

THE MINISTER OF STATE IN THE MINISTRY OF HEALTH AND FAMILY PLANNING AND WORKS, HOUSING AND URBAN DEVELOPMENT (SHRI B. S. MURTHY) : (a) and (b) The information is being obtained from the State Government and will be laid on the Table of the House.

**NOMINATIONS TO THE PANEL OF
VICE-CHAIRMEN**

12 NOON

MR. CHAIRMAN : I want to make an announcement. Under sub-rule (1) Rule 8 of the Rules of Procedure and Conduct of Business in the Rajya Sabha, I hereby nominate the following Members to the panel of Vice-Chairmen :

1. Shri Akabar Ali Khan.
2. Shri Banka Behary Das.
3. Shri Ram Sahai.
4. Shri Triloki Singh.

**NOMINATIONS TO THE BUSINESS
ADVISORY COMMITTEE, COM-
MITTEE ON PETITIONS, COMMITTEE
OF PRIVILEGES, COMMITTEE ON
RULES, COMMITTEE ON
SUBORDINATE LEGISLATION AND
THE HOUSE COMMITTEE**

MR. CHAIRMAN : I have also nominated Members to the following Committees:

The Business Advisory Committee

Committee on Petitions

Committee of Privileges

Committee on Rules

Committee on Subordinate legislation

The House Committee.

The names of the Members' of these Committees will be notified in the Parliamentary Bulletin.

**CALLING ATTENTION TO A MATTER
OF URGENT PUBLIC IMPORTANCE**

**REPORTED FRAUD OF ₹9.22 MILLION IN
THE LONDON BRANCH OF THE
CENTRAL BANK OF INDIA**

SHRI A. D. MANI (Madhya Pradesh) : Sir, may I, with your permission, call the attention of the Prime Minister to the reported fraud of Rs. 22 million in the London branch of the Central Bank of India?

THE MINISTER OF SUPPLY AND THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI R. K. KHADILKAR) : Mr. Chariman, Sir, the following particulars have been ascertained from the Central Bank of India regarding the case of suspected fraud at their London Office.

Arising out of certain irregularities noticed in the working of the London Branch of the Central Bank of India the bank arranged for a special audit of the London Branch by deputing a special officer to London on 23rd September, 1969. Later in March 1970, the General Manager of the bank was sent to London to look into some of the irregularities in some accounts of the London office. The General Manager relieved the London Manager, Shri Sami J. Patel of his duties which were handed over to another officer Shri Khalifa. On 15th April 1970 the London Office of Central Bank of India received a telex message from the Slo-man Bank, Hamburg requesting confirmation from the bank regarding an irrevocable guarantee covering ten bills of exchange for a total sum of D. M. 2,000,000 supposed to have been drawn by Montex Limited, London on C. Ramon & Co. Ltd., London. The London Office of the bank contacted Mr. C. M. Shah of Montex Limited who denied having drawn those bills. On 16th April 1970, the London Office of the bank sent a telex to Sloman Bank denying having issued any such guarantee and requesting them to despatch to them photostatcopies of documents and bills referred to by them and also to exercise caution. On the same day, the Sloman Bank informed the London office of the Central Bank of India that the ten bills of exchange with the

bank's guarantee were presented to them for discount by Mr. Mario di Racca of M/s. L. Behrens und Sohne, Hamburg, private bankers. The letter of guarantee bore the signature of Mr. S. J. Patel as Manager and Mr. Hanna as the Accountant. According to the Central Bank of India, Mr. Hanna was a Junior Clerk in the bank and was not authorised by the bank to execute any documents on behalf of the bank. Nor were any of those guarantees registered in the books of the bank. The bank has, therefore, surmised that the ten bills of exchange and the guarantee letter are forged documents. On the 17th April 1970 the Auditor of the bank, Mr. Mistry accompanied by Mr. Shah who was supposed to have drawn all the ten bills of exchange on behalf of Montex, called at the office of the Sloman Bank, Hamburg, where they were shown photostat copies of the letters signed by Mr. Patel confirming that the acceptors of the bills maintained an external account with the London branch of the Central Bank of India, with the permission of the Bank of England which, however, according to the Central Bank of India was not correct. Mr. Patel is purported to have written a letter forwarding specimen signatures of the officers of the bank authorised to sign on its behalf. In this list of signatures, Mr. Hanna's name had not been included, but Mr. Patel is purported to have written another letter advising the foreign correspondents of the bank, of the appointment of Mr. Hanna as in charge of foreign business and is also alleged to have authenticated his signature. The photostats of the original letters of guarantee bear the date 26th March 1969. It appears that these were re-issued on the 26th March 1970.

The Manager of the Sloman Bank, accompanied by its Legal Adviser, had a discussion with Mr. Di Racca at the Office of Messrs L. Behrens und Sohne, Hamburg when an officer of the Central Bank of India was also present, Mr. Di Racca was not agreeable to return all the bills of exchange and the letters purported to have been executed on behalf of the bank for cancellation. When it was pointed out to Mr. Di Racca by the officer of the bank that the whole transaction would be nullified as all these documents (both the bills of exchange as well as the letter of guarantee) were forged, Mr. Di Racca

replied that he would sue the bank on the due date of the bills, i.e., 27th June 1970.

The Central Bank of India has deputed Shri D. V. Taneja, Manager (Personal) at its Central Office, to London on 11th May 1970. The Ministry of External Affairs has requested our High Commissioner in London and Ambassador at Bonn, to render the necessary assistance to Shri Taneja.

