

This relates only to custody and because there has been some change with respect to property rights to women I don't think it is necessary to make any change.

MR. DEPUTY CHAIRMAN: The question is:

"That the following amendments made by the Lok Sabha in the Hindu Minority and Guardianships Bill, 1955, be taken into consideration :—_v

Enacting Formula

1. "That at page 1. line 1, for 'Sixth Year' substitute 'Seventh Year'."

Clause 1

2. "That at page 1, line 4, '1955' substitute '1956'."

Clause 3

3. "That at page 1, lines 21 and 22, for 'for which provision is made' substitute 'dealt with'."

Clause 4

4. "That at page 2,—
(i) line 26, omit 'or'
(ii) line 28, omit 'or'; and
(iii) line 29, for 'or' substitute 'and'."

Clause 5

5. "That at page 3, line 3, for 'made' substitute 'contained'."

The motion was adopted.

SHRI H. V. PATASKAR: Sir, I move:

"That the amendments made by the Lok Sabha in the Bill be agreed to."

MR. DEPUTY CHAIRMAN: The question is:

"That the amendments made by the Lok Sabha in the Bill be agreed to."

We shall now take each amendment, one by one.

Enacting Formula

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The motion was adopted.

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(i) line 26, omit 'or';
(ii) line 28, omit 'or'; and
(iii) line 29, for 'or' substitute 'and'."

The motion was adopted.

Clause 5

MR. DEPUTY CHAIRMAN: The question is:

5. "That at page 3, line 3, for 'made' substitute 'contained'."

The motion was adopted.

MR. DEPUTY CHAIRMAN: So the amendments made by the Lok Sabha are agreed to.

**THE SECURITIES CONTRACTS
(REGULATION) BILL, 1956**

THE MINISTER FOR REVENUE AND CIVIL EXPENDITURE (SHRI M. C. SHAH): Sir, I beg to move:

"That the Bill to prevent undesirable transactions in securities by regulating the business of dealing therein, by prohibiting options and by providing for certain other matters connected therewith, as passed by the Lok Sabha, be taken into consideration."

Sir, the House will remember that the motion for the reference of the Bill to the Joint Committee of the two Houses of Parliament was concurred in by this House on the 5th December 1955. The Joint Select Committee began its hearings on the 20th December and

[Shri M. C. Shah.] altogether held seven sittings. During these sittings, the Committee took into consideration several notes and memoranda, which had been submitted to it and also heard the evidence tendered by the representatives of the Bombay Share and Stock Brokers' Association, Ahmedabad, and the Society of Assistant Members of the Stock Exchange, Calcutta. The report of the Committee was signed on the 27th February 1956, and then duly presented to Parliament. Notwithstanding the despatch with which the Joint Select Committee completed its task, it was not, unfortunately, possible to take into consideration its report in the last session of Parliament. The Bill, as recommended by the Joint Select Committee, was discussed in the Lok Sabha on the 16th July and was passed on the same day with certain amendments.

The House will remember the importance which we attach to this measure. The Bill is the first all-India legislation on this subject and attempts to standardise stock exchange practice all over India. As we had explained in our speeches on the motion for the reference of this Bill to the Joint Select Committee, we consider the reform and standardisation of our existing stock exchange laws, on the broad * lines embodied in our Bill, as an essential complementary measure to the new Companies Act.

The structure of the Bill and the general pattern of the regulatory provisions contained in it were fully explained by us in the course of the debate on the motion for the reference of the Bill to the Joint Select Committee. If I may remind the hon. Members once again, the Bill does not provide for any detailed or meticulous regulation over the day to day activities of the stock exchanges. Instead, it lays down a general system and apparatus of control which seeks to arm the Central Government with large powers to be exercised generally in consultation with the governing bodies of the stock exchanges, when Government consider the use of such powers necessary, either in the interest of legitimate business or in the public interest. The Joint Select Committee has fully endorsed this approach to the problem of stock exchange reform and approved of the basic structure of the Bill.

In regard to the detailed provisions of the Bill, the Committee made certain

important amendments, and during the course of the debate in the Lok Sabha some further amendments were made. All such further amendments with the exception of two were of a drafting nature. I shall now briefly refer to these amendments.

The Committee has amended the definition of "spot delivery contract" by requiring that the actual delivery of securities and the payment for them must be completed either on the date of the contract or on the next date exclusive of the actual period taken for the despatch of the securities or the remittance of the payment. The original Bill had provided for a period of three days, but the Select Committee considered this period too long and liable to be misused and abused.

As regards clause 4, relating to the grant of recognition of stock exchanges, the Select Committee thought that the conditions which the Central Government could impose before recognition was granted to a stock exchange should also include a condition about the membership of the exchanges. The object of the Committee was to ensure that the privileges which the new law would confer on the recognised stock exchanges were not monopolised by a few. In this connection the Committee has also recommended that the nominees of the Central Government on the governing bodies of the stock exchanges should be limited to three, and that any conditions which the Central Government may lay down as to the maintenance and audit of the accounts of members by qualified Chartered Accountants should apply only to those special cases where such audit might be required by the Central Government.

The House will remember clause 9 of the Bill. The key provision in it authorises recognised stock exchanges to make bye-laws for the regulation of contracts in securities subject to the previous approval of the Central Government. The Select Committee made three important additions to the matters enumerated under clause 9, in respect of which the governing bodies of a recognised stock exchange might make bye-laws subject to the approval of Government. Firstly, in sub-clause (2) (c) of clause 9, the Select Committee has provided for the publication, after each periodical settlement, of the

following particulars relating to contracts in securities:

- (i) the total number of each category of security carried over from one settlement period to another;
- (ii) the total number of each category of security, contracts in respect of which have been squared up during the course of each settlement period;
- (iii) the total number of each category of security actually delivered at each clearing;
- (iv) the total amounts paid as difference in respect of each category of security.

During the course of the debate in the Lok Sabha an amendment was moved and accepted by Government, according to which clause (c) was redrafted to read as follows :—

"(c) the submission to the Central Government by the clearing house as soon as may be after each periodical settlement, of all or any of the following particular as the Central Government may, from time to time, require....."

A new sub-clause (d) has also been added as follows:

(d) the publication by the clearing houses of all or any of the particulars submitted to the Central Government under clause (c) subject to the directions, if any, issued by the Central Government in this behalf."

The wording of the sub-clause as drafted by the Select Committee was found on closer examination to be somewhat inflexible in its nature inasmuch as it called for regular publication of all such data without regard to its possible adverse repercussions on the technical position of the individual stock exchanges under certain conditions.

It was represented to us that under very active conditions publication of information contemplated for instance by sub-clause (i) disclosing the total number of security of each type carried over from one settlement to another may well precipitate a crisis inasmuch

as it enables "bull" and "bear" speculators to precisely measure each other's strength or vulnerability. The amendment made by the Lok Sabha will enable Government to lay down what part of the information needs to be submitted to them from time to time and also to decide in the light of the conditions prevailing whether such information shall be published as a whole or only in part. In the revised draft, sub-clause (iv) has been omitted as it was pointed out that compilation of data relating to differences paid in respect of each security will, in the case of exchanges settling contracts in respect of a large number of securities through the mechanism of the clearing house, impose a very heavy strain both on the clearing house as well as on the individual members of the exchange concerned.

Secondly, the Select Committee has suggested that the bye-laws relating to emergencies in trade should also provide for such abnormal situations as may be created by the working of pools or syndicated operations or cornering or similar activities.

Thirdly, the Select Committee has provided for the making of bye-laws for separating the functions of jobbers and brokers.

As regards emergencies in trade, the Committee felt that it was desirable to provide specifically in the bye-laws for the manner in which situations created by the operation of pools or corners should be handled. The Committee also considered that in the interest of the better organisation of stock exchanges, a beginning should be made in the bye-laws for separating the functions of jobbers and brokers, although the Committee realised that having regard to the present state of the exchanges and the volume of business obtaining in them it might not be easy to separate these functions.

The most important amendments in the Bill made by the Select Committee are, however, in respect of the provisions relating to the licensing of dealers in clauses 17 and 18 of the Bill. The House will remember that the scheme of the original Bill was that spot delivery contracts would be exempt from licensing provisions in areas notified under clause 13, i.e., in areas where the Central Government

[Shri M. C. Shah.] had declared by notification in, the Official Gazette that no dealings in securities should take place otherwise than between the members of the recognised stock exchange or through or with such members. But in non-notified areas, *i.e.*, in areas not covered by the notification under clause 13, all contracts including spot delivery contracts were to be subject to licensing. The Select Committee felt that this arrangement was discriminatory. Accordingly, it has provided that, ordinarily, spot delivery contracts would be exempt from the provisions of this Bill irrespective of whether such contracts are entered into in areas notified under clause 13 or not. But the Central Government would have the power to extend the licensing provisions of the Bill to such contracts—both in notified and non-notified areas—should it consider it necessary to do so in the interest of the trade or in the public interest.

