड है। दुनियां भर में इस बैंक के काले कारनामे जिस प्रकार से प्रकट हो रहे हैं उसके आधार पर तो यह कहा जा सकता है कि यह बैंक बैंक आफ कामर्स एंड क्रेडिट इंटरनेशनल नहीं है बल्कि बैंक आफ क्रूस एंड क्रूस इंटरनेशनल है। इस प्रकाश में जब भी मंत्री महोदय के वक्तव्य को देखता हूं तो बड़े दुःख के साथ मुझे कहना पड़ता है कि लगता यह है

## [ श्री प्रमोद महाजन ]

कि दुनिया भर में बदनाम इस बैंक को मानो भारत सरकार ने अच्छे चरित्र का प्रमाण पत्र दिया हो जिसे सटका कर वह घूम सकते हैं। 24 घंटे से अधिक समय मांग कर यदि मृत्यु की कुंडली का यह निरर्थक वक्तव्य देना था तो यह वक्तव्य कल भी दिया जा सकता था। इसमें एक चालाकी की गई है। हम सभी यह मांग कर रहे थे कि इस बैंक के कारनामों से हिन्दुस्तान का क्या संबंध है, उस पर क्या असर है, इसके बारे में सरकार वक्तव्य दे। अगर वक्तव्य के शीर्षक को आप देखें तो इस बैंक की मुम्बई शाखा के बारे में उन्होंने वक्तव्य दिया है। इसलिये उन्होंने अपना वक्तव्य इसी पर मर्यादित किया है कि मुम्बई शाखा में क्या हुआ है और क्या नहीं हुआ है। हमने मुम्बई शाखा के बारे में नहीं पूछा था उसकी विदेश भर में जो शाखाएँ हैं उस पर भले ही हमारा नियंत्रण न हो लेकिन अगर जानकारी हो सकती है कि वहाँ पर जो मड़बड़ हो रही है उस का इस देश पर क्या प्रभाव हो सकता है। अफसोस की बात है कि वित्त मंत्री जी ने अपने वक्तव्य में इसका कोई उल्लेख नहीं किया है। केवल मुम्बई शाखा की रिपोर्ट सामने रख रहे हैं। इसलिये मैं वित्त मंत्री महोदय से यह स्पष्टीकरण चाहूंगा कि क्या वे अपने वक्तव्य में सुधार करके इस बैंक की और जगह लेने वाली कार्यवाहियों में भी इस देश पर जो असर पड़ेगा उसके बारे में मौन रखना पसन्द करेंगे या कुछ वक्तव्य देंगे। केवल मुम्बई शाखा से यह मर्यादित क्यों किया। मुम्बई शाखा के बारे में बहुत अच्छा कहा जाता है। यह स्थिति नहीं है। मैं एक छोटा सा उदाहरण दूँ। मुम्बई में अभ्युदय सहकारी बैंक है। इसने साढ़े सात करोड़ रुपया इस बैंक में रखा। कब रखा। आप कल्पना नहीं कर सकते। एक जुलाई को इस वर्ष। जब सारी दुनिया में इसकी बर्बाद हो रही है फिर भी अभ्युदय सहकारी बैंक का मैनेजिंग डाइरेक्टर

अपने बोर्ड से पूछे बिना साढ़े सात करोड़ रुपया कहाँ 2 खता है क्योंकि यह ब्याज सबसे अधिक देता है। मुझे तो लगता है कि यह बैंक जिस प्रकार से चलाते हैं दुनिया में कोई भी इस प्रकार से बैंक नहीं चला सकता जब तक कोई गड़बड़ न हो। मतलब ज्यादा से ज्यादा ब्याज दें, सस्ता ऋण दें, ज्यादा समय लवायें। निश्चित रूप से इसमें घोटाला है। इसमें ठीक ढंग से मंत्री जी को आना चाहिये।

मैं दूसरा स्पष्टीकरण यह पूछना चाहूंगा कि वक्तव्य में यह कहा है कि 1977 में इस बैंक ने भारत में शाखाएँ खोलने की अनुमति मांगी जो मिली नहीं। लगातार प्रार्थना करने और अनुरोध करने के बाद 1983 में इस बैंक को अनुमति मिली। अब इन दो तिथियों का अपना एक महत्व है। इन दो तिथियों में इस देश में दो अलग-अलग सरकारें थीं। मैं यह जानना चाहूंगा कि 1977 में अनुमति क्यों नहीं दी गयी और 1983 में ऐसा क्या परिवर्तन हुआ जिसके कारण इस बैंक को अनुमति देने पर रिजर्व बैंक बाध्य हुआ। इसका कारण क्या था। इसका सरकार के परिवर्तन से कोई संबंध था या कोई नयी बात सरकार के ध्यान में आई थी। मैं इस नकारने और बाद में अनुमति देने का कारण जानना चाहूंगा।

मैं तीसरा स्पष्टीकरण यह कहना चाहूंगा, वक्तव्य से संबंधित, कि जन्म के बाद तीन वर्षों में ही, 83 में जन्म हुआ और 86 में बैंक ने पहला घोटाला किया। मैं हिन्दुस्तानी घोटाले की बात कर रहा हूँ। इसके कुछ कर्मचारी "कोफेफोसा" में रखे गये। मैं विदेशियों की बात नहीं कर रहा हूँ, हिन्दुस्तान का बैंक है। वक्तव्य से कह रहा हूँ इनमें से चार कर्मचारियों को सलाहकार समिति ने छोड़ दिया। यह वक्तव्य में कहा है। एक कर्मचारी जिसका सलाहकार समिति ने नहीं छोड़ा उसको 1986 की सरकार ने छोड़े

दिया । क्यों ? वह कौन कमचारी था ? उसको अपने क्यों छोड़ा ? अब सरकार अपने वक्तव्य में यह कहती है चूँकि और भी उसी आधार पर छूट गये इसलिये हमने इसको भी छोड़ दिया । अगर और भी उसी आधार पर छोड़े गये होते तो सत्ताहकार समिति भी इसको छोड़ देती । अगर सत्ताहकार समिति ने इसको, अकेले को नहीं छोड़ा तो इसका यह अर्थ जरूर है कि दल में कुछ काला था जिसके कारण सत्ताहकार समिति उसको छोड़ना नहीं चाहती थी और 1986 की सरकार ने स्वयं अगर इसको छोड़ा था तो क्या मंत्री महोदय यह बतायेंगे कि दल में निश्चित रूप से क्या काला था जिसके कारण कि एक विशेष व्यक्ति पर 1986 की सरकार ने इतनी बड़ी मेहरबानी की जो सत्ताहकार समिति नहीं करना चाहती थी ?