According to the Central Bank of India, there is nothing on the records of the Bank to show that these guarantees have been issued. It is not the practice of the bank to issue guarantee in letter form, as has been done in this case. Further, none of the officers of the bank at the London Office is authorised to issue this type of guarantee. In these circumstances the bank is of the view that it is not directly responsible for any irregular transaction. According to the bank, some interested parties are trying to foist on the bank these transactions. The bank's representatives in London are in touch with the Scotland Yard.

The irregular transactions involving bills amounting to 2 million D. M. (about Rs. 41 lakhs) have so far come to the notice of the Central Bank of India. The total amount involved in the suspected fraud will be known only when all such claims are presented to the bank. M/s. Behrens und Sohne however, claim to hold with them bills of exchange amounting in all to 10.5 million D. M. (about Rs. 216 lakhs).

Shri Sami J. Patel was the Manager of the London Branch of the Central Bank of India during the relevant period. He has been in the London Office for a long number of years and has been the Manager of the London Branch since 1966. He submitted his resignation and was relieved of his duty on the 26th March 1970. The bank has forfeited his provident fund and gratuity amounting to Rs. 1,15,000. His present whereabouts are not known.

SHRI A. D. MANI : Sir, I want to raise four points for clarification so that I may not rise again to put questions.

The statement of the Minister displays a very deplorable state of affairs

[Shri A. D. Mani]

in the Central Bank of India, London. According to my information, Mr. Patel came to London 14 years ago. Before he was employed by the Reserve Bank in 1966, what was Mr. Patel doing in London? I am also informed that Mr. Patel was living in obviously luxurious circumstances and he was possessing a Mercedes Benz car.

If a Government servant were to live in those circumstances he would invite the attention of the Central Intelligence Bureau. May I know why the Central Bank of India did not make enquiries about the way of living of Mr. Patel? The Bank's servants are also subjected to regular scrutiny by their Board of Directors in regard to the circumstances in which they live.

The second point is that there is one Mr. Chandulal Motilal Shah who figures in the Montex Limited. What was this gentleman doing? What is the *quid pro quo* of these transactions? The fourth point for clarification is Did the Reserve Bank exercise any control over the transactions of the Central Bank of India before nationalisation? If so, they must have gone through the transactions of all these banks. What kind of control does the Reserve Bank exercise now after nationalisation? What is the position of the Central Bank of India, London? Does it operate as an autonomous organisation, or is it subject to the control of the Reserve Bank?

SHRI R. K. KHADILKAR : So far as Mr. Patel is concerned, he was an employee of the Central branch. He was appointed in 1966 as the Manager of the London Bank. From the newspaper reports and all accounts it appears he was living in a posh flat with an Italian wife, and was having a Mercedes car. So far as Mr. Chandulal Shah is concerned . . .

SHRI A. D. MANI : What are his qualifications?

SHRI R. K. KHADILKAR : I am not in a position to say exactly in what business he is engaged and in how many concerns he has shares. But it appears to me that Mr. Shah had some dealings with the Central Bank through Mr. Patel. That I can say.

Another question that the hon'ble Member has raised is what kind of control did the Reserve Bank exercise over the functioning of a branch of an Indian bank in London. There usually a certain supervisory control is exercised by the Reserve Bank of India. The main control, before nationalisation, was to give direction regarding credit policy and other things. These functions were discharged by the Reserve Bank. The actual control of the functioning was carried on by the Board of the Central Bank itself. This was the position before nationalisation.

As you know, so far as the general policy regarding credit and other matters is concerned the Reserve Bank can give a directive which will be applicable to all banks. So far as the internal control is concerned, the functioning of the bank was in the hands of the Board of Directors.

SHRI AKBAR ALI KHAN (Andhra Pradesh) : How long was this continuing?

SHRI N. G. GORAY (Maharashtra) : After nationalisation of banks, what steps have the Government taken to investigate these cases and bring this Mr. Patel to book.

SHRI R. K. KHADILKAR : Well, the question of bringing Mr. Patel to book depends, because it is very difficult to trace him, nor, I may mention, is he any longer an Indian citizen. . . He has opted for British citizenship. It was not known to the Bank for a long time . . .

SHRI BHUPESH GUPTA (West Bengal) : He cannot opt out.

SHRI R. K. KHADILKAR : He had already opted out. I am giving facts as I know them for the benefit of the hon'ble Members. So far as the present case is concerned, the Central Bank authorities are seized of the matter. Our High Commission in London is helping the investigation. The Scotland Yard also is engaged in it. It appears to me at the present juncture, beyond helping the investigation, it is to see that whatever fraud is there, if at all it is there, it is properly unearthed and the collaborators are brought to book.

beyond that we cannot do anything at the present juncture.

SHRI A. C. KULKARNI (Maharashtra) : Sir, the details given in the statement are a little bit insignificant. It must be a case of a very clever move of, what you call, the Central Bank of India having been defrauded. The Minister has stated that the Reserve Bank of India has got some type of control or supervisory powers. Sir, the Reserve Bank, as I have known it, is always a killer of the smaller banks in this country, beyond that, when they are concerned with the bigger banks their feet begin to tremble. What is this? Will the Government of India see to it that for a failure of the Reserve Bank the Governor should be held up in order to enable him to have proper supervisory control over all the banks, whether in foreign countries or here?

SHRI S. D. MISRA (Uttar Pradesh) : They have that power.