As regards other types of dealings in securities they will be subject to licensing in areas notified under clause 17, *i.e.*, in areas where there is no recognised stock exchange, but even in these areas dealings in such contracts carried on by or on behalf of any member of the recognised stock exchange would be outside the scope of the licensing provisions of the Bill. Hon. Members will notice that the net effect of this provision is that spot delivery contracts will, for all practical purposes, be free from any regulation, unless the Central Government considers it expedient to regulate such contracts in the interests of trade or in the public interest. Other types of contracts would, however, be subject to licensing, except in the notified areas, *i.e.*, in areas within the limits of the recognised stock exchanges, where the responsibility for regulating such contracts would necessarily be that of the governing body of these exchanges. I think the House will agree that the changes suggested by the Select Committee in those somewhat complicated provisions of the Bill constitute an appreciable improvement on the earlier provisions, inasmuch as, while they render the licensing of spot delivery contracts unnecessary in all *bona fide* cases—thereby facilitating legitimate business—they also invest the Central Government with requisite powers to control any dealings in securities, wherever the interest of legitimate business or the public interest

requires the imposition of restraints on them.

As a corollary to these amendments, the Select Committee has inserted a new clause 19 in the Bill, which prohibits the setting up or maintenance of non-recognised stock exchanges in any State or area except with the permission of the Central Government. Under the original Bill there was a risk of non-recognised stock exchanges springing up in non-notified areas under the guise of licensed dealers or in places where provisions regarding recognition and/or licensing had not been made applicable. The Select Committee obviously intended that there should not be two kinds of stock exchanges—one recognised and the other non-recognised.

The Select Committee has elaborated the provisions of clause 23 by some important amendments to it, the effect of which is to strengthen considerably the scheme of regulation envisaged in clauses 13 to 19 of the Bill. " These amendments penalise "kerb" trading and/or touting by persons who are neither members of a recognised stock exchange nor licensed dealers nor their authorised agents. Similarly, the penalties contained in clause 23 have been extended to the owning or keeping of places used for the purpose of entering into contracts in securities in contravention of the provisions of the Act, as also to the managing, controlling or assisting in the keeping of such places. These are useful amendments which, as I have already stated, strengthen the operative provisions of the Act relating to the regulation of dealings in securities.

The other important amendment of the Bill relates to clause 27. The clause as originally drafted debarred the holders of shares on blank transfers from claiming from registered shareholders, after a prescribed limit of time, not only the dividends accruing on these shares but also any bonuses and other rights as might attach to them. The Select Committee recognised that the original draft was intended to act as a severe deterrent to the holding of shares on blank transfers for indefinite periods, but it felt that, if the prohibition embodied in this clause were to extend beyond dividends to bonuses and other rights attaching to the shares, it might,

in some cases, involve the holders of such shares in heavy capital loss. In Mew of the positive recommendation which it has made elsewhere in its report that the life of blank transfers should be limited to a period of six months, the Committee felt it was not necessary to impose such a disproportionately heavy penalty on the holders of such shares. Accordingly, the Committee has amended clause 27 so as to confine its application only to the receiving and retaining of dividends on such shares.

Some further amendments had to be made to this clause during the consideration of the Bill by the Lok Sabha with a view to clarifying our intentions. The clause as originally worded or as it emerged from the Select Committee did not state in clear terms as to whether an eligible holder of shares on blank transfer in a company declaring a dividend had a right to claim the dividend in respect of his share-holding only from the transferor or that he could make a direct demand on the company in this respect. Such a position may have inconvenienced the companies as also the transferors in case the companies in order to protect their own position thought of (temporarily withholding the dividend both from the transferor and the transferee. It was not Government's intention to disturb the well-established practice of companies to pay dividends to shareholders registered on their books as on the date on which the payment of dividend becomes due. Accordingly the amendments now made are intended to clarify that the transferee even if entitled to receive the dividend due in terms of this clause has to look to the transferor for the payment of the same rather than to the company which may proceed in the matter in accordance with the normal business practice.

I need hardly draw the attention of the House to the fact that the Select Committee has deliberately refrained from making any statutory provisions for those reforms in stock exchange trading methods and practices which have been the subject of much controversy in the past, viz., blank transfers, *buddas*, or carry-over facilities, margins, clearing-houses, etc. They have done so because these are matters which, as I pointed out in the course of my speech on the motion for the reference of the Bill to the Joint - Select Committee, '

could be best dealt with only under the flexible provisions of the rules and bye-laws of the stock exchanges. The Select Committee has already given a line to the Central Government by making a definite suggestion to the effect that the currency of blank transfers should be limited by bye-laws to a period not exceeding six months. It will, now be for Government to pursue this suggestion and also the other problems relating to trading methods and practices mentioned above in consultation with the stock exchanges concerned. This will be one of the important tasks before the Finance Ministry to which it must address itself as soon as the Bill has been passed into law.

Sir, these are the amendments made by the Select Committee and the amendments accepted in the Lok Sabha. I now move that the Bill as passed by the Lok Sabha be taken into consideration. This is a very complicated measure and I shall be glad to explain if any points are raised by the hon. Members.

MR. DEPUTY CHAIRMAN: Motion moved:

"That the Bill to prevent undesirable transactions in securities by regulating the business of dealing therein, by prohibiting options and providing for certain other matters connected therewith, as passed by the Lok Sabha, be taken into consideration."

SHRI KISHEN CHAND (Hyderabad): Mr. Deputy Chairman, as the hon. Minister has pointed out, it is a complicated Bill and it was referred to the Select Committee and I had the opportunity of pointing out certain matters which required careful consideration by the Joint Select Committee, I am very glad to note that in certain things there has been some clarification of the points that I wanted to be inserted into this Bill.

As was pointed out by the hon. Minister, the basic clause is clause 9. Clause 9 gives powers to the various stock exchanges to make bye-laws for the guidance of the share brokers and the jobbers in the stock exchanges. I shall confine myself to only two or three points in this connection. The first one is the question of blank transfers. I was very glad, Sir, that in the original

[Shri Kishen Chand.] Bill the Government intended to completely ban all blank transfers, but now it has been changed inasmuch as, according to clause 9, they say in subclause (g) "the regulation or prohibition of blank transfer". That means (he option is given to the stock exchange either to completely prohibit blank transfers or to make certain regulations about it. The hon. Minister during the course of his explanation pointed out that verbal instructions have been given to the stock exchanges that the period will not exceed six months. Am I right?

SHRI M. C. SHAH: It is the suggestion of the Select Committee that blank transfers should not be allowed beyond a period of six months. That has not been added in the statute, but it has been left to the Government to devise ways and methods through regulations or laws whereby the currency of the blank transfers cou'd be limited to six months only.

SHRI KISHEN CHAND: As I was going to sav. clause 9 (1) reads as follows : "Any recognised stock exchange may, subject to the previous approval of the Central Government, make bye-laws for the regulation and control of contracts." There is that wording "subject to the previous approval of the Central Government" but here the wording is very clear, "the regulation or prohibition of blank transfer-": "the regulation, or prohibition of *budlas* or carry-over facilities." May I point out. Sir, that not specifying here any fixed period and leaving it entirely to the discretion of the Central Government may cause undue hardship to the stock exchanges and may create disoarity between on stock exchange and another. The stock exchanges and know their business and they know how to regulate it. Until and unless the Government is satisfied that their regulation is not in the interests of the country or it is leading to speculation, until such time I do not see any reason why they should interfere in it. If they are definite that the Deriod should not exceed six months, I think it should have formed part of the regulations, instead of leaving it entirely to the stock exchanges to frame rules and regulations and then to come forward and restrict it in the case of some stock exchanges to a certain period and banning completely blank transfers and carry-over