मैं चौथा स्पष्टीकरण यह पूछना चाहूँगा कि 1988 में गुप्तचर संस्थाओं में इस बैंक के बारे में संदेह निर्माण हुआ । फिर रिजर्व बैंक ने जांच की और संदेह दूर हो गया । अब रिजर्व बैंक या गुप्तचर संस्था इन दोनों में से कौन गलत है यह कहना बड़ा मुश्किल है । दोनों के प्रति आदर हो तो एक ही समय में आदर रखना भी मुश्किल है क्योंकि हिन्दुस्तान की गुप्तचर संस्थाएँ जिस बैंक के बारे में उन्हें संदेह है वह संदेह रिजर्व बैंक को बतती है और रिजर्व बैंक उसको दूर करता है । अंतिम परिणाम में मंत्री जी गुप्तचर संस्था को दुहाई देते हैं, ऐसी संस्था को जो अपना संदेह प्रमाणित नहीं कर पाती ।

मुम्बई शाखा में गड़बड़ शायद कम हो लेकिन कुछ न कुछ जरूर है । जब "कोफोपोसा" में कमचारी जाते हैं तो गड़बड़ है ही लेकिन क्या मूल बैंक में यह जो सारी गड़बड़ है इसके बारे में गुप्तचर संस्थाओं को क्या जानकारी है यह मैं वित्त मंत्री महोदय से पूछना चाहूँगा ।

मैं पाँचवा स्पष्टीकरण यह चाहूँगा कि इस बैंक के संस्थापक आगा हसन आब्दी है । ये यूनाइटेड बैंक आफ पाकिस्तान के सर्वे सर्वांगी । पाकिस्तान को इस बैंक ने भारी ऋण दिया है । पाकिस्तान ही एक ऐसा महत्वपूर्ण देश है जिन्होंने इतने बड़े काँड़ के बाद भी इस बैंक की शखाएँ बन्द नहीं की है । इसका अर्थ यह जरूर लगता है कि पाकिस्तान का इस बैंक से कोई नजदीक का

रिश्ता है जो शायद किसी और 8.00P.M. देश का नहीं है और इसलिए माननीय मंत्री महोदय से मैं यह पूछना चाहूँगा कि

इस बैंक की सदन शखा में 42 ऐसे खाते हैं, जो आतंकवादी संगठन या शस्त्र के व्यापारियों के हैं । अब वह प्रमाणित हो चुका है । जब 42 आतंकवादियों के हैं, तो मैं माननीय मंत्री जी यह पूछना चाहूँगा—अगर उनके पास जानकारी नहीं है, तो वह बाद में हैं, लेकिन भगवान के लिये वह यह न कहें कि इनका कोई संबंध था ही नहीं । (समग्र की घंटी) मैं थोड़े में ही समाप्त कर रहा हूँ । त्रिगुण का प्रमाणपत्र न दें और इसलिये मैं पूछना चाहूँगा कि क्या कश्मीर के आतंकवादियों को यह बैंक—मैं मुम्बई शाखा नहीं कह रहा हूँ—यह मूल बैंक किसी और जरिये मदद करता था—क्या पाकिस्तान के परमाणु कार्यक्रम के लिये इस बैंक की ओर से पैसा आता था ?

इसके बारे में हमारी गुप्तचर संस्था ने इंडरपोल से क्या कोई बात की है?

अब इसमें यह कहा गया है कि भारत के किसी राजनेता या किसी उद्योगपति का इससे कोई संबंध नहीं है । इस पर विश्वास करना बहुत कठिन है । होता तो बहुत अच्छा होता... (अवधान)

बिपक्ष के नेता (श्री एस० जयपाल रेड्डी) : इनफर्मेशन है ।

श्री प्रमोद महाजन : अब मुझे यह पता नहीं है कि यह उद्योगपति और राजनेता के ब्राह्मे में अच्छाई का प्रमाणपत्र है या उद्योगपति और राजनेता

[श्री प्रमोद महाजन]

की कार्यक्षमता इतनी घट गई है कि हिन्दुस्तान में इतना काँड होने के पश्चात् एक भी भारत का राजनेता या उद्योगपति ऐसा नहीं है, जो इस काँड में हिस्सा न ले। मुझे लगता है कि यह बड़ी ही आश्चर्यजनक बात हो सकती है। इस पर खुशी हो या दुख चाहिए, अपनी कार्यक्षमता पर, मुझे समझ में नहीं आ रहा है। इसलिये मुझे लगता है कि आप इस पर जो मौन हैं, जरा खुल कर अगर आप बात करें, तो जरूर इतना बड़ा काँड होने के बाद और मुम्बई में जहाँ यह बैंक स्थित है, उसके इर्द-गिर्द भड़े-वड़े लोग बैठे हैं, जो हाथ फेरने पर बैंक में हाथ डाल सकते हैं। किसी का कोई संबंध नहीं होगा।

इस पर विश्वास करना कठिन है। इसलिये राजनेता, उद्योगपति, जो भी इसमें संबंधित हो, क्या इसकी ठीक से जांच करके, सरकार इस पर कोई कार्यवाही करेगी?

मैं तीन-चार छोटे सवाल पूछ कर अपनी बात समाप्त करूँगा। एक यह है कि... (व्यवधान)

उपसभाध्यक्ष (श्री शंकर दयाल सिंह) : आप सीधा सवाल कर दीजिये।

श्री प्रमोद महाजन : क्या बैंक ऑफ अमेरिका, मुम्बई शाखा का दस करोड़ देना रखती है?

The Bank of America owes Rs. 10 crores to the BBCCI branch of Bombay which they are refusing to pay.