SHRI A. G. KULKARNI : Why are they not exercising their control? They are in confusion with the ex-directors of these nationalised banks. So, in this connection I want to draw the attention of the Minister. Let him not have a complacent view that all is well with the Reserve Bank. I say all is not well with the Reserve Bank. Particularly their supervisory powers are inadequate. Actually they are discriminating between the small and the bigger industrialists. But leave aside that industrialist business, at least they must be more careful in locating such type of troubles.

Secondly, as a matter of clarification, I want to know whether the Government will now direct the Board of Directors of the Central Bank to make good the losses because of their inefficiency and complacency in these affairs. I demand that the Board of Directors of the Central Bank of India should be made to pay and make good the losses suffered in these affairs.

SHRI R. K. KHADILKAR : I am very sorry the hon'ble Member has taken this occasion to cast some aspersions on the functioning or the functionaries of the Reserve Bank. It is

the apex bank of this country, and under the law the powers of the Reserve Bank are well-defined. So if a person misbehaves, certainly he would be brought to book, or disciplined, or relieved of his responsibility by the bank concerned. All other things that the hon'ble Member said concerning the Reserve Bank are absolutely totally irrelevant.

Secondly, so far as the Central Bank is concerned, I must say the Central Bank has a certain amount of difficulty or failure in exercising their supervision from time to time over the functioning of a foreign branch. To that extent there is lapse, I am admitting. But once a fraud is detected it is investigated and, certainly, all assistance will be given. And, as I said earlier, the culprits will be brought to book. How it has taken place and what was the mechanism that was operating is too early for me to say because all facts are not available at the present juncture.

SHRI A. G. KULKARNI : I want to know whether the collaborators include the Board of Directors of the Central Bank of India. My question was specific. And does the Reserve Bank of India have supervisory powers? What is meant by the Government when they say that the culprits will be brought to book? whether it is Mr. Patel or Mr. Shah, it is the Board of Directors.

MR. CHAIRMAN : That will be determined on investigation. At this stage it will prejudice the investigation.

डा० भाई० महावीर : (दिल्ली) : श्रीमान, ऐसा लगता है कि हमारा एक और तेजा के साथ वास्ता पड़ गया है। मैं यह जानना चाहता हूँ कि जब सेंट्रल बैंक ने इस पटेल नामक सज्जन को वहाँ मैनेजर बनाया, तो उसके बाद बैंक ने अपने ऐसे अफसर के ऊपर कितनी निगरानी रखी, इसके बारे में आप कुछ बता सकेंगे क्योंकि 1960 में जब उसने ब्रिटिश पासपोर्ट लिया उस वक्त से लेकर आज तक हमें इस बात की कोई जानकारी नहीं मिली और सिर्फ तीन दिन पहले स्कॉटलैंड याई ने बताया कि उसने ब्रिटिश

[डॉ० भाई महावीर]

पासपोर्ट लिया था ? इसका मतलब यह है कि अगर वह कहीं गायब हो गया है तो उसके गायब होने का एक कारण यह है कि इतने सारे अरसे में उस पर निगरानी नहीं रखी गई । मैं यह जानना चाहता हूँ कि जब यह कहा जा रहा है कि उसकी इटालियन बीबी है और वह इटालियन बीबी वहीं है, टेलीफोन भी उठाती है, जवाब भी देती है तो क्या उससे इसके व्हेयर-एबाउट्स पता करने की कोशिश की गई ?

तीसरी बात महोदय, मैं यह जानना चाहता हूँ कि मुझे पता है कि यह बैंक नेशनलाइजेशन के पहले से शुरू हुआ कांड है इस वास्ते इस के लिये सीधे तौर पर सरकार या रिजर्व बैंक को उस तरह से जिम्मेवार नहीं ठहराया जा सकता जैसे उन बातों के लिए उन को जिम्मेवार ठहराया जा सकता है कि जो नेशनलाइजेशन के बाद शुरू हुई हैं । लेकिन क्या सरकार इस बात को मानती है कि पिछले कुछ अरसे से इन बैंकों में अपना साम्राज्य बढ़ाने की एक होड़ सी लगी हुई है । अंधाधुंध बैंकों की शाखायें खोलने की एक रेस है और इस रेस में जो कंट्रोल है वह ढीला होता जा रहा है और उस ढीले कंट्रोल का यह एक सबूत है । हम प्रिवी पर्स खत्म करने के बाद जितना पैसा बचायेंगे उस का दो तिहाई इस एक घोखे में एक बदमाश हमें लूट कर ले जा रहा है, ऐसा हमें दिखायी देता है और हम उस को रोक पायेंगे यह पिछले तर्जुबों के आधार पर कहना मुश्किल है । तो मैं जानना चाहता हूँ कि क्या यह अंधाधुंध शाखायें खोलने की होड़ है ? अगर है तो क्या सरकार इस बात पर विचार करेगी कि सरकार के कंट्रोल में जो बैंक्स हैं वे ऐसी किसी रेस में न लगे और उन को ऐसे निर्देश दिये जायें कि एक एक ब्रांच को प्रापर प्रिकाशन्स के साथ, जो बैंकिंग प्रिंसिपल्स हैं, जो सावधानियां बतानी चाहिए, उन को बताने के बाद ही उन का कदम आगे बढ़े ताकि इस तरह का खतरा आगे न हो ? और क्या सरकार को अपने देश में इस तरह की

कंप्लेंट्स मिली हैं या नहीं ? और क्या सरकार को पता है जहां खेती के क्षेत्र में कर्जा देने का काम राष्ट्रीयकृत बैंक कर रहे हैं वहां से भी यह शिकायतें आ रही हैं कि कर्ज का एक हिस्सा मैनेजर ले लेता है तब कहीं कुर्बों के लिए या पंप के लिए कर्ज दिया जाता है । कोआपरेटिव बैंकों में भी यही होता था और वहां के कर्ज लेने वाले लोग अब धन्यवाद देते हैं कि ...