facilities in the case of some stock exchanges. Because you know in a stock exchange every day—and in a stock exchange like that of Bombay—hundreds of thousands of transactions take place and it is necessary for the stock exchanges to have permission for blank transfers and *budlas*. The line between speculation and real business is a little subtle and to find out when a transaction becomes speculation, you have got to carefully examine the whole volume of business that is carried on. Now, in Bombay, for instance, at one time""the Tata Steel shares were the hall-mark of all shares and it was on the fluctuations of the Tata Steel shares that the entire share market depended. Share transactions were carried on much beyond the number of shares that were available in the market. The shares did not exist. A layman may say that the moment you are dealing in shares which do not exist, in the sense that the man who is selling them does not possess them or the man who is agreeing to purchase them does not have the money to purchase them, then that may be considered speculation. But it is very essential that the volume of business is considered. The money market has to provide the money for these shares; easy transferability and easy purchasability of these shares is very essential. Therefore the stock exchanges have to be allowed always to deal in shares either on the basis of *budlas* or on the basis of blank transfers. I have pointed out that a share purchased today in the stock exchange, will change hands on subsequent days. During a month or two months' time it will have changed hands a hundred times and the share which changes hands the largest number of times is supposed to be the best share in the market. It has a greater stability in the market. The hon. Minister may keep a free mind about these regulations but later on, if some officer of the department imposes certain restrictions I think it will affect the whole business of the stock exchange. It is very essential that the Government should not interfere unless it is convinced that it- is leading to injurious results. Sometimes, you know there is overtrading in shares and the net result is that if overtrading continues over a long period and the shares are not available, it sometimes leads to one or two parties defaulting and the moment one or two parties default and the shares are not handed over by them, then so many other parties who have either purchased

or on the basis of such purchases sold shares to others, they also get involved and that way there is a chain reaction and the result of all this is that the whole stock exchange is upset. If it leads to any such results, the Government interference is all right but if normal business is going on, what is sanctimonious in the period of six months? Why should it not be nine months or ten months or eleven months? How does the Government come to the conclusion that transactions by blank transfers over a period of six months are all right but beyond six months there is something bad about them and they should be banned? Well, Sir, I do not give the example of other foreign countries because there the number of shares is much larger and transactions also are much more in number. Even in our own country in the Bombay and Calcutta stock exchange the share market deals with such a large number of shares that if the Government's requirement about information to be supplied by stock exchanges is adhered to, the work of the stock exchanges will become very heavy in supplying the necessary figures and data to the Government. The Government wants data on three points, on the shares which are sold, on the shares which are delivered or not delivered, and the total amount paid or not paid about them. The Government will really have to have a big Department to tabulate all this data and to make head or tail out of that data and to try to regulate the market on the basis of that data. My whole contention is that the amount of information required by the Central Government from these stock exchanges should be considerably reduced. That is my first suggestion, otherwise the information required is so large that the Government will not be able to properly handle it. It will lead to unnecessary expenditure and unnecessary burden on the stock exchanges and it will be unnecessary information received by the Government.

The second objection is that the Central Government or the hon. Minister should have a completely free mind and not put any restriction on the period for which these blank transfers are available and *budlas* or carry-over facilities are available. He should keep a free mind about it. By that I mean that unless he is satisfied that any particular stock exchange is dealing in any particular share in such a way

that it is prejudicial to the interests of the country, he should not interfere. If no adverse result is flowing from such transactions and if it is carrying on the normal business, the Government should not come in at all. All shares are not at par.

AH stock exchanges are not at par. If you put a limit of six months you are penalising good stock exchanges and probably you are giving too much latitude to bad stock exchanges. So I would like the Government not to make such a rule but to study the situation and only in cases where it is leading to bad results they should come and interfere. The Central Government has the right; they must interfere whenever the interests of the country are at stake and whenever they find that a stock exchange is abusing its power. But unnecessarily harassing the stock exchanges and asking them to furnish data which are not useful to them will only lead to unnecessary expenditure.

Then I come to the question about dividends. Suppose there is a blank transfer. Now blank transfer means that for every share there is a transfer form which the transferor signs but the name of the transferee to whom the share is transferred is kept blank. Later after hundreds of transactions have taken place, whenever the final transaction takes place, the name of last transferee is inserted. The intermediaries' names are never entered there. Only the signature of the transferor is there. There is no other entry in the whole page. There is no entry about the rate at which the transfer has taken place. This thing is pinned to the share certificate and it passes hands so many times and transactions go on. And as I said during six months it is quite possible that 200 transactions may have taken place in regard to that share. It may have passed through 200 hands and yet no transfer would have been made. When the companies declare dividends they say that the dividend will be payable to those persons whose names appear on the share register on the last closing day. A week before the companies hold their annual general meeting they announce that the transfer books are closed and the dividend is paid to those whose names appear on the share register.

SHRI M. GOVINDA REDDY
(Mysore): No; no. By the time the

[Shri M. Govinda Redely.] accounts are audited the ledger has to be filled. If there is any transfer of shares that has to be entered into the share-ledgers.

SHRI KISHEN CHAND: I know the whole thing. What I was saying is that the companies do that now. The blank transfers are carried on. Supposing the last man wants the share to be transferred to his name, before the closing date he fills up his name and gets the share transferred to himself. But there are certain parties who think that they do not want to transfer the shares to their names. And whenever they are carrying on a subsequent transaction, there is a rate called 'ex-dividend' and 'cum-dividend'. He sells the share to the other party on the last day, even after the dividend is declared. He will say I am selling it cum-dividend or ex-dividend. Now, if it is ex-dividend, naturally the person, whose name stands there Ins!, gets the dividend. But if it is cum-dividend, naturally the person who is purchasing must get the dividend and there the trouble starts. So, the hon. Minister has got here this clause about dividends.

SHRI M. C. SHAH: It is clause 27.

SHRI KISHEN CHAND: It says: "It shall be lawful for the holder of any security where name appears on the books of the company issuing the said security for being registered in his name within fifteen days of the date on which the dividend became due:". He only gives them an option like that. Now, there is a system of what they call getting a certificate from the party that for valuable consideration he has parted with the share and the dividend may be given to the new party who brings forward that dividend authorisation form. And I would suggest to the Government that instead of restricting it only to 15 days—that is indirectly you are restricting the scope of this blank transfer to fifteen days, after the dividend is declared, or six months whichever is less. So, indirectly by the introduction of clause 27, the hon. Minister is putting a double limit on the blank transfers, though according to his statement the Select Committee had recommended that they should restrict it to a period of six months. If for instance the blank transfer transaction takes place one day before the closing day and then the dividend is declared fifteen days after that, that means, it will be a period of seventeen

or twenty days only, the hon. Minister is fixing a sort of double limit on that. I think it is a little too harsh. As I said initially, I think the object of the hon. Minister and the Central Government is very good. We want to regulate stock exchanges that indulge in speculation. But when there is no speculation among them, when there are honest and good transactions taking place, just to ignore them and put some sort of indirect restriction is not fair as thereby you are forcing the people to have the transfers'. The result will be that if the shares are not saleable and they are not quickly transferred from one party to the other party, their value will go down. The Stock exchange, as I told you, really lives by those shares which have a quick saleable value, shares which are in great demand, which are transferred easily from day to day. And yet you know the transfer fee is very heavy. The stamp duty is twelve annas per share if it is a hundred rupees share. Then four annas will be charged as transfer fee. It comes to one per cent. And as I said there are about two hundred transactions and if every transaction is registered—of course it takes one month for the company to register a share—it will mean Rs. 200. They can not possibly carry out more than one registration every month. The result will be, if you enforce these regulations strictly there will be no share market. If the Government decides that in our socialist pattern of society we do not want the stock exchanges, well and good. Do away with the stock exchanges. Do not have any stock exchanges. Do not have any share markets. But if you have a share market, if you want to keep a share market, then give them latitude. Don't bring in rules and regulations without understanding how the stock exchange and stock market runs. The stock exchange must be carefully understood and I am very glad that Mr. Himatsinka will speak about it with much greater knowledge than I possess

SHRI V. K. DHAGE (Hyderabad): But he does it all in blank transfers.

SHRI KISHEN CHAND: No stock exchange run without blank transfers. It is an honest, recognised thing. It is not a dishonest thing. And now you are restricting it to a period of six months. I am only pleading for a bigger latitude. I say that it should

not be fifteen days. If the party considers he has no further interest in the dividend, whether it is fifteen days or any period, the new holder whoever he is should be entitled to the dividend. It will not lead to any complications. It will as a matter of fact simplify matters.

Then, Sir, I was glad in a way, but rather surprised that the hon. Minister has given full exemption to spot deliveries. Well, it is good. Probably it will encourage people who are not in the stock exchange. That will encourage the kerb traders. Kerb traders will have a good time. Then for spot deliveries, no rules apply. Spot deliveries are exempt. It says here: "Nothing contained in sections 13, 14, 15 and 17 shall apply to spot delivery contracts." You need not be a recognised broker, you need not be a recognised member of the stock exchange.....

SHRI B. C. GHOSE (West Bengal): Why?

SHRI KISHEN CHAND: Why, I do not know.

SHRI B. C. GHOSE: Unrecognised stock exchanges cannot exist. Unrecognised stock brokers cannot exist.

SHRI KISHEN CHAND: First of all spot delivery contract means that the man has got, say, five shares in his hand and he says: "Look here, give me five hundred rupees in this hand, and take the five shares from the other hand." There is no regulation for that. The result will be

SHRI M. C. SHAH: Regulation is there. Spot delivery contracts must be completed within two years.