वह दस करोड़ नहीं आयेंगे, तो हमारे डिपॉजिटर्स का नुकसान होगा, इसलिये यह मैं जानना चाहता हूँ।

दूसरा, मैं जानना चाहता हूँ कि इस बैंक का अविष्य क्या होगा? इस बैंक को इस बवनाम स्थिति में चलाना तो मुश्किल है।

क्या आप किसी विदेशी बैंक के साथ इसको जोड़ेंगे? क्या आप इसको नेशनलाइज करेंगे? आखिर इस बैंक का

महत्व क्या होगा? या नेशनलाइज्ड बैंक के साथ इसका मर्जर करोगे? इस बैंक को तो नेशनलाइज करने का सबब ही नहीं है। मर्जर करोगे तो क्या रख होगा?

जिन्होंने इसमें पैसा रखा है, उसमें ईमानदार लोग भी हैं, छोटे-छोटे लोग भी हैं, उनके पैसे वापसी की किस प्रकार की व्यवस्था की जाती है। इनमें कुछ उद्योगपति ऐसे भी हैं, जिनके बारे में कोई गड़बड़ नहीं है। उनको इसका पता भी नहीं है। उन्होंने अपने पब्लिक इश्यूज विये, पैसा जमा कराया। ज्यादा आय हुआ पैसा उन्होंने बी०सी०सी०आई० में रखा। अब वह उनको लौटाते नहीं हैं। तो ऐसे जो उद्योगपति हैं, जिनका करोड़ों रुपया इस बैंक से आना है, क्या इसको देने के बारे में कोई अलग से व्यवस्था यह बैंक करना चाहेगी?

इसलिये मैं आपसे अंत में केवल इतना ही कहना चाहूँगा कि यह वैश्विक धोखाधड़ी का सबसे बड़ा उदाहरण है। मुझे यह कहते हुए फिर खेद हो रहा है कि दुर्भाग्य से यह वक्तव्य भी उसी अखला की एक बड़ी है। इसलिये वित्त मंत्री महोदय से मैं यह पूछना चाहूँगा कि क्या वह अपने ही वक्तव्य पर दुबारा विचार करके अच्छे प्रमाण-पत्रों के साथ यह जनता के सामने पेश करना चाहेंगे। बहुत-बहुत धन्यवाद।

THE VICE-CHAIRMAN (SHRI SHANKAR DAYAL SINGH): The Minister wants to make an announcement.

THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS AND THE MINISTER OF STATE IN THE MINISTRY OF HOME AFFAIRS (SHRI M. M. JACOB): Sir, I have to inform the hon'ble Members that we have arranged light refreshments outside as usual because we are sitting late now. So I invite everyone, including the staff, to have the refreshments.

श्री सत्य प्रकाश मालवीय (उत्तर प्रदेश) : मान उपसभाध्यक्ष जी, 1989 में बी०सी०सी०आई के बरिष्ठ अधिकारी इस बैंक से जो सलपन थे, वह गिरफ्तार किये गये थे और उन पर इस बैंक द्वारा (व्यवधान) तस्करों के काले धन को सफेद करने का अभियोग चलाया गया था। चर्चा यह भी थी और मन्त्र भी है कि विदेशों में जो रहने वाले भारतीय हैं और पानिस्तान के नागरिक उनको बहुत बड़ी धनराशि इस बैंक में जमा थी। वित्त मंत्री जी ने अपने धक्कस्य में बतलाया है कि फरवरी 1983 में भारतीय रिजर्व बैंक ने उसे बन्दई में अपनी माखा खोलने के लिये लाइसेंस जारी कर दिया और इस माखा ने 31 मार्च, 1983 से अपना परिचालन शुरू कर दिया। मेरा केवल एक ही स्पष्टीकरण है, क्योंकि मैं जानता नहीं हूँ कि सनाचार-मन्त्र ने सही खबर दी है या गलत खबर दी है, जब इस बैंक को अनुमति दी गई और लाइसेंस जारी किया गया तो उस वक़्त इस देश का वित्त मंत्री कौन था और इस देश का वित्त सचिव कौन था। मेरा केवल यही स्पष्टीकरण है।

SHRI SUNIL BASU RAY (West Bengal): Though it is very late in the evening yet I hope the honourable Finance Minister would reply to all our questions. The statement that has been placed before us by the honourable Finance Minister raises very vital questions. The first question is about giving permission to the BCCI for opening its branch in India. What were the factors which prevented the Government from granting permission earlier and what were the factors which subsequently compelled the Government to grant permission? Is it a fact that between the Reserve Bank and the Finance Ministry there were differences in this matter, that the then Governor of the Reserve Bank and the then Finance Minister had no one opinion and that ultimately the Finance Minister prevailed?

The next question that comes is about our dealings with this Bank.

Does the Reserve Bank or the Government of India have any knowledge that the Syndicate Bank had entered into a relationship with this Bank and had deposited sufficient money, large amounts of money, which caused a loss of Rs. 250 crores? Is it a fact that the daughter of the Chairman of the Syndicate Bank was appointed in the BCCI branch? Is it also a fact that a high level senior officer of the Syndicate Bank left his job after 22 years of service and joined the BCCI and he worked as a liaison agent?

Is it a fact that the BCCI branch was involved in clandestine financial deals and deals in arms, smuggling and such other things? Though it has been refuted in the statement, yet it does not carry conviction, and, therefore, we want more elucidation on this point, because the main allegation against this Bank as reported in the newspapers relates to all the clandestine dealings that are known in the world—secret arms deals, secret arms transactions, secret deals in financial matters, etc. So we must know whether anybody from India was involved in these matters also. It is necessary to know this information also because this Bank has as its saviours now the Middle-East oil-rich princes. They are now coming to the rescue of this Bank. As has been reported in the newspapers, is it a fact that Abu Dhabi rulers are interested in salvaging the Bombay branch from out of the crisis it is in?

My next question is very important and it must be replied and it is about how the depositors' interest is safe, how it is going to be defended. What is the number of Indian depositors so far as this Bank is concerned and what is the total amount that is deposited in this Bank's Indian branch? How is the Government going to liquidate this Bank and safe guard the interests of the depositors. At the same time we must not forget that there are a large number of Indians



[Shri Sunil Basu Ray]

employed in this Bank. Almost 10,000 are from Kerala itself. What about these employees? How are you going to safeguard their interests? If the Government does not come forward then these employees will lose their jobs. They will be on the roads. I want that the Government should address itself to these issues. I want the Minister to specially reply to my questions and he should not hide any facts. All the facts should be placed before the House so that we may know what is happening.