श्री महावीर त्यागी (उत्तर प्रदेश) : यह तो सोशियो इकोनॉमिक प्रॉब्लम है ।

डा० भाई महावीर : पहले 5000 रुपया लेने के लिए 2000 रुपया उन की भेंट चढ़ाना पड़ता था और कुल 3000 अपने पल्ले पड़ता था । अब वहां पर लोग खुश हैं इस लिए कि अब नेशनलाइज्ड बैंकों में केवल 500 रुपया दे कर ही 5000 रुपया मिल जाता है । यह हमारी जानकारी है । क्या सरकार को भी इस की जानकारी है और यदि है तो उन लोगों की कठिनाइयों की छान बीन कर के ये बैंक्स ठीक ढंग पर चलें इस के लिए क्या व्यवस्था की जा रही है ?

SHRI R. K. KHADILKAR : I am glad that the hon. Member belongs to a party which, though late, has realised how private commercial banks before nationalisation were functioning in this country. That was one of the justifications. As he has said in his preliminary remarks, it was a sort of family concern, not group concern. Anyway, I do not want to go into it. It is quite true that the supervision that was necessary to be exercised at that point of time and from time to time was not exercised, and that was one of the reasons why Government had to take the step of nationalisation of the 14 banks. That was not exercised under the law as it exists today.

But so far as the plea of the hon. Member is concerned, I fully share his anxiety that we in this country must make every effort from the Centre to supervise the functioning of banks and try to see from time to time that it is not left to the sweet will of the employee to change nationality and other

things. This should not happen. I fully share that concern.

So far as the internal banking and other allegations that he has made as regards the field of advance etc., are concerned those are not relevant to the question here. They will be dealt with separately.

DR. BHA1 MAHAVIR : I asked whether any supervision was made. My purpose of asking is that it might be that there is a group of people. If some persons who we are supposed to supervise the affairs were here, why did they fail to do their duty? Are you hauling them up also for this purpose? What are you going to do to trace the culprit? Is his wife being re-examined to find out his whereabouts? I would like to be informed about this.

SHRI R. K. KHADILKAR : So far as this point is concerned, at the present moment, internal supervision is exercised by Internal Audit and I may confess that that was not done for a long time. I may confess that.

As regards other things, those who are responsible or are directly or indirectly concerned or have collusion with this transaction, certainly they will be brought to book. Nobody will be spared. But at the present juncture it is a vague assurance. We do not know exactly, and can not pinpoint, who are involved. It is 100 per cent away. We are trying to ascertain the facts through the help of police investigations and other agencies.

MR. CHAIRMAN : Shri Dahya-bhai Patel.

AN HON. MEMBER : My name has not been called.

MR. CHAIRMAN : I am calling one from each party. It will be one by one. There is a very large number of names.

If Shri Dahyabhai Patel wants to have a clarification, I am allowing him because the gentleman from his party is not here.

SHRI DAHYABHAI V. PATEL (Gujarat): Sir, I would like the Minister to tell us how long these investigations

will take, and whether he is in a position to assure us that things are moving as fast as they should, because we know of Government machinery. There is the example of Dharma Teja which has been mentioned. How long Government took, when it was a question of taking action in India. When documents were produced to the Home Minister, even then no action was taken. The Government refused to do anything. It shut its eyes, and like an ostrich buried its head in sand. I think the hon. Minister was not right at all in using the argument of nationalization here. But I would like him to tell us as to what his estimate is, how long that is going to take, and whether, in view of the supervisory powers of the Reserve Bank, did the Reserve Bank ever exercise those powers all these years?

SHRI R. K. KHADILKAR : It is very difficult for me at this stage to just say how long it is going to take because it is international, . . .

SHRI DAHYABHAI V. PATEL : Why do you say so? You can make casual remarks and you cannot give any information. It is very wrong.

SHRI R. K. KHADILKAR : The authority which is helping us is in London.

So far as the second part is concerned, certainly all care will be taken to see that such cases are not repeated and supervision is thoroughly exercised.

MR. CHAIRMAN : Shri Bhupesh Gupta.

AN HON. MEMBER : My name is there.

MR. CHAIRMAN : Mr. Bhupesh Gupta has sent me a note that in place of Mr. Kalyan Roy he will put the question. Therefore, I am calling him from his party. I know the established practice. Please sit down. I will try to call one gentleman from each party.

श्री ना० कृ० शेखवलकर (मध्य प्रदेश) :
सभापति महोदय, मैं आप की आज्ञा का पालन
कर रहा हूँ। मैं यह जानना चाहता हूँ कि क्या
यह तरीका स्वीकार कर लिया गया है कि जिस

[श्री ना० कृ० शेजवलकर]

का नाम हो उस की जगह अगर दूसरा अपना नाम देना चाहे तो दोनों की सहमति से क्या ऐसा किया जा सकता है ?