SHRI KISHEN CHAND: Clauses 13, 14, 15 and 17 are the clauses which say that nobody who is not a stock broker can deal in shares. 'Nobody who is not a member of a recognised stock exchange can deal. Clause 18 says spot delivery contracts will not be subject to clauses 13, 14, 15 and 17. The result is that a person who is not a member of the stock exchange, a person who has nothing to do with the share market, who is not a broker, XYZ can just «o about and enter the kerb trading. It takes place outside the stock exchange. You know there are kerb stones on the footpath. On the footpath hundreds of brokers or sub-brokers or non-brokers are standing.

Well, it was an evil and the Government had forbidden, the sub-brokers, etc. from dealing in shares by blank transfers or in future transactions or in *budla* transactions. Spot transaction can be carried on by anybody and the result will be that whenever they want to circumvent it, whenever it is a question of spot delivery, no regulations apply. They simply

PROF. HUM AY UN KABIR (West Bengal): The check is in the existence of the shares.

SHRI KISHEN CHAND: Spot delivery means you have shares in one hand and demand money with the other hand.

SHRI M. C. SHAH: What is wrong in giving facility to the people?

SHRI KISHEN CHAND: It is good, but the brokers and the sub-brokers feel that after all they are being deprived of this thing, they are deprived of their livelihood. Because what will happen is outside

SHRI M. GOVINDA REDDY: They cannot speculate in that case.

SHRI B. C. GHOSE: It is also there today.

SHRI KISHEN CHAND: It is there, but as you have this Bill in order to control and regulate transactions, you have not improved matters there. They continue as they are at present. That is all what I wanted to establish.

Well, Sir, in this way there are many other items.....

SHRI V. K. DHAGE: The object of this Bill is to encourage kerb-trading in spot delivery.

SHRI M. GOVINDA REDDY: *Bona fide* transactions.

SHRI KISHEN CHAND: The other transactions will also be *bona fide* transactions. Nobody is going to go and enquire whether it is a spot transaction or a non-spot transaction. The whole trouble will arise if there is no delivery. When one man sues the other man, then the difficulty will arise. There are no inspectors standing there to see that

[Shri Kishen Chand.] spot transactions are paid in cash. Supposing the two thieves quarrel with each other and come to a law court, this Bill will be absolutely ineffective. That is what I am saying. So, Sir, I submit that it is a very good Bill, and I fully support it. But I would like to suggest to the hon. Minister that even if he does not change it when the Central Government is going to consider the bye-laws framed by the stock exchanges under clause 9 of the Bill, and examine the transactions, especially regarding blank transfers and *buddas*, he should be a little more liberal in the best interests of the country, as long as the private enterprise continues and there is a share market. We want more and more money to come in and more and more industries to be started in the private sector. If we nationalise it, well and good. But if we do not nationalise industries, well, they should not be short of capital, and the capital will only flow in such industries and in such shares which have a ready market. It is a question of reputation. The shares which have got a ready market will be easily taken up. So, if we want our economy to develop, I think, the regulation should be very carefully used. That is all I want to say. Thank you.

SHRI H. P. SAKSENA (Uttar Pradesh): Sir, I welcome the Securities Contracts (Regulation) Bill 1956, and hail it wholeheartedly, for the very simple reason that I have never been a speculator all my life. The one department of life in which I have speculated is politics, and I am so glad that my speculation has proved to be a success.....

SHRI V. K. DHAGE: A good investment.

SHRI H. P. SAKSENA: Sir, I sympathise with my friend, Mr. Kishen Chand, who is getting very distressed. Perhaps, he deals in this speculative business, and he thinks that some hard things are going to be faced in future. And therefore he is getting very anxious, nervous and impulsive.

Sir, from what I have observed all my life, I know that many a prosperous and flourishing firm was wiped out of existence, was totally ruined and completely devastated by indulging in this speculative business. My hon. friend, the sponsor of the Bill, knows it from his experience how wealthy and prosperous firms and gentlemen have

become paupers and they have lost all that they possessed simply because of this speculative business.

The hon. the sponsor of the Bill has very rightly said that this Bill is only supplemental to the Companies Act. When we had enacted that measure, it was a corollary that this nefarious business of speculation should be put a stop to and brought under the Government's control. That is the reason why I look upon this Bill from that point of view and hail it that it is one of the best measures brought forward by a Government which claims to establish a Welfare State. This measure goes to take care of the little money of the poor people, and it is really a welfare measure of a Welfare State. And in that sense, I welcome it.

Now, Sir, this stock exchange business will henceforth be brought under the complete control and under the complete adjusting authority of the Government, and the havoc that used to be created in the stock exchange markets by speculative transactions will be put an end to. I, therefore, do not agree with my friend, Mr. Kishen Chand, who finds fault with this clause or that clause of the Bill. I welcome it through and through, because it empowers the Government to regulate the day-to-day transactions and interfere in the illegitimate trade and business transactions of the stock exchanges. With that noble and laudable end in view, one finds it difficult to find fault with this clause or that clause of the Bill. I am confident, and I hope fervently and ardently, that all the fears entertained by my friend, Mr. Kishen Chand, on behalf of the present-day speculators are not justified and justifiable, and time will prove, and experience will prove that they are unjustified.

Sir, I am reminded of a story of the reign of the Emperor Aurangzeb. He somehow came to the view that this broker's business was quite unnecessary for the society and this business should be put a stop to. So, there was a row in the circle of the brokers, of their community and group. The brokers have existed from time immemorial perhaps, and they earned their livelihood from that profession. And therefore they thought that, somehow or other, the step should not be proceeded with, and therefore they made petitions and appeals to the royalty, but all of them I

went unheeded. Then they requested their chief to approach the King personally. His request was granted, and he was granted an audience by the Emperor. Now the Emperor said, "Look here, if you want to continue your business, there is one condition and only one condition, and that is this. You evaluate me and satisfy me that -you have given me the right and correct evaluation, and then I shall let you continue your business; otherwise not." Now, a date for that evaluation was fixed, and a *darbar* was held. The chief of the brokers went there, and the process of evaluating the Emperor began. These brokers stood there with something tied in their handkerchiefs—their weights and measures. And the chief of the brokers was asked to begin the process of evaluation. Now, he untied the whole bundle, took out the weights and measures, and did this and that. He would waste time, but would not begin the process of evaluation.

Now, the Emperor got impatient and he said, "Begin the process of evaluating me on pain of death. You have got to do it and do it quickly." The broker stood up and said, "Sire, with due apologies to you, I have to say that I do not get a single *ratti* out of this. I do not get anything out of this transaction, and therefore my heart does not allow me to begin the process." That expression was so happily worded that the Emperor was pleased.

SHRI V. K. DHAGE: What was the wording?

SHRI H. P. SAKSENA: He fumble* with his measures and weights and said "T^r Jiff fosrcfT. His weight were short by one *ratti*. He said tha since he was not getting even a singl *ratti* out of that transaction, his hear did not allow him to evaluate th Emperor, since, even if he succede in evaluating the Emperor, no brokerag would be paid to him, because ther could be no prospective purchaser c the Emperor.

SHRI V. K. DHAGE: Was it in Pe sian or Urdu?

SHRI H. P. SAKSENA: The languaj of the times, whatever it was. Anywa; this brokerage business is closely coi nected with the stock exchange, and the Government do not succeed t this Bill to abolish the entire system,

think it would at least be possible to stop its evil effects and abuses, and therefore without enumerating the various defects which the discerning eye of my friend, Mr. Kishen Chand, has seen in this Bill, I recommend it lo be passed by the House.