**SHRI S. JAIPAL REDDY:** Mr. Vice-Chairman, Sir. I have high regard for the personal integrity of our Finance Minister. My regard for the Finance Minister has gone up by leaps and bounds when my information revealed that he as RBI Governor opposed the grant of licence to the Bombay Branch of the BOCI.

**SHRI A. G KULKARNI:** It is there on the file itself.

**SHRI S. JAIPAL REDDY:** I do not know why such a person as Mr. Manmohan Singh should have come out with a wishy-washy statement. The statement tries to conceal more than it reveals. So, I would like Mr. Singh to confirm whether he as the RBI Governor at that time opposed the grant of licence and, if so, who was the Finance Minister in 1983 who overruled the RBI in this very important matter.

Secondly, we learn from the statement that some people belonging to this organization were arrested, were detained, under the COFEPOSA. They were detained in 1986 and they were released by the COFEPOSA Advisory Board in 1987. I would like to know who the Finance Minister was at that time. As Mr. Pramod Mahajan has rightly asked, why one employee, who was not permitted to be released by the Advisory Board, was released by the Government? Who took the initiative in this matter? I also would like to know whether it is true that the Enforcement Directorate at that time made a specific recommen-

dation for cancellation of this licence. If the Enforcement Directorate, at that point of time, had made a specific and categorical recommendation for the cancellation of this licence, how is it that this licence was not cancelled? I know that the statement does contain some kind of an explanation. But that explanation does not simply wash.

Sir, without taking much of the time of the House, I would like the Government to tell us as to which Indian industrialists—there was more than one industrialist—were dealing with this Bank. This has turned out to be a major bank even in Bombay. We would like to have a list of the Indian industrialists who dealt with this Bank. Well, the statement does not touch upon many controversial and dangerous aspects such as its involvement in drug-running, gun-running, in arming Pakistan with nuclear capability and so on. And, Sir, the involvement of politicians and officials, without which the grant of licence would not have been possible in the first place, is obvious. I do not think that any departmental officials could inquire into it. Therefore, I would like to ask the Finance Minister whether he would agree to an inquiry into the dealings and operations of this mysterious Bank by a House committee, a joint committee of both the Houses and, if not, why?

**SHRI VISHVJIT P. SINGH (Maharashtra):** Sir, this Bank, as has become quite clear, was founded at the instance of the former President of Pakistan, Gen. Zia-ul-Haq and it was founded by Mr. Agha Hasan Abidi. I happen to have been born in the same city as Gen. Zia was born, that is, the city of Jalandhar and I belong to Sitapur, the city from where Mr. Agha Hasan Abidi migrated to Pakistan. This Islamic Bank, as has become quite clear from the international documents which have been released, was involved in arming Pakistan. It is an Islamic Bank and at that time it was used to arm Pakistan. That is all. That was the crux of the matter and it was

mopping up money and it was involved in all kinds of nefarious activities with the idea of helping Pakistan's nuclear programme.

All these things were not clear till 1990. They became clear in 1990 when an investigation was there in the United States dealing with laundering of drug money and dealing with nuclear proliferation and there was a conviction of certain officers of the Bank. There was a fine also which was imposed on the Bank. Various governments in the world got involved in investigating the affairs of the Bank and its branches in other countries only after these disclosures. I would like to know from the honourable Finance Minister as to what cognizance the Ministry of Finance had taken when these disclosures came. Did the Finance Minister at that point of time—I would not like to name that gentleman here—take cognizance of these reports and disclosures? Did he make any more towards cancellation of the licence of this Bank? I would like to know these things from the Finance Minister.

I would also like to know another thing. Indians have been holding accounts in this Bank. I know that the statement is limited only to the Bombay Branch. Lots of Indians working in the Gulf have been banking with this Bank. During the Gulf War, many of them came back to India in the hope of finally going back. They are actually non-resident Indians, at present resident in India. Under the Reserve Bank of India Rules, they are allowed to hold legal money in foreign Banks. Much of the money of the Indians from Kuwait, plus much of the money of other Indians from the Gulf who came here because of the war, and much of the money of the Indians in Iraq was lying with various branches of the BCCI. I would like to know from the hon. Finance Minister what action has he taken or what action the Government of India contemplates to take to protect the interests of those Indians who have banked legal-

ly with those branches of the BCCI which are not in India.

Lastly, Sir, as we know, there have been campaigns of destabilisation carried out in various fora against India. Many of these campaigns are carried out by hostile nations, some are carried out by hostile individuals. And we are again the target of such a hostile campaign. Mr. Hershman has given a press release in America and he is wanting to give all kinds of false documentation...

SHRI R. K. DHAWAN: At whose instance?

SHRI VISHVJIT P. SINGH: I will come to that. The same Hershman, Sir, has said on 7th of May, 1987, in an interview which he has given to Warren Unna—and I quote his exact words—that whatever he was doing against India, he says, "it is at the risk of my being accused of trying to destabilise the Government and interfering with the internal politics of India." These are the exact words of Mr. Hershman on the 7th of May, 1987. It is the same Hershman who is again trying to destabilise the Government and interfering in the internal politics of India by levelling allegations. I would like to know from the Government as to what the Government is doing in response to this campaign of calumny which is a part of a larger conspiracy, as the hon. Home Minister is fully aware, against our nation, against our people. Thank you, Sir.

DR. YELAMANCHILI SIVAJI (Andhra Pradesh): Sir, there are so many missing links in the *suo motu* statement of the hon. Minister. It is stated that some employees of the Bank were detained under COFEPOSA. How many of them are detained? How long were they in the prison? And did anybody of them challenge the same under habeas corpus in any High Court and with what result? And how many more are to be arrested?

[Dr. Yelamanchili Sivaji]

Sir, it is also mentioned that there are some authorised dealers of foreign exchange indulging in such activities. Who are they? How many of such authorised dealers are acting in a way prejudicial to the norms of the Reserve Bank of India? It is also mentioned in the statement that there are no specific allegations of payments to the politicians and bureaucrats and financing terrorists, etc. I would like to know from the hon. Minister whether there are any politicians or bureaucrats holding accounts in these branches of the Bank. It is also mentioned by hon. Member, Mr. Kulkarni that one of the nationalised banks indulged in clandestine activity involving something like 60 million or 100 million dollars which may run into more than Rs. 260 crores or something like that. Not only that Bank, several Banks are indulging in clandestine activities, in hijacking the mutual funds, cornering the shares and playing with the stock market in a big way. Did the Minister at any time propose or think over the matter to see that the Secrecy Act of the banks may be repealed so that bad debts as well as the clandestine activities of the doubtful accounts and others may be revealed to the public as well as to the Parliament. I would like to seek these clarifications from the hon. Minister.