श्री सभापति : तरीका यह है कि फर्स्ट राउण्ड में उन का नाम नहीं पुकारा जायगा मगर चूंकि अब यह लिस्ट खत्म हो गयी है इस लिए मैं अब उन का नाम पुकार रहा हूं ।

श्री ना० कृ० शेजवलकर : जिसका नाम है, उसके स्थान पर दूसरा व्यक्ति अपना नाम ऐक्सचेंज करवा सकता है क्या ?

श्री सभापति : मैं बदल सकता हूं, मगर यह हो सकता है कि जब दूसरा राउंड आये तो उसमें नाम पूछा जा सकता है ।

श्री ना० कृ० शेजवलकर : अभी ऐसा हुआ कि कल्याण राय के नाम की जगह पर भूपेश गुप्ता का नाम आया ।

श्री राजनारायण (उत्तर प्रदेश) : आपको यह नहीं कहना चाहिए था कि कल्याण राय के नाम की जगह पर भूपेश गुप्त को बुलाया जा रहा है । भूपेश गुप्त अपने राइट से आपसे रिक्वेस्ट कर सकते हैं । कभी-कभी आप घपला कर देते हैं । एक प्वाइंट आफ आर्डर बहुत देर से पूछना चाहता था ।

यहां विरोधी पक्ष भी और सरकारी पक्ष भी दोनों राष्ट्रीयकृत बैंक, नेशनलाइज्ड बैंक कह रहे हैं । मैं चाहता हूं कि चेयर को खुद कहना चाहिए था कि यह राष्ट्रीयकृत बैंक नहीं है, अधिगृहीत बैंक है । सुप्रीम कोर्ट ने तक कह दिया कि यह राष्ट्रीयकरण नहीं है । अनावश्यक ढंग से राष्ट्रीयकृत बैंक का नाम ले कर राष्ट्रीयकरण शब्द का प्रयोग किया जा रहा है । यह अनावश्यक है, बेजा है । इसलिए मैं आपसे अनुरोध करूंगा कि जब कानून का नाम 'एन्विजिशन' है, 'अधिग्रहण' है तो 'राष्ट्रीयकरण' शब्द के प्रयोग की अनुमति न दी जाए ।

श्री सभापति : यह प्वाइंट आफ आर्डर नहीं है ।

श्री राजनारायण : तो यह क्या है ? मैं आपको कहूंगा कि जो कानून का नाम हो उसका दूसरा नाम पुकारा जाए तो क्या कहा जाएगा ?

MR. CHAIRMAN : I overrule it.

SHRI RAJNARAIN : You overrule yourself ?

MR. CHAIRMAN : Mr. Banka Be-hary Das.

SHRI BANKA BEHARY DAS (Orissa) : I want to know from the Minister whether he is aware of the fact that this Mr. Patel, who is the Manager of the London branch of the Central Bank of India, owns huge property in his own name in London, he is the director of various concerns, and he has a roaring business and he has a supermarket by name Ahmed Brothers. There is an apprehension that he may transfer all these things in the name of his wife. May I know from the Minister whether steps have been taken already to seize all those properties because the man concerned is absconding ? Secondly all these private banks which we have acquired are in the soup because not only the Central Bank of India but many of the private banks that have been acquired were doing these things in London and in India by giving guarantee to get loans. So, will he direct the Reserve Bank of India, in consultation with the CBI and with its assistance, to enquire into all those cases in which such guarantees have been given. Now that these banks have been acquired, it is the liability of the Government of India. Thirdly I want to know from the Minister whether all this money, this Rs. 2 million, that has to be paid now—even if they do not accept it, suppose they win and get a decree—will be deducted from the compensation amount to the Central Bank of India from now on till the case is disposed of. Otherwise you will be paying the compensation and again you will be paying this Rs. 2 million if they win the case in the court.

Now, this is not the only instance. You will be mistaken if you say that the Manager, Mr. Patel, only is in the wrong. The Board of Directors here

in Bombay, including Mr. Taneja, is in league with any of these deals. I have got cases here and if you want, I shall prove also . . .

MR. CHAIRMAN : Please put your question.

SHRI BANKA BEHARY DAS : Because it concerns the Central Bank of India and its London branch, I may give one information to you that about two years back, to clear the bankruptcy liability of one Mr. Sukhdev Varma, who is the London dummy of Haridas Mundhra, £ 49,000 was paid by the Central Bank of India—Mr. Patel was the Manager—and this money was paid in rupees to the Central Bank here and one of the Union Ministers, Mr. C. H. Bhabha, who is a member of the Board of Directors of the Central Bank of India, directed this Mr. Patel over the phone so that the foreign exchange is given to clear the bankruptcy liability of Mr. Sukhdev Varma. So there is a link between these Haridas Mundhra firms and the Board of Directors of the Central Bank of India, including Mr. C. H. Bhabha who was Union Minister once and Mr. Patel, who was the Manager there. Lastly I want to know whether it is not a fact that the Scotland Yard, long ago, informed the Central Bank of India and the Government of India that Mr. Patel had already acquired British passport. For one whole year neither the Government of India nor the Reserve Bank nor the Central Bank of India took any steps though they were aware of the fact that he was going to do something like that. So, may I know whether all these steps will be taken? Will he direct the Reserve Bank to enquire, in co-operation with the CBI, into all these cases in which guarantees have been given, because after all the liability ultimately is that of the nationalised banks and not of the private bank owners?