SHRI BHUPESH GUPTA (West Bengal): Sir, I want only to make a few observations on this Bill. This matter is technical,. The Bill deals with a subject matter with which we are not very familiar except that sometimes we come 10 know that there has been a certain speculative performance, resulting in a rise in prices or a fall in prices as the case may be. Now, from the Report we find that this measure was intended to be brought forward before Parliament in 1954 and that somehow or other it was not possible for the Government to bring it up till the end of last year. We have got the Report and the Bill as it has emerged from the Select Committee. It seems from a cursory reading of the documents that most of the gentlemen who have pronounced on this subject have accepted the position that the stock exchange is not only necessary but also beneficial to our economy. One can understand that as long as the private sector remains, it will be necessary for certain shares to be sold and also purchased. Whether we look at it from the point of view of the persons who want to invest money or from the point of view of persons who want to sell shares in order to get some cash, one can understand that such an arrangement should be there; but it is difficult for me to understand why elaborate an institution of this sort should be certified as something which is necessary for the growth of our economy and which is regarded as beneficial to the economic development of the country. I would like the hon. Minister, when he speaks, to explain this point clearly so that we can understand the position better. The Report of the Committee on the proposed legislation for the regulation of stock exchanges also accepts the position that such an institution should remain and should to a certain extent be encouraged, although some recommendations are made there which one might support. The Government also takes the same view. Now, I would like to know on what grounds such an attitude is still adhered to by the Government. Our experience is quite different in the matter. We, as laymen, cannot say that the stock exchanges are

[Shri Bhupesh Gupta.] fulfilling a beneficial function in the economy of our country as the system is organised today. If they were institutions where people go and sell freely without being subjected to the operation of the monopoly elements, the speculating elements, one could have understood it but the reality is not at all so. Like many other business and industries, the stock exchanges also are under the control of a small section of speculating elements of the big money. This is what the position is. In Calcutta and Bombay you will find that the people who control them are also entrenched in big business, banking, industrial and other concerns. It has been pointed out in the Report that one of the stock exchange firms controls about 17 business concerns and so on. The people who control the stock exchanges are also the people who control the industry and commerce of our country. That is to say, the commerce and industry of our country has, through these institutions, got linked with speculative operations of all kinds. I ask, "Is this Bill adequate enough for controlling the speculative operations of these people?" I do not think so, although the Government is assuming certain powers to regulate these stock exchange operations and, in so far as it goes, certain provisions are undoubtedly a step in the right direction, but the point that I would like to know from the Government is whether this Bill will really curb the speculative operations in the market. This is what I would like the Minister to explain when he replies.

Now in recent months we have seen how speculation took place in regard to certain foodstuffs and other agricultural commodities. The Reserve Bank Bulletins issued recently tell us that lots of money were advanced by a number of scheduled banks in order to back up the speculative operations and buy-ins of certain concerns. Similarly monies had been advanced for speculative purchasing with regard to other commodities. Such things are happening. But the point is that these speculations go on merrily in this country supported by those very elements who control the stock exchange and the financial world of our country. To what extent, I should like to know, this is going to be stopped. It is said that we "re in a bad situation and in order to give a proper direction to the planned development of the country it is essen-

tial to direct the investments and speculative investments in particular. How much this measure conforms to these, I should like to know from the Government. It appears to me that not very much will have come out of this measure, notwithstanding the fact that Government is armed with these powers. It is of vital importance today that we should have proper control of our investments that are taking place or cornering of shares in some cases. If we are at all serious about the planned development of our economy in general and our industry and commerce in particular. I am afraid, the powers that are being taken by the Government under this Bill are not at all sufficient for ensuring such developments as would enable the Government to direct investment and control transfer of shares etc. in conformity with the interests of planned economic development. This is what I find from the reading of this Bill and even from hearing the speech that has been delivered by the hon. Minister. I have also read the other speech he had made in the other House. That does not throw much light on the subject. I am not surprised because when the whole thing was being discussed and mooted by the Government, the approach of the Government suffered from certain deficiencies. That is to say, they were not so much keen on suppressing wholesale the speculative operations as on getting a certain measure of control over them. Today the time has come for making up one's mind with regard to the speculation business as a whole. This is the most important thing. With regard to investments it has been said very eloquently in these documents that after all a person should have an opportunity of investing his funds and therefore he should have a chance of going to the market and buying some shares. I can understand it but what is the protection against his being cheated by certain people who have taken command of the stock exchange? What is the guarantee against that? Blank transfer is there, it is not abolished. Forward trading is there. Contract is provided for. It is not abolished. Also there are other ways and means of cheating the common man. As we find today the common man goes in for investment. Very genuinely he goes in for investing because he wants to save some money for bad days. Now what is the protection in this Bill which would save his money? I find that there is no such

effective guarantee. I should have thought that in considering this whole scheme of measures, the Government would be interested in seeing as to how the heart of speculative operation could be crushed, namely, the monopolists who control the stock exchange today, it is essential to hound them out of the field altogether. In Calcutta they not only put up an outward show but they have built an under-world and I suppose that under-world exists even today. A police raid took place. Telephone system and the whole paraphernalia was discovered which showed that certain big men in the stock exchanges were carrying on subterranean business. True, this is a new type of underground we have in our country—this subterranean business—in order to cheat the common man, in order to evade taxes, in order to carry on profiteering and black-market trades. Lots of things came to light that day and the news papers gave a lot of publicity. We came across certain very big people. Some of them are very well-known patrons of the Congress Party, in this connection who were hauled up in this fashion. What has happened to them we would like to know when we discuss such a measure. These are the kings in the speculation world, they are the tycoons of that field. I would like to know what has happened to such people. What are you going to do with these speculators? Will they be allowed to operate openly or secretly in the field under this fashion or are you really thinking of taking some action against them, not merely for apprehending those people who have gone underground and started underground business in this manner but also the possible recruits to that underworld, I would like to know. This is what the Government should tell us. It is no use trying to bring in all technical questions, explaining one clause after another. This is important but what we would like to know from the Government is how you are going to check these elements who sit on top of the country as far as the stock-exchange is concerned. These are very big and powerful people and they need to be suppressed with a heavy hand in the interests of our economy. I find the hon. Minister piloting this Bill completely indifferent to that aspect of the matter. There have been cases, as you know, where a person, a big speculator, a big gun in stock exchange, so to say, goes in for heavy purchases at

one time. The heavy pressure boosts up the prices, then he starts selling it, there, by realising the money he had spent for buying certain shares. This sort of thing goes on. Sometimes "cornering" takes place with a view to ousting some people and getting into positions and running the show. That goes on. Then certain rumours are spread or certain developments are interpreted in a particular manner with a view to robbing the common man of the "little shareholding they may have. They are persuaded, in a fraudulent manner, to part with their shares and the share-grabbers, who have big money, buy them and then again they sell and make money out of these transactions. Sometimes the other process also takes place when they part with their shares and make people buy them at higher prices and when the prices fall, at a faster rate, then they buy all those shares. Such things are going on on a large scale. Now I should like to know how you are going to check this thing. Of course certain regulation inspectors will be there and you know that some of these people who are connected with the administration of such measures are easily pocketed by those gentlemen with their big purses. That is also known. But what I want is a foolproof arrangement in a Bill of this sort where no manner of speculation would be possible as long as the law exists as far as this Bill is concerned. I don't see any such guarantee at all in this measure.

Now unless this is done you will be laced with great difficulties. I said all of you would be faced with great difficulties. It is not a political question. It is not even a big economic question in a theoretical sense. Now we are going in for heavy deficit financing and we are going in for certain investments in industrial and other projects of which we have already made forecasts. We have also planned for taxation and other things. The businessmen especially those gentlemen who operate on the stock exchange draw their own conclusions from these things. They will try to take advantage of the situation especially of deficit financing with its inflationary pressure with a view to carrying on speculation. As you know, hardly the Second Five Year Plan was announced with its financial proposals than the speculation started under a new impetus by the speculative elements in the country. It is a fact that ever since the

[Shri Bhupesh Gupta.] proposals of deficit financing had been known in this country, the big business started a speculation on a very large scale. Now it is not disputed by anybody. High economic journals published by many of the bourgeois business concerns and institutions admitted this fact that by anticipating a rise in the prices, from their point of view favourable, a large section of the businessmen started speculation on a large scale. We would like to know how you are going to stop it under this Bill. Is it possible to control it altogether by such ineffective 4 p. M. regulations and rule-making powers and all that? Now, this is very important, because until and unless we control stock exchanges especially speculative operations we cannot do much. I take it that immediately it is not possible to abolish this institution and substitute it by another more acceptable institution. Assuming, therefore, that stock exchanges do exist, until and unless we have strong and effective measures for controlling their speculative operations, your planned investment will be somewhat frustrated and you will always come up against difficulties created by the speculative elements. After all, it is the stock exchange which by its financial manipulations, by its economic activities control the trend of investment in the country and as you know, when you say something, there is a rise or a fall in the stock exchange. You see how things are being done. When something good is said about the private sector by an eminent personality like the Prime Minister of India, or by members of the Planning Commission, there is it once speculation. There is a boom in the stock exchange, what they call buoyancy in the stock exchange. If somebody in a similar position says something against them, something really socialistic or some such thing, then there is some dullness in the stock exchange. Such things happen before our eyes. We find that, by and large, these people are taking advantage of certain developments in our country with a view to further strengthening their position. Government has not been able to curb them or restrict them. That is the tragedy of the situation, if I may say so, that when we are thinking and talking in terms of planned development, planned economy and planned industrial progress and investment along directed channels, we find speculative elements in our country running

riot in our economy and carrying on nefarious black trade, unimpeded and unhindered. We want to put a stop to this situation altogether.