**SHRI MANMOHAN SINGH:** Sir, I am grateful to the hon. Members who have asked several questions, I will try to answer them to the extent I can.

Shri Kulkarni brought up the question of the involvement of the Syndicate Bank, and some other hon. Members have also raised these questions. In this context, we tried to find out the position from the Syndicate Bank, and that Bank has informed us as follows:

"Our Bank has not incurred any loss whatsoever due to the closure of the BCCI operations

in various countries. In fact, substantial amounts of BCCI group are held by us in various accounts. BCCI has drawing arrangement with our bank as well as other Indian public sector banks in India for sending remittances. This arrangement was suspended after the closure of the BCCI in various countries. Our accounts at London have been reconciled up to 30th June 1991. And the rupee account of BCCI group with us in India have also been reconciled up to 30th June 1991."

Therefore, on the basis of information before me, I think the point that was made by hon. Shri Kulkarni about the alleged loss of one hundred million dollars does not appear to be correct. If he has any further information, I would request him to give this to me and I would have the matter further investigated.

Then, a question was raised about the deposits by Keralites abroad. I must be very honest with you. The bulk of what I had to say was relating to the affairs of the BCCI in India. Now, as far as the BCCI's operations outside India are concerned, I am afraid I do not have the information with me. And if it is the wish of the House that we ought to get this information—I do not know whether we can get it—I would certainly make an effort to get that information in due course of time.

Shri Kulkarni asked about the BCCI having money of Indian industrialists. Now, it is normal for banks to deal with industrialists as well as other people. I do not see, frankly speaking, whether any purpose will be served by giving the names of individual industrialists. And I would beg of this House that, in my view, it is not a healthy practice that individual accounts or individual account holders

should be a subject matter of discussion in this august House. If any hon. Member has any information which may create any doubt about the authenticity of any particular account or account holders, Sir, you have my assurance that I would have it investigated. But I would respectfully submit that for the healthy growth of banking in our country it is not a sound practice to discuss individual account holders or individual accounts on the floor of the House.

Again, a question was raised about the licence being given. It is true that the Bank also asked for a licence in 1977, 1978 and 1979. The Bank did finally get a licence in 1983. Now, in all these things there has been a process. Time has elapsed. There were certain reasons why the Reserve Bank felt at that particular moment that a representative of it would suffice. And when in 1983 certain things had changed, and one of the changes was the involvement of the Bank of America in the affairs of this Bank—I think that got reduced—that is how in 1983 a licence was given.

**SHRI S. JAIPAL REDDY:** I asked a specific question as to whether Dr. Singh as Governor opposed the grant of licence.

**SHRI MANMOHAN SINGH:** I would respectfully submit, Sir, that what goes on between the Governor of the Reserve Bank of India and the finance Minister of India is a matter which is of confidential nature and I don't think it would be a healthy practice if what goes on between the Governor of the Reserve Bank and the Finance Minister of the country should be a subject matter of discussion.

**SHRI S. JAIPAL REDDY:** In that case, I don't expect the Finance Minister to now offer rationalisation for what happened then.

**SHRI MANMOHAN SINGH:** I am not providing any rationalisation. I am stating some facts as they are that in 1983 a bank was given a licence.

Everybody knows who was the Governor and who was the Finance Minister. I think those are matters of public knowledge.

श्री मनमोहन सिंग : इसमें परिवर्तन क्या हुआ, इतना जानना चाहते हैं....

**SHRI MANMOHAN SINGH:** I am sorry. I do not want to add more on this subject.

श्री दशरथ प्रसाद मुखर्जी : परिवार का क्या हुआ ?

**SHRI MANMOHAN SINGH:** Padia was in charge of the representative office. As far as I recall, and I am speaking from memory dealing with 15 to 16 years ago, I think he had come to some adverse notice. The Reserve Bank did look into the working of the representative office and they found not much substance in the allegations. Then I think, there were several other Members asking about the role of Man Companies belonging to certain Indian companies. I have been told that these investments were made in accordance with the established procedures. There was a scheme called portfolio investment, duly approved scheme of the Reserve Bank of India. These investments were made in the debentures of Reliance Industries where non-resident Indians sent the investment through the BCCI, London. But I must point out in this matter that BCCI acted as a banker as any other bank would have done. I don't think there is any great scope for attributing malafides in this.

Now, a question was raised, what are we going to do to protect the interest of the Indian people. As far as the interest of the depositors in India is concerned, as far as the assets and liabilities of the Indian branch are concerned, I had already mentioned in my statement that it is the prima facie view of the Reserve Bank of India that all these assets of the bank are sufficiently large to take care of all the liabilities. Therefore, as far as the Indian transactions are

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concerned, I think, there is no scope for worry.

A question has been raised that many people of Indian origin and non-resident Indians, who may happen to be Indian citizens, had accounts with the branches of the BCCI abroad. Unfortunately, I do not know what mechanism we can adopt to protect the interests of people banking with foreign banks. We have no control over those branches. But if it is the wish of the House, I would again discuss that question with the Reserve Bank Governor and see if we have any manoeuvrability in that area. If we have, I would come and share that information with the hon. House. I think Mr. M. C. Bhandare asked whether any honest Indian has lost money. I think, as far as the Indian branch is concerned, the fears of any people losing money are not warranted. The assets and liabilities of the Bombay branch are such that there is, *prima facie*, no need to fear that anybody would be a loser in this proposition. Regarding our intelligence groping in the dark, I will certainly pass on that information to the concerned Minister and if there is anything to be done or whether there is need to streamline it, I think it is a suggestion for action, and I think it should be left at that.

I think it was Shri Pramod Mahajan who raised this issue. It is true that I was answering that question relating to the transactions of Bombay branch. I cannot hope to provide explanation for what happens to banks all over the world. We have banks from many countries operating in our country. If you expect me that we are going to supervise the working of the banks all over the world which have branches in India, I think that is an obligation.....