SHRI R. K. KHADILKAR : The hon. Member has put in his preliminary remarks so many questions. I am not in a position to reply to all of them. He has asked about his property. He must have property, but we have no details about it. He may have business connections, yet I cannot say what type of business connections he has.

SHRI BANKA BEHARY DAS : How long will it take?

SHRI R. K. KHADILKAR : From reports, it appears that he is also connected with business. One relevant question that he has asked is regarding the claim, that ultimately we will have to bear the liability. The claim is supposed to be a little more—Rs. 2 crores and odd. But it has to be ascertained as to what is the valid claim, because banks discharge their functions in a normal way and discounting of bills and other things is a normal function. Whether it was validly discharged or not has to be ascertained and the really valid claim will have to be settled. That is yet far off. At the present juncture, I am not in a position to say what is the valid claim.

SHRI BANKA BEHARY DAS : Will you order stopping the payment of compensation to the Central Bank of India shareholders till the valid claim is decided? Will you give us that assurance?

SHRI R. K. KHADILKAR : I cannot say off-hand whether the shareholder of a bank should be punished for a misdeed of its executive. Who should be punished has to be ascertained. Why should the hon. Member say that the ordinary, poor shareholder should forgo his compensation? So, I am not in a position to say anything about that.

SHRI PITAMBER DAS (Uttar Pradesh) : I want to put one very simple question. The hon. Minister while talking about the luxurious living of Mr. Patel pointed out the Mercedes car and his Italian wife. I would like to know whether it is not a fact that in England, it is cheaper to maintain a Mercedes car than an Indian car and easier to keep an Italian wife than an Indian wife?

SHRI BHUPESH GUPTA : How do you know?

SHRI R. K. KHADILKAR : It is very difficult for me to give a reply because it seems the hon. Member's observation is based on somebody's experience. I do not know his experience, whether an Italian wife and a Mercedes car are cheaper to maintain in a foreign country. I am not in a position to say anything about that.

SHRI BHUPESH GUPTA : For the first time, I have been enlightened by my friend, Mr. Pitamber Das, about

[Shri Bhupesh Gupta]

his experience. He thinks it is easier to keep an Italian wife than an Indian wife.

SHRI PITAMBER DAS : In England, not in India.

(Interruptions)

SHRI MAHAVIR TYAGI : Bachelors have no concern with wives.

SHRI BHUPESH GUPTA : You are concerned, Mr. Tyagi, . . .

MR. CHAIRMAN : Now, Mr. Bhupesh Gupta, please put your question.

SHRI BHUPESH GUPTA : Sir, the appointment took place in 1966 according to the statement given by the honourable Minister, that is to say, before the nationalisation of banks. Somebody must be responsible for selecting this gentleman who is now another swindler found in the bank detected. There are many. I should like to know whether the records have been examined by the Government of India here. Now it is a nationalised bank. It is very essential to find out how this gentleman came to be appointed to such a post. Secondly, I should also like to know whether the Government is contemplating action against those who are directly or indirectly responsible for this gentleman being put in such position. Thirdly, I should like to know what the Government is going to do about the custodian of this bank. I should also like to know how many old directors are there in key positions who cannot be exonerated in this particular case for they must assume the responsibility for introducing a swindler into such high position in that bank. Are any steps being taken in this direction? I should further like to know whether efforts are being made to discover the connections of this gentleman in this country among Government people and also in the business world in order to take necessary steps. These are all the things to be answered by the Government. I would also like to have an assurance finally that before it is too late all such men who are hiding in the nationalised banks now having been brought in there when the banks were in the private sector, are going to be removed. Is it not a fact that the top

administration of the nationalised banks has sympathy for such people? In fact, only some swindlers are caught red-handed and others are not. I should like to know what steps are being taken with a view to eliminating all these henchmen of big business who still remain entrenched in key positions in the nationalised banks of the country. And why is only the Scotland Yard concerned with this? What about your own intelligence? You said we are in touch with the Scotland Yard. But what about your own intelligence? I should like to know whether our intelligence service has been advised to go into this matter and bring a report to the Government.

SHRI PITAMBER DAS : Are they henchmen of the big business or of the big men?

SHRI R. K. KHADILKAR : I am not in a position to say who was the Chairman, who was directly responsible for making the appointment of Mr. Patel, etc. So far as the nationalised banks are concerned, it is a suggestion which the honourable Member has made and it will be considered because certain acts of omission and commission or administrative exercises done by responsible people prior to the nationalisation, need to be scrutinised. So it is a suggestion for action.

SHRI GODEY MURATIARI (Uttar Pradesh) : I would like to know three things: one, whether in view of the fraud that has been detected in the Central Bank the Government would institute an inquiry into all the branches of the banks that have been operating abroad because not only the Central Bank but also the Indian Overseas Bank and several other banks do have branches outside India. I would like to know whether the Government of India would institute an inquiry into all these banks to see whether the transactions that these branches have been doing are proper or whether there is any irregularity in the functioning of these branches because the way of the London branch of the Central Bank was functioning should be an eye-opener to us.

Another thing I would like to know is whether the Government of India does not have any rules regarding Indian nationals taking foreign pass-

ports. When an Indian national wants to change his nationality or citizenship, and applies for a passport to the British authorities, is it not incumbent on the British Government to inform the Indian High Commission that so and so person, a citizen of India, has applied for British nationality? If it is so incumbent on the British Government, I would like to know whether Mr. Sami Patel's application for changing his nationality was brought to the notice of the Indian High Commission, and, if so, whether the British Government instituted an inquiry as to why this particular gentleman wanted to change his nationality.