As far as punishment prescribed in this Bill is concerned, I find that it is very liberal. Government is very generous as far as these gentlemen are concerned. When it comes to political people, they have got the Preventive Detention Act. But when it comes to the gentlemen of the speculative world, people who play fast and loose with the fortunes of our country, we find the Government very very considerate towards them. I would like the Government to be a little harsh towards these people. First of all, these people, because of their money, are in a position to hush up things at the very start. Somehow or other they get on the right side of the police and get themselves extricated from legal proceedings. But once they come to the court of law, the law should not be such as would not make it possible for a judge who is actuated by a spirit of public service, to inflict upon them very rigorous punishment. It should be open to such a judge to inflict very rigorous punishment and the provisions of the law should also be along that line. But here we do not find any such thing.

As regards blank transfers, that is a subject matter of a lot of controversy. I think it should be totally banned, for that is something that benefits the profiteers, something that benefits the tax evaders, something that benefits people of that sort. So it should be banned.

Forward contract or contract on forward trading is another institution which is somewhat peculiar to our country. Of course, it exists in other countries also, but it has become very common in the stock exchange world of our country. Some time back, I think about two years back, we passed a Bill in which we were supposed to have provided for some measure of control on forward contracts and forward trading. Then the Government came out with the statement that an amending Bill was necessary, because the original Bill or enactment had been found not adequate. Now we have got the Forward Trading Commission, I suppose, presided over by a gentleman whom I knew personally but whom I have not seen since my student days—we lived in the same place—Dr. Natu. I do not know what it does, what is

the report of that body. But the question is: Is it possible to retain this institution in that way and yet control it? If we can, then to what extent can you control it? It seems to me that there has not been much success in this matter and there is not going to be any as long as this institution is not really checked and banned, because you can not keep it and yet control it. You can do some little good, you can do something by passing a measure of this sort, but corruption and speculation are inherent in the institution itself and these will continue as long as the institution itself continues. That is why the Government should consider it seriously and they should take measures with a view to preventing the development of such institutions in our economy.

Finally, I would only like to appeal to the Government that it is necessary for them to discuss these questions somewhat dispassionately and without any bias. And it is also not good for the Government to consider such matters only with people who have got a definite slake in such things. I find from this report and other things that the Government generally discusses these matters with only those people who are connected with big business or are otherwise with it. That is not right. There are other public men who belong to no parties, who have no axe to grind, who have no stake at the stock exchange whatsoever, and who would like to offer proper advice on such matters, and who if the Government shows some interest, would like to collect the experience of others, smaller people and tell Government what is going on. But nothing of that sort is done by Government. I think it is bad practice on the part of the Government to be always consulting when considering such measures, only people who are or have been associated with the speculative business or big business, because the presumption of the law is against such people. Public feelings are against them and their practices have been such as should not encourage you to seek their advice when you are devising measures to control operations of these very people. Therefore, Mr. Deputy Chairman, it is necessary for the Government to take into confidence other people, economists and other public workers who may tender advice and suggestions before the Government passes this measure. It is also possible for the Government to consult the

smaller fry in the business. I am told they submitted a number of memoranda and all that which, of course, go unheeded mostly. But it is possible to consult them and add to their information, because the tricks of the trade are known to these people and so they would be in a position to throw some light on some sore spots, on some of the ugly spots in the stock exchange world. Mr. Himatsingka is here. I think his name appears somewhere in the Report. Then there is Mr. Gorwala, Mr. Shroff, Mr. Chaturvedi, Mr. Kri-shnaswamy, Mr. Pranal Devkaran Nanjee, Mr. L. S. Vaidyanathan, Mr. P. D. Himatsingka, Mr. J. J. Kapadia, Mr. G. P. Kapadia. Most of these people are well-known persons. They are well-known in a particular way. I do not mean any reflection on any of them but they have been too much connected with big business and it is necessary for Government to consult others also. I have never grudged Government consulting them. I do not say that they should not be consulted at all. I say, do consult them, take their opinions, ask them to produce whatever you like; but at the same time there are smaller people operating in the stock exchanges. There are also others not connected with stock exchanges. There are a few names here, I know. But there are other people not connected with the stock exchange who might give you very good and effective advice and by whose advice you might benefit.

SHRI P. D. HIMATSINGKA (West Bengal): Who can give better advice than Mr. Gupta?

SHRI M. GOVINDA REDDY: Not even God.

SHRI BHUPESH GUPTA: Mr. Gupta would very much like to give advice provided the hon. Finance Minister would approach him. I do not claim any special knowledge.

MR. DEPUTY CHAIRMAN: You were represented on the Select Committee.

SHRI BHUPESH GUPTA: Well, we are represented everywhere too. You might say that we might give advice here. When Government comes before the Select Committee, it gets committed to a position. You know and that has been our experience.

MR. DEPUTY CHAIRMAN: They may change their opinion.

SHRI BHUPESH GUPTA: When they come before the Select Committee, they are more or less committed to certain things. I do not mean to say that they do not make any changes whatsoever in the Bill but they come with more or less a closed mind or, even if the mind is open, the opening is too narrow for any noble ideas to enter. After all, the Bill is also based on certain policies and certain premises. Before such premises are decided upon, before the Bill is formulated, it is essential for the Government to take others into confidence and discuss with them so that a proper type of Bill is prepared. I know that Government is a knowledgeable institution but if others also were consulted, they will bring to the Government's notice such advice as would not otherwise be available to them. That is why I say that at the very formative stage, even before the Bill is formulated, it is necessary for the Government to discuss the matters dispassionately with all sections of the community who are interested in ensuring the proper development of our economy so that a foolproof measure could be devised. That is what I say. Government does not do any such thing. In this particular case, Government had ample opportunities. They tried to bring in this measure in 1954 but could not do so till the end of 1955. In the interval, there was enough time for the Government to have approached other parties here, to have approached individual congressmen for suggestions. Some such thing is necessary if a real and effective Bill is to be prepared on a subject like this. If you ask me to tender advice now, I suffer from two defects; one, immediately, I am not in a position to give the advice which I would have otherwise brought to the notice of the Government had I been approached before.

MR. DEPUTY CHAIRMAN: This is not sprung on you as a surprise. We are considering it after the Select Committee stage and you have had an earlier opportunity.

SHRI BHUPESH GUPTA: You know what has been happening in the case of the States Reorganisation Bill.

MR. DEPUTY CHAIRMAN: Don't go to the States Reorganisation Bill.

SHRI BHUPESH GUPTA: I know; so, let us not go to the States Reorganisation Bill. You will be very right in saying that I can give my advice and I may have done it as our Party was represented on the Select Committee but I also know, from past experience, that whatever advice we give in the Select Committee is not listened to by the Government.

MR. DEPUTY CHAIRMAN: You must convert them.

SHRI BHUPESH GUPTA: Yes, but then prestige comes in.

MR. DEPUTY CHAIRMAN: That is I he only democratic method we can adopt.

SHRI BHUPESH GUPTA: Well, Sir, I do not know where democracy begins. Does it begin in the Select Committee? If that is the only place where it begins, there is no other place but this. I should have thought that democracy began somewhere else. When you find that certain business speculation was going on in the country, when you feel that it was necessary to take action immediately, you should start consultations with people with a view to decide upon the policy so that you could formulate a Bill founded on the right policy. Therefore, Sir, I would project democracy a little further. That has not been done.

Secondly, I am not in a position at this stage, as I have said earlier, to give advice. We can discuss this matter amongst ourselves. As you know, we are perhaps the most incompetent people in this matter. We know very little about the operations of the stock exchange. Therefore, from here it is not possible to say anything. If it had been Bombay or Calcutta, we would possibly have found ways and means of collecting certain materials and facts and placed them before the House. I have to confess my inability to do so now but I hope we will not be misunderstood because we are not people very familiar with the stock exchanges. Even an investor or a common man is not very familiar with such institutions. This was an opportunity for taking effective measures for prohibiting speculation by the monopolists. The measures that Government took do not go far enough in dealing with people as far as this element is concerned. I hope Government will reconsider the

matter and bring in a suitable amending measure so that we can hit hard against the speculative elements in our economy and stop speculation because unless we do so, the whole economic development of the country will be in jeopardy.

SHRI P. D. HIMATSINGKA: Mr. Deputy Chairman, I have heard with interest the speech of the common man, Mr. Gupta, who has repeatedly urged the protection of the common man more than ten times.

[THE VICE-CHAIRMAN (SHRI S. N. MAZUMDAR) in the Chair.]

My hon. friend, Mr. Gupta, began with the statement that he did not know much about the working of the stock exchanges but his has been the longest speech and he has given plenty of advice in regard to when the stock exchanges should be abolished.