**SHRI PRAMOD MAHAJAN:** No, I did not ask you that. I only asked about the BCCI operations in India.

I did not ask about all the banks from all over the world.

**SHRI MANMOHAN SINGH:** As far as operations of BCCI in India are concerned, the fear was expressed that taxpayers are going to be losers or any harm is going to be inflicted on our economy. According to the information that is at my disposal, the answer is, no. If you have any further information, I would be happy to investigate that matter and come back to you.

**उपसभाध्यक्ष (श्री संकर दयाल सिंह):**  
फाइनेंस मिनिस्टर साहब, प्रमोद महाजन जी ने एक स्पेसिफिक बवाल पूछा था कि एक जुलाई को साढ़े सात करोड़ रुपये डिपोजिट किये गये। उसके बारे में अगर कुछ प्रकाश डाल सकें तो अच्छा है।

**SHRI MANMOHAN SINGH:** I have no information on that particular deposit. I think I will ascertain the facts and will pass on the information to the hon. Member.

Shri Mahajan also raised the question of employees who were detained. Now, five employees of the bank came to adverse notice of the Enforcement Directorate. One of them happened to be the General Manager. Before action could be taken, that gentleman took anticipatory bail and went out of the country. Therefore, he was not arrested. The other four employees were arrested under COFEPOSA and this matter went up to the Advisory Board. These four persons were arrested sometime on the 28th of January 1987; I am speaking from memory, and I think they were released in April on the advice of the Advisory Board who felt that there was not enough material to detain them. In this background, the bank made a representation to the Government that this was the case with regard to the 5th employee also who had gone out of the country. A review was undertaken and it was felt that since the charges against the

5th person were of the same nature as against the other four, there was no case to keep the detention orders pending against him and, therefore, the Government took the view that that man need not be detained.

**SHRI S. JAIPAL REDDY:** Special favour was shown to a person who ran away from the country. This requires an explanation.

**SHRI MANMOHAN SINGH:** I am stating the facts as I see them that the Government took the view on the representation of the bank that since it was not considered desirable and tenable to keep the four persons under arrest, therefore, since the 5th man also fell in the same category, he should also be given the same treatment.

श्री प्रमोद महाजन : यह समझना मुश्किल है कि किस प्रकार कोफ़रसा में एंटीसिपेटरी बेल होती है ।

**SHRI MANMOHAN SINGH:** The question was raised....

**SHRI ASHIS SEN (West Bengal):** He could not be treated on par with the other four, because he ran away from the country. There is a suspicion in this case. Why should the man take anticipatory bail and go out of the country if he is clean? Therefore, a distinction has to be made.

**DR. JINENDRA KUMAR JAIN (Madhya Pradesh):** Sir, a very serious matter is being given a very casual treatment by the hon. Finance Minister. I would like to put it on record that this kind of a casual attitude towards the financial integrity, security of the country and everything you are talking of defending, is not at all acceptable. Under the COFEPOSA Act, there is no provision for going to the Court. A person goes away. The whole suspicion is about the nexus between the Government and the offender.

**THE VICE-CHAIRMAN (SHRI SHANKAR DAYAL SINGH):** Please,

you allow the Minister to complete his statement. He has already said in his statement that the statement is on the basis of the information available at present. In case, further information becomes available, the Government will take appropriate action.

**DR. JINENDRA KUMAR JAIN:** This part of the statement does not need any further information I would like the hon. Finance Minister to say that he appreciates the seriousness of the matter and he would take action on this. But he is just defending as if nothing had happened.

**THE VICE-CHAIRMAN (SHRI SHANKAR DAYAL SINGH):** I would request the Members to let him complete his reply.

**SHRI MANMOHAN SINGH:** The question was raised by Shri Mahajan about the intelligence agencies and the information about the acquisition of property. This matter was referred to the Reserve Bank of India. The Reserve Bank of India made investigations and they said that the accounts of the bank did not show that it had indulged in any such transactions. Shri Mahajan also asked about the accounts that some terrorist organisations or individuals might have abroad with this bank. Unfortunately, I have no information with me on this point. Well, if it is possible, I would certainly try to get that information. The same way, I cannot answer this question: "Does the BCCI help terrorists organisations outside India or not?" The information that has been provided to us by our intelligence agencies is in the nature that they don't have anything definite on this point. Another question was asked: "Does the Bank of America owe Rs. 10 crores to BCCI?" I don't have information with me on that point. I would ascertain that information. Another question was asked: "What is the future of the bank?" Now, as far as the Indian branch is concerned, its assets and liabilities seem to be fairly healthy. As regard its future, I think the

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Reserve Bank had already appointed a provisional liquidator. He is assessing the position, and with regard to the future, we will take the decision when the time comes. Shri Malaviya asked about the laundering operation of the Bank in the United States where it came to adverse notice. I think, this is a public fact and I don't have to deal with this. He also asked as to who was the Finance Secretary and the Finance Minister at that time. It is a public fact. Anybody can get that information.

SHRI SATYA PRAKASH MALAVIYA: It must be a matter of record for this House. My question was specific: On the relevant date, when the licence was granted, who was the Finance Secretary and the Finance Minister? If he has not got the information now, he should furnish it later. He should say that he would come again with the information.

SHRI MANMOHAN SINGH: Another question was asked about the difference between the Reserve Bank of India and the Finance Ministry. I have already replied that it was not a healthy practice. These are confidential transactions between the Governor of the Reserve Bank and the Minister of Finance. It is my honest view that this should not be a subject-matter of debate or discussion in this august House. Then the question was asked whether the Syndicate Bank has deposited money which has caused a loss of Rs. 200 crores. The answer that I have already given is that the information furnished to us by the Syndicate Bank shows that this allegation is not correct. If any hon. Member has any other information on this point, I will be very happy to make use of it and make such investigation as may be considered appropriate.

Somebody asked whether the daughter of a particular employee of the Syndicate Bank sought a job, whether a senior officer of the Bank left and joined the BCCI. Now, you can go on investigating people's past and present. But I think it will

be a sad day if, for example, the children were to be judged by their parents' acts, or, the parents were to be penalised for what the children do. I do not think that a serious discussion should be reduced to that level.

Is the BCCI involved in clandestine arms dealings? This was another question. As far as the operations of the Bank's branch in India are concerned, all the evidence that I have does not substantiate this allegation.