[THE VICE-CHAIRMAN (SHRI BANKA BEHARY DAS) in the Chair]

Mr. Vice-Chairman, let me congratulate you on your having taken the Chair in the midst of my speech . . .

SHRI BHUPESH GUPTA : Mr. Vice-Chairman, you maintain your smiles always.

SHRI GODEY MURAHARI : I would like to know whether the Government would institute an inquiry into this aspect of the failure of the Indian High Commission there to find out about the change of nationality of Mr. Sami Patel.

Lastly, I would like to know whether the Government would hold an inquiry into the ramifications of the Central Bank and its Board of Directors and all the Directors who are responsible during the last two years either in appointing this Sami Patel or in okaying the transactions that were taking place in the London branch, not only in the London branch but also even in the Indian counterparts. I would like to draw the attention of the Government to the revelations made by Mr. Banka Behary Das wherein he has charged that Mr. Haridas Mundhra had something to do with this bank that the Board of Directors of the Central Bank was in close connection with Mr. Hari-das Mundhra who has got a number of establishments in England and other foreign countries where after the debacle in this country Mr. Haridas Mundhra seems to have shifted his activities. Therefore, I would like to know

whether this fraud was committed with the connivance of the Board of Directors of the Central Bank and whether the Government would institute an inquiry into all these aspects.

SHRI R. K. KHADILKAR : I do not know what the position in law is, whether the appointing authority is to share the criminal liability of an act of a gentleman who was appointed in good faith. This is a point on which I cannot throw much light. This is a moot point. So far as the High Commission is concerned, I do not know whether an application for British citizenship is to be scrutinised by the High Commission and whether its permission is called for. I am not in a position to reply to that. I cannot categorically say on that. So far as the point which you made is concerned, you or some other honourable Member said that we should try to exercise closer scrutiny over the functioning of the banks, whether in foreign countries or here, and to that extent it is a good suggestion for action and it will be taken into consideration.

SHRI GODEY MURAHARI : What about Mr. Haridas Mundhra?

SHRI R. K. KHADILKAR : I have no knowledge of him. If anything comes to light . . .

SHRI BHUPESH GUPTA : I know they are in possession of some photostat copy of a letter written by Mr. Haridas Mundhra to somebody in England telling him, ". . . give him 5 pounds of tea." Five pounds of tea means £5,000. There was a letter to an Englishman telling him, "... give him £5 tea." Are you not in possession of this letter?

THE VICE-CHAIRMAN (SHRI BANKA BEHARY DAS) : Mr. S. D. Misra.

SHRI SUNDAR SINGH BHANDRI (Rajasthan) : My name is there.

THE VICE-CHAIRMAN (SHRI BANKA BEHARY DAS) : First let him ask.

SHRI S. D. MISRA : One does not know as to what will be the ultimate liability of the London branch of the

[Shri S. D. Misra.]

Central Bank. It is not clear as to what will be the legal payment to be made by June by the Central Bank. Therefore, it is clear that Rs. 2 lakhs have been swindled. We do not know whether the amount will come to only Rs. 2 lakhs or more. I would like to know whether there is any risk insurance taken for such amounts. Suppose the Central Bank is swindled or defrauded and the amount may be a big amount or a small amount. But is it covered under any insurance? That is one thing. The other thing is this. Even in 1966 when this Manager was appointed, the Reserve Bank under the Reserve Bank of India Act, had control over the appointments of such Managers. No Manager of foreign branches or, for that matter, of some A Class banks, as I understand it, could be appointed without the approval of the Reserve Bank of India even in the year 1966. Are there no antecedents available of this gentleman whose Mercedes car and whose Italian wife the Minister is now questioning? The Reserve Bank of India did not question them. I do not know why the poor man's Mercedes car is being questioned because a Mercedes car is much cheaper there than a Hindustan car here. I do not know what relevance this question has got with his Mercedes car. I can understand if a Member had put that question. But I cannot understand such a question coming from the side of the Minister himself.

The third point that I would like to know is whether the Central Government has got any deposits in this bank. Is there any Central Government deposit in this bank or not? And what is the security for that deposit if such amounts are being defrauded?

SHRI R. K. KHADILKAR : Sir, the bank in which such a fraud has been committed, there is no insurance provision for its day-to-day transactions. So far as the appointment is concerned, the bank is a corporate body and an independent agency and there was no question of getting concurrence from the Reserve Bank. So far as the Government's account in the bank is ! concerned, so far as I know, there was I nne.

श्री सुन्दर सिंह भंडारी : मैं मंत्री जी से पूछना चाहता हूँ कि 1969 में जिन इर्रेगुलरिटीज़ की शिकायत मिलने के बाद स्पेशल आफिसर को लंदन भेजा गया, उस समय भी उन्होंने इन ट्रान्ज़ैक्शनों के संबंध में इर्रेगुलरिटीज़ की किसी प्रकार की शिकायत की थी या नहीं, और अगर 1969 में भी यही प्रश्न जो अब इन्वेस्टिगेशन में है, उस समय उठ खड़े हुए थे तो उस समय स्काटलैंड यार्ड की मदद ली गई थी या दूसरे क्या क्या कदम उठाये गये ?