SHRI BHUPESH GUPTA: I would like to tell the hon. Member that I may not be acquainted with the ways of thieving but I know the thieves.

SHRI M. C. SHAH: Because they belong to Calcutta?

SHRI P. D. HIMATSINGKA: Companions know their companions better. As a layman he has said so many things. He said that the stock exchanges should do this and should do that. He has said that these exchanges are under the control of the monopolists and so on. This shows utter ignorance of the working of the stock exchanges and the functions that the stock exchanges have been carrying out. These stock exchanges have a large number of members; there are only a few of them, for example, one in Calcutta, may be more than one in Bombay, one in Madras and one or two at other places. The present Bill is intended to regulate the working of the stock exchanges and to limit the number of stock exchanges working in any important town to one and one only. This is a step on the part of Government to regulate and control stock exchanges which play an important part in the economy and the economic development of the country. You will find that the persons who formed the committee to go into the matter for making enquiries represented different sections of the community. The Chairman was Mr. Gorwalla who is known better, what should I say, as a

person who never spares big business, who never spares the speculators and others. He was the Chairman of the committee. The Finance Ministry was represented by the Secretary of the Finance Ministry, Mr. Nadkarni, who was the Deputy Secretary of the Finance Ministry. Then there was Mr. Kapadia who is always finding fault with big business and the company management, the chairmen of the three important stock exchanges in the country and two others representing Parliament. Sir, I am not much familiar with the working of the stock exchanges because I never do any business either speculative or investment, but I come across various transactions in the course of my profession and I know how the stock exchanges work and what useful work they have been doing. There is no denying the fact that some persons do speculate, but speculation also has different meanings in different contexts. What may be speculation for me in buying a hundred shares may not be speculation at all for a man who has enough money to invest. Therefore this word "speculation" is being used without understanding the implications of the word. If you ask anybody who is familiar with the working of the stock exchanges, you will find that there is very little element of speculation in the present-day transactions of the stock exchanges. It is very rarely. Sir, few persons do speculate in these things and they generally come to grief. They have money to lose and you cannot prevent them. No common man goes to be cheated there because they have not got the money which can be invested in these transactions, in these purchases of big shares or big quantities of shares.

SHRI BHUPESH GUPTA: They are subscribers of shares.

SHRI P. D. HIMATSINGKA: They are subscribers of shares of very small quantities and they never go either for sale or for purchase for speculation. They subscribe for the shares and they generally hold them. They generally subscribe for the purpose of getting some amount of return and it is only through these recognised stock exchanges that they can possibly get any correct information about the working of the companies in which they could put in their money and therefore the persons for whom Mr. Gupta has spoken so vehemently do not come into

[Shri P. D. Himatsingka.]

the picture at all so far as the working of the stock exchanges is concerned and therefore whatever he has spoken, almost the whole of it, is beside the point. Now the Government has come forward with this Bill to control and regulate this stock exchanges and if you see the provisions, Sir, you will find that, though the clauses in the Bill are few they practically give very wide powers of control to the Government. They can come into the picture at any stage and they may stop the licence of a stock exchange. They may also regulate it and they may frame rules. They may ask the stock exchanges to prepare certain rules and to adopt them. They have got ample powers to step in whenever they find that anything unfair is being done or attempted to be done by any stock exchange, and they also will have power to regulate the admission to membership of these stock exchanges. The moment they limit the number of stock exchanges to one in each town they will have the right to say as to the number of members that should be in a stock exchange, who should be admitted as members, what should be their qualification, experience and so on.

SHRI H. P. SAKSENA: And they can also expel the undesirable ones.

SHRI P. D. HIMATSINGKA: Therefore this is exactly the step that would be taken and still my friend, Mr. Gupta, is not satisfied, because it is his business not to be satisfied but to find fault with the Government whether the Government is in the right or in the wrong.

SHRI BHUPESH GUPTA: I would like the hon. Member to tell us how for instance Mr. Mugniram Bangor would be affected by this measure.

SHRI P. D. HIMATSINGKA: I do not understand why should any Bill be prepared or framed to affect any particular person or firm carrying on business as stock brokers. Mr. Bangor is one of the very few who have been doing this business for years and perhaps he is a member since the stock exchange was floated, and I have not heard anything against that particular firm.

SHRI BHUPESH GUPTA : Question.

SHRI P. D. HIMATSINGKA: As a matter of fact, if Mr. Gupta gives

instances I can find out the facts from Mr. Bangor and then defend him, but it is no use accusing persons without those persons being able to defend themselves or without giving facts. You can always say something against a man without disclosing facts. Simply because a person is a member of a stock exchange and has been carrying on business in an effective manner, I do not think that we should have any grouse against him. Of course Mr. Gupta may have a grouse because he is a moneyed man and has big business. Because of the principles that he follows or the pretensions to the principles that he follows, he is naturally likely to speak against him. I have neither any liking for him nor any disliking for him. He is a person carrying on business and, so far as is known, honestly at that, and therefore I do not see why the Bill should be directed to affect him or any other person. As a matter of fact, as I said, this Bill has ample provisions to regulate the working of stock exchanges in a proper manner and although some of the provisions are drastic in the sense that they can throttle the working of a stock exchange, I am sure that that is not the intention of the Government and they will certainly use them only when they will find that it is absolutely necessary in the interests of the country to come in and interfere and therefore I think it deserves the support of every person.

Then Mr. Gupta raised the question, of cornering of shares. What is cornering? One person tries to get a majority of shares of a particular concern. And why does he do so? If you just take into account, Sir, the amount that is involved at the present moment, I mean the price that you have to pay for starting a company of a particular size and the price at which a person can get a company of that size in the stock exchange by purchasing the majority shares, you will simply be astounded. I will just give one company's name which we will all be able to follow, the Indian Iron and Steel Corporation. There are 52 lakh shares of that company. The shares were originally valued at Rs. 10 each and so the company was floated at a cost of 5 crores and 20 lakhs of rupees. Today, as you all know, you cannot have a company of that size producing steel at less than Rs. 100 crores. Therefore at the present moment the shares of

that company are selling—I saw it in the papers—at about Rs. 36 per share and I just worked it out. If all the shares are available to any particular person, that will cost him about Rs. 18 crores only. Therefore if a person can get control of Indian Iron or rather the entire proprietary right of that company at Rs. 18 crores I do not see why, if he has got the money, he should not try, and he can get control not necessarily by spending Rs. 18 crores.

SHRI BHUPESH GUPTA: You ask your friends of the socialistic pattern of society whether they would like it.

SHRI P. D. HIMATSINGKA: Well, I do not want to ask them.

SHRI M. C. SHAH: He is asking the Communist friends first.

SHRI P. D. HIMATSINGKA: Coming to my point I would go one step further and say he need not buy all the shares. If he can purchase say 30 lakh shares that will give him control over it at a cost of not more than say 10 or 11 crores of rupees. As a matter of fact, unless Government encourages more transactions in the stock exchange and tries to help the price of the shares it will be difficult for the Government to be able to help sell the shares of the new companies that are being floated in the country because by comparison since in the existing companies you can buy shares at a much cheaper price, no one will be interested in the new companies and any one going in for the shares of a new company may have to wait for say ten years for getting any return whereas if a man buys shares today of an existing company he will begin to get dividend from the date the next dividend is declared, and that is the kind of useful information that you can get from the stock exchanges and they help people, people who have got the money but who do not know the actual working of the large companies and in this the brokers help and charge something for their advice, not exactly for advice, for putting through the transactions. They are the persons who give correct information about the working of important and useful companies, which induces the persons who have got money to put in, the money in these companies. Big people in Nepal, they used to invest money here and they used to have their own brokers. Sometimes they used to consult Place Siddons and Gough, sometimes Stewart and

Co., and sometimes Mugmram Bangor and Co., and others, brokers who have got a stake in the country, who can be depended upon and actually who are trusted by those clients. They used to get advice to put in their money in the Indian concerns. That is how these public companies have been floated and are even today getting money from different sources and through different clients. Otherwise how are people who do not know anything about the persons who have floated or who float the companies, either about the directors or managing agents, how are they to know which company's shares they are to buy and which company's share they are to avoid. Therefore the stock exchanges have important uses and the Government should take all possible steps to see that if there is anything wrong in the working of the stock exchanges it is rectified. The stock exchanges should be encouraged and put on proper lines if any deviation from the proper path on their part is noticed. Therefore I support wholeheartedly the principles of the Bill.