Another question was: 'Is it true that the Abu Dhabi rulers are interested in his Bank?' I would like to make a point here. Until 1990, the Bank was owned in a different way. In 1990, a major change took place and the ruling family of Abu Dhabi has now acquired a major controlling interest in the Bank. Here, I do want to appeal to the House. This is a Bank in which the ruling family of Abu Dhabi has a very substantial interest. But whatever has gone on before 1990 is past story and, therefore, whatever is said or done here has some implications for our relations with the Arab countries. I think, some sense of responsibility must be exercised in dealing with this question and I do not have to tell the House that this is a sensitive question.

Another question asked was: "Are the interests of the depositors safe?" As far as the depositors in India are concerned, their interests, according to the Reserve Bank of India's preliminary estimate, are completely safe. As regards the interests of Indians who have Banked with this Bank abroad, I am afraid, I cannot give that assurance. I do not have those facts.

Then, the question of the Indian employees was raised. As far as the employees of the Bank's branch in India are concerned, I think, their future, obviously, is tied up with the future of the Bank. In regard to the Indian employees in the Bank's branches abroad, I cannot give an assurance about any arrangements

to take care of these people. Now, I do recognise the humanitarian aspect of the problem. I do recognise that wherever possible, whenever Indian nationals working abroad run into problems, we must look at their problems with sympathy and understanding. That would be our effort.

SHRI S. JAIPAL REDDY: I asked a question. Is it a fact that the Enforcement Directorate recommended closure of the Bank and cancellation of the licence in late 1988 or early 1987?

SHRI MANMOHAN SINGH: I am taking up the Members' points one by one. I now come to the points Shri Jaipal Reddy made. He asked about the role of a particular person who happened to be the Governor of the Reserve Bank of India. I am not going to comment on that. He did ask this question, about the Enforcement Directorate. It is true that the Enforcement Directorate did ask the Reserve Bank of India to consider the cancellation of the licence. The Reserve Bank of India did hold then a special inspection. The Reserve Bank of India then came to the specific conclusion, as a result of this inspection, that the nature of the irregularity that they had found was not serious enough to warrant the cancellation of the licence. This was the specific recommendation, specific decision, of the Reserve Bank of India on this particular point. Then, another question was asked, which Indian companies dealt with this Bank. As I said, many people have accounts, and I honestly feel that it is not proper that individual accounts, their names or the nature of their accounts should be a subject-matter of discussion in this House.

Shri Jaipal Reddy also asked if there is involvement of the Bank in gun-running and if there is involvement of politicians and officials. The information that has been given to me by the relevant intelligence agencies and the Reserve Bank, does not

substantiate as of now that there is any such involvement. But, if anybody has any fact, I would be very happy, I think, to make use of that. If anybody has any names or anything else, well, I think, we will look into anything, any information that hon. Members may give.

Hon. Shri Jaipal Reddy also asked whether it is a fit case where this matter ought to be looked into by a Joint Committee. Of course, the House is always sovereign to decide what it wants. But my advice as of now would be that taking into account the sensitive nature of the subject, considering our relations with the Arab countries, I think, as of now, it would not be proper to make this a subject-matter of discussion through a Joint Committee of the two Houses of Parliament.

I think Shri Vishvijit Prithvijit Singh also made a certain point about the origin of the Bank. He asked whether, when it became clear in 1990, that the Bank came in for adverse notice in various parts of the world, any action was taken and in 1990 who was the Finance Minister then. I think he knows that information. I think every body knows who was the Finance Minister. But I don't want to attribute any motives to the hon. Finance Minister because the Indian operations of this Bank by and large, according to the Reserve Bank, have not come in for any adverse notice of a serious nature. So, if the Finance Minister did not take any action, well, I don't think that any blame ought to be cast for that reason.

He also asked about Indians working in the Gulf, who were banking with this bank. If there are any Indians who have been banking with the BCCI abroad, it is quite clear that they would suffer. How they can be helped, what role our banking system and the Reserve Bank can provide, what assistance, at this stage I am not very clear. But I would go back and discuss what help can be given to all those unfortunate victims or what action can be taken.



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He also asked what action I contemplate to protect the interests of those who banked with the BCCI legally. My answer is that all those who banked with the BCCI, Bombay Branch, have nothing to worry about. As far as those who banked with the BCCI abroad are concerned, I am in no position today to assure that I have any ready-made solutions to their problems. But I take note of the sentiments. I will discuss with the Reserve Bank what role can be played.

As regards the role of Mr. Hershman, I think, the hon. Member has referred to some statement by Mr. Hershman. This gentleman is in the habit of making statements. For what reason does he go on making statements? By now, I think, his credentials are well known. I don't have to comment on that. I think the whole world knows that he is in the nature of making wild statements. With what motives? Well, the House can well judge it.

Dr. Sivaji asked how many people were detained. I have already answered that question. Four persons were detained. One person was left out because he went abroad before he could be detained. That is the answer.

How many more were interned? Only five persons from the Bank staff were the subject-matter of action under the COFEPOSA Act.

He asked how many other authorised dealers have come in for adverse notice. I think, that is a normal, routine inspection. I think the Reserve Bank inspects banks from time to time. Several banks, I think, have come in for some adverse notice. But in this case the Reserve Bank's conclusion was that the adverse notice to which this Bank came, did not warrant such a severe action as to cancel this license.

He also asked about involvement of politicians and bureaucrats. I have answered this question also.

He also asked about clandestine activities with the Syndicate Bank. I have mentioned that the information that I have, does not warrant that there is such a loss.

He also raised the question of repealing the secrecy clause of the banking legislation. Well, that is a suggestion for action. As of now my own advice to this House would be that our bank needs that protection and nothing should be done or said lightly which could affect the efficient functioning of our banking in a world which is becoming more competitive than ever before. I think these were the points which have been raised. I have tried to answer questions to the best of my ability. If any hon. Member has some more information, he can pass that on to me and we will take such action as may be considered necessary.

**SHRI VISHVJIT P. SINGH:** The Minister has given a comprehensive answer. He has answered every point I congratulate him. I think the House should leave him now (*Interruptions*)

**SHRI KAPIL VERMA** (Uttar Pradesh): Will the hon. Minister try to find out if the terrorists operating in the Kashmir Valley at the initiative of the Pakistanis are getting money from this bank's main branch? I say this because all these reports have appeared in the newspapers.