दूसरा प्रश्न यह है कि दोबारा जब 9 मार्च को सीनियर आफिसर लंदन भेजे गये और श्री समी जमशेद पटेल को बम्बई में ट्रान्सफर किये जाने के आदेश दिये तो क्या समी जमशेद पटेल ने इस ट्रान्सफर आर्डर को न मानने की बिलकुल स्पष्ट बात कही ? उसके बाद वह 31 मार्च तक वहां काम करते रहे, 1 अप्रैल से उनको छुट्टी पर जाने की इजाज़त दी गई । मैं यह पूछना चाहता हूँ कि यह जो इस समय इन्वेस्टिगेशन के लिये केसेज़ दिये गये हैं यह कौन सी तारीख़ को दिये । 9 मार्च को ही यह सारे इन्वेस्टिगेशन का सवाल खड़ा हो गया था और उसी समय इन्वेस्टिगेशन चालू हो गये तो 31 मार्च को श्री समी जमशेद पटेल सेन्ट्रल बैंक के लंदन आफिस में काम करते रहे आफिशल कैपेसिटी में, एक अप्रैल से छुट्टी पर गये हैं, तो इतने दिनों तक जब वह सरकार के हाथ में थे तब उनके 'व्हेयरअबाउट्स' को जानने के लिये और वह गायब न हो सकें इसके लिये क्या प्रीकाशन्स लिये गये और उसके बावजूद 1 अप्रैल से उनको छुट्टी पर जाने की इजाज़त किसने दी ?

SHRI R. K. KHADILKAR : The hon. Member has put two questions. The first is that when officers were sent to London on 23rd September, 1969, when certain irregularities were brought to the notice of the authorities, further precautionary measures ought to have been taken. Whether they were taken or not, I am not in a position to say,

but his contention is correct; I will have to rind it out. So far as Mr. Patel who was asked to return to India is concerned, he had shown his disinclination but he \ as actually relieved of his duties, according to my information, on the 26th of March, immediately after that. I?!

SHRI SUNEAR SINGH BHAN-DARI : His officer went on 9th March. What about the 17 days ?

SHRI R. K. KHADILKAR : Ihen, Sir, why further steps were not taken, I am not in a position to say, because nothing concrete could have been established by that time; that is my surmise.

SHRI JOACLIM ALVA (Nominated) : Sir, I would like the hon. Minister to know t lat in the early fifties when Mr. C. D. Deshmukh was the Governor, a not jrrious bank fraud took place in Bombay and the bank concerned was the Exchange Bank of India and Africa. It was not more than a thousand yards iway from the headquarters of the Reserve Bank. Everybody including Shri Babubhai Chinai knows about this case. Over Rs. 80 lakhs were take i away on fraudulent documents and he bank was not even a thousand yi rds away from the Reserve Bank. Shri Deshmukh was very angry with me in the Lok Sabha. I said "It is not a matter of integrity at all. What happened to your Deputy Governors and i 'thers ? They did not take care of the moneys of the depositors which were taken away from the bank." Of couise, Mr. Akhaney went to jail for four 'ears. I would like to remind the hon. Minister and my friends on the nther side who are opposing bank n; tionalisation to know something about this. The bank created a lot of trouble in Africa. There were a number of Indian depositors who grew panic :y and the Government of India had to pay them a lot of money. If the Reserve Bank, within less than 15 ye rs. has done the same thing but in London, what happens to their own type of intelligence and supervision over the entire banking industry ? What happened to the sub-accountants, the i the accountants above them and then the chartered accountant ? Then in the case of the Bank in London, what happens to the internal audit from Bombay to London ? What happens to the entire string of

audit from beginning to end ? I am completely a layman. But what happened to these Accountants and others. I would like the hon. Minister to throw some light on this.

SHRI R. K. KHADILKAR : It seems that there is a good deal of misconception about the functions of the Reserve Bank. The hon. Member suggests as if the Reserve Bank is supposed to audit all the accounts of all the banks. That is not entirely a correct position. As I said earlier, we have to see whether within the ambit of their powers the Reserve Bank have failed to exercise their supervision. I do not think there is any failure on the part of the Reserve Bank at the present juncture as far as this case is concerned. There is no such failure involved, Sir.

MR. CHAIRMAN : That is all. Now the next item.

PAPERS LAID ON THE TABLE

CERTIFIED ACCOUNTS (1968-69) OF THE POST GRADUATE INSTITUTE OF MEDICAL EDUCATION AND RESEARCH, CHANDIGARH AND RELATED PAPERS

THE MINISTER OF HEALTH AND FAMILY PLANNING AND WORKS, HOUSING AND URBAN DEVELOPMENT (SHRI K. K. SHAH) : Sir, I beg to lay on the Table, under sub-section (4) of Section 18 of the Post-Graduate Institute of Medical Education and Research, Chandigarh Act, 1966, a copy of the Certified Accounts of the Post-Graduate Institute of Medical Education and Research, Chandigarh, for the year 1968-69, together with the Audit Report thereon. [Placed in Library. See No. LT-3578/70].

ANNUAL REPORT AND ACCOUNTS (1968-69) OF THE LUBRI-ZOL INDIA LIMITED BOMBAY AND RELATED PAPERS

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND CHEMICALS AND MINES AND METALS (SHRI D. R. CHAVAN) : Sir, I beg to lay on the Table, under sub-section (1) of section 619A of the Companies Act, 1956, a copy each of the following papers :—

- (i) Third Annual Report and Accounts of the Lubrizol India Limited, Bombay, for the year 1968-69,