**DR. JINENDRA KUMAR JAIN:** We are not satisfied with that part of the statement which the hon. Minister has made about how the Government dealt with the suspects. Here is the case that the top General Manager of the Bank knows in advance that there is going to be a case against him. So, he goes to the court and takes anticipatory bail. I would like to know if the Government opposed the anticipatory bail? The passport is always taken by the court whenever a COFEPOSA suspect is

granted anticipatory bail. He is not only given advance information, but he is also allowed to have anticipatory bail. His passport is not taken. Nobody checks him at the airport. The whole Enforcements Directorate was sleeping and then you give a clean chit saying that his case is withdrawn. This is a clear case of absolute failure of the Government in dealing with the case. It would be honest on the part of the hon. Finance Minister to admit the failure of the Government at least on this part of the matter of the Indian operations of the BCCI.

SHRI VISHVJIT P. SINGH: I must say the hon. Member thinks that our Finance Minister is a superman, that he has all the facts with him even while dealing with the remote case of 1986. I thank you very much if you think the Finance Minister is a superman. *(Interruptions)*

DR. JINENDRA KUMAR JAIN: It is not a question of the man. It is a question of the whole Government.

SHRI ASHIS SEN: When the reference was made about the Chairman's daughter's employment, the hon. Minister passed over it saying that we do not want to discuss children's appointment orders. I fully agree with him. The question came in the background of the involvement of the Syndicate bank in the clandestine operations of the BCCI. Mr. Kulkarni raised this point about the \$ 100 million amount being affected and he has cleared him. The second point is about the clandestine operation. Some officer of the bank was released from the Syndicate Bank and given appointment at the BCCI. Subsequently the daughter of the Chairman — it is not a question of the daughter we are bothered about — was given employment. Chairman's involvement is the matter on which I think, perhaps a little investigation is required. I would request the hon. Finance Minister to undertake an investigation on that.

SHRI MANMOHAN SINGH: With regard to the alleged financing of the terrorist activities in Kashmir, I think the information that I have as far as the Bombay branch is concerned, is that it has 9.00 P.M. not been indulging in any such activity. If anything has been done by foreign branches of this bank, well, I would go back to our intelligence agencies.

SHRI KAPIL VERMA: In the case of Mr. Abu Nidal..

SHRI MANMOHAN SINGH: Well, I would be grateful if you can pass on to me any information that you have. I would then pass it on to our intelligence agencies.

The second question was : "Did the Government oppose anticipatory bail?" I honestly do not recollect what happened. All that I do recall from the files is that this chap went abroad. He sought bail. Then later on because other people were set free, he was also set free.

Now, I do not propose to talk about the Chairman's daughter. I think it is not proper to penalise the children simply because they happened to be related to a particular person who might be holding an office. I refuse to do that. Tomorrow, if any daughter does something and you say, she should be penalised, I should be penalised... *(Interruptions)*... I refuse to accept this.

THE VICE-CHAIRMAN (SHRI SHANKAR DAYAL SINGH): That is enough. Now the statement by the Home Minister regarding the killing of ten Sikhs in Pilibhit.

THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS AND THE MINISTER OF STATE IN THE MINISTRY OF HOME AFFAIRS (SHRI M. M. JACOB): The Home Minister is not keeping well. He has asked me to make this statement. With your permission, I want to make this statement... *(Interruptions)*....

[Shri M. M. Jacob]

THE VICE-CHAIRMAN (SHRI SHANKAR DAYAL SINGH): Why don't you allow him? We are going to take up ONGC statement also. Several Members have raised the question about the Pilibhit incident. That is also an important thing. So allow him to make the statement.

## II. Killing of ten Sikhs in Pilibhit District of Uttar Pradesh.

SHRI M. M. JACOB: Sir, I rise to share with this august House, the information so far available with the Government about the incident in which 10 persons were killed in Pilibhit District of Uttar Pradesh on the night intervening 12-13 July, 1991.

The matter was taken up with the Government of Uttar Pradesh. According to the information received from them, as reported by Supdt. of Police, Pilibhit 10 Sikh extremists were killed in three separate encounters with Police in the early hours of 13th July in the jurisdiction of Police Stations Nouria, Bilsanda and Puranpur of Pilibhit district while some others managed to escape. Prominent among those killed were Baljit Singh alias Pappu (self styled 'Lt. General' of KLA) and Jaswant Singh Fauji (self styled 'Lt. General' of KCF). Both carried a reward of Rs. 40,000 each. Four .315 bore rifles, four guns, one country-made pistol and some ammunition were recovered from the sites of encounters. Further the Superintendent of Police, Pilibhit had informed the State Government on 18-7-91 that the names of the 10 extremists killed in the encounters did not figure in the list of bus passengers about which a reference had been made in certain newspapers and that this fact had been got verified from the Regional Transport Officer.

While the police has described this incident as encounter with fierce

terrorists, certain newspapers and representatives of certain religious organisations have expressed adverse reactions stating this incident to be an example of police brutality and have claimed that the persons killed were not terrorists. There were reports in a section of the press that the persons killed in Pilibhit were pilgrims travelling in a bus, who were hauled up by the police before they were eliminated in fake encounters.

Various Political Parties criticised the local Administration and the police about this incident and also sent teams of their representatives to Pilibhit. In order to get complete information, Shri Surjit Singh Dang, the PWD Minister and Shri Surya Pratap Shahi, Home Minister of Uttar Pradesh went to Pilibhit. A team consisting of two Members of the Minorities Commission also visited Pilibhit.

I also felt concerned after seeing different versions of the incident and the matter was taken up with the Government of Uttar Pradesh again. Even though the Government of Uttar Pradesh initially asked only a team led by I. G. (Intelligence) to confidentially inquire into the matter, they have subsequently ordered judicial inquiry to be headed by Shri Justice K. P. Singh, a sitting Judge of the Allahabad High Court into the above incident. The Commission shall inquire into and report on, in respect of the entire series of the said incidents with a view to, —

(1) ascertaining the facts regarding the said incidents including the causes thereof;

(2) ascertaining the antecedents of persons killed in the said incidents and to determine as to whether the deceased persons were terrorists or not; and

(3) assessing the role of the officers and the employees concerned with regard to the said incidents