Sir, the question of blank transfers has also been brought in. There are some provisions in the Bill which will automatically limit the period during which a share can be kept on blank transfer. I do not know whether all of us understand this blank transfer business. If each transfer were to be registered and if everybody were to get his name registered on every transfer the stamp duty that will have to be paid will be prohibitive and all transactions will come to a standstill. Therefore there should be a certain amount of flexibility in the rules which may be framed by the stock exchanges taking into consideration the necessity or otherwise of allowing that practice to continue. My friend Mr. Gupta has been saying that this encourages speculation. He also brought in the question of banks advancing money for the purchase of commodities. My friend forgets that if banks do not advance money for purchasing these commodities, it is the ordinary man who will suffer.

SHRI BHUPESH GUPTA: For purchasing with a view to hoarding. That is the point.

SHRI P. D. HIMATSINGKA: It is not a question of hoarding. What is

[Shri P. D. Himatsingka.]

hoarding? A purchase may become hoarding when it is intended for the purpose of being kept back from the market. But people have to buy commodities when they come from the fields. If there be no persons who put in money and purchase these things as they come into the market during the season, the prices of these things will go down below cost and then the Government will have to step in and purchase those things. As a matter of fact, I know that in Assam at a certain time the price of paddy began to fall and then the Government had to come into the picture and purchase it. It all depends at what time the Reserve Bank comes into the picture and authorises or prohibits the banks from advancing money on certain commodities. If you find that paddy is being hoarded then you immediately issue instructions that the banks should not advance money for that purpose. Therefore this is all a question of how to regulate these things. If a man wants to speculate there are so many ways by which he can do so. Sometimes people speculate on rain—whether there is going to be rain or not—and they stake a bet. You spend money on bridge and you may play for any figure. Therefore there is no question of stock exchanges encouraging speculation. Here of course if you want to speculate you can but it does serve a useful purpose. If a man wants to speculate and run the risk of becoming rich in a day or pauper in a day, he will have opportunities anywhere. Sir, I support the principles of the Bill.

SHRI M. GOVINDA REDDY: Mr. Vice-Chairman, before I make my observations on this Bill, I feel I must inform the House that I am not very well conversant with the share market and stock exchanges.

THE DEPUTY MINISTER FOR FINANCE (SHRI B. R. BHAGAT): Very few know it.

SHRI M. GOVINDA REDDY: And whatever observations I do venture to make, I make only on the basis of my cursory knowledge about the subject-matter of this Bill. I wish somebody who is more conversant with the whole affair had explained to us how stock exchanges are really working. Apparently this is a technical matter and a majority of us cannot really know anything about it because unless we have

something to do with buying and selling of shares, we will not come to know about the detailed working of these stock exchanges. I expected the hon. Mr. Kishen Chand who I do say knows much more about it and the hon. Mr. Himatsingka

SHRI P. D. HIMATSINGKA: That will become a long speech.

SHRI M. GOVINDA REDDY:..... who also knows about it would at least very briefly explain to us how these exchanges are working so that we would have seen the justification for the Government coming in before us for these powers.

If the stock exchanges were working all right and if there was nothing wrong with them, I do not think that Mr. Shah would have taken the trouble of draft-ing this Bill, taking it before a Select Committee and bringing it before us. According to my limited knowledge the purpose of a stock exchange and its working is this. The stock exchange lists the securities and it evaluates them. Those who want to invest on securities from their savings or those who are interested in investing in securities on the basis of the evaluation of the stock exchange, they make a choice of the securities and make their investment. If I want to buy shares of the Indian Steel Corporation, for instance, then I approach a broker who is dealing in those shares. The broker asks how many shares I would like to buy and he will tell me, "Well, I will negotiate for you."

SHRI P. D. HIMATSINGKA: No broker deals in any particular share.

SHRI M. GOVINDA REDDY: I am taking it only as an instance. He deals in all shares of course. Then he will negotiate for me. If I am a company and if I want to bring my shares on the lists of the stock exchange, I approach the stock exchange through a member. The stock exchange goes into the working of my concern; wants me to furnish to them the Memorandum and Articles of Association, list of Directors, audited balance sheet and all other details. The stock exchange sees how far my company could be relied upon and whether it does deserve the seal of approval of the stock exchange. If it finds that my company is a solvent company and my company has got good prospects of thriving,

then it takes my company's share on the lists and then the quotations of my shares will be given. This is briefly—as I said from my limited knowledge—how I understand it works.

Now, with regard to selling of shares if I want to sell the shares which I have of any company, what the broker does is, he takes my signature on a transfer form. He does not tell me who the purchaser is and he does not tell me at what rate unless it is a spot delivery transaction. What I do is, I trust the broker and I put my signature on the transfer form and I give it to him. I have no idea of the price at which he succeeds in selling those shares.

SHRI KISHEN CHAND: May I point out that the transaction has to be registered in the stock exchange and the price has to be stated?

SHRI M. GOVINDA REDDY: That is after the transfer; is it not so?

SHRI KISHEN CHAND: No; no. The moment you want to sell or purchase a share, it must be registered with the authorities of the stock exchange when everything must be stated and you get a certificate from the stock exchange.

SHRI M. GOVINDA REDDY: That is true; you are referring to quotations. Supposing I want to buy the shares of Iron & Steel Co. when they are quoted in the market. They are quoted in the lists of stock exchanges. Is it not so?

SHRI KISHEN CHAND: Every minute the rate changes.

SHRI M. GOVINDA REDDY: That is what I am referring to. Every minute it changes. So there is no particular fixed price. The registered price is the quotation of the day. Am I right?

SHRI M. C. SHAH: No, no, you are not right. My friend, Mr. Govinda Reddy, must know the working of the stock exchange. When he wants to buy certain shares, he has to give an order to a share broker to buy for him those shares from the stock exchange. Then, he will have to ask him to buy at a particular rate or within a particular range. Suppose the Indian Irons share is sold or bought at about Rs. 36. There may be fluctuations. If he wants to 3—4 R. S./56.

buy then he will have to give the range. The broker might buy between Rs. 36 and Rs. 37. That broker makes certain transactions with another broker in the stock exchange. He purchases say at Rs. 36-8. Then a contract is made out with the broker on whom the order was made. In it all these things are given, that is, purchase so many shares, at a certain rate, within such a time. At the time of delivery the selling broker will give the share transfer certificate and the share certificate to that broker to be delivered to his client and that broker will pay the money. The clearing house will get that share and transfer both to be delivered to the client of the purchasing broker. That is the system.

SHRI M. GOVINDA REDDY: The hon. Minister has only repeated, elaborated what I have said. There is nothing more. There is no fixed price. There is a quotation which, of course, anybody knows and it is for the broker to get me whatever price he can in the market and then when it is a question of registering, then the price will have to be entered.....

SHRI M. C. SHAH: Not in the register, but in the contract.

SHRI M. GOVINDA REDDY: That is what I say. When the buyer signs the contract form then all the details, price, etc. will be filled in.

SHRI P. D. HIMATSINGKA: The contract is entered into later on.

SHRI M. GOVINDA REDDY: I may be wrong, but I am telling the House what I know of. I know something of this because there is one instance which is a very palpable instance which nobody can contradict. Share brokers within a period of two years or three years or five years make thousands of rupees or lose thousands of rupees.....

SHRI M. C. SHAH : Why thousands ? Lakhs of rupees.

SHRI M. GOVINDA REDDY: How do they lose and how do they gain that unless there is some room for them to make profit on these sales and purchases? You all know and I know how these brokers transact the business. How these share brokers do business is like this.

PROF. HUMAYUN KABIR: As a broker can he lose at all?

SHRI P. D. HIMATSINGKA: As a broker he won't lose at all.

(Interruptions.)

THE VICE-CHAIRMAN (SHRI S. N. MAZUMDAR): Order, order. Let Mr. Govinda Reddy continue.

SHRI M. GOVINDA REDDY: Where the speculative element continues, according to me, the broker does not buy. He is only an agent, that I know. But many a time what the broker will do is, he would have taken the share transfer form and then when he finds it advantageous to sell, he sells them. There will be blank transfer forms. He will keep them and as it pays him he transacts. I have found from the experience of my friends, those who have sold shares, that this is what is happening. If as you say everything is settled, the registration is ready and nobody can manipulate these things, then I do not think Mr. Shah would derive any benefit out of this Bill and it is not necessary at all. Exactly where the speculation element enters is like this. One is by the share broker; and the other is by magnates. There are magnates in this field just as in the field of business; here also in the stock market. They influence the value of shares. Supposing Birla comes into the market today, buys up a thousand shares or ten thousand shares of a particular company, well, that transaction itself is sufficient to boost up the prices of the shares of that company. Supposing he makes it a point to sell some shares, when Birla is selling everybody tries to sell.

SHRI B. R. BHAGAT: So what?

SHRI M. GOVINDA REDDY: So, the share market depends upon these psychological shocks which the business community knows very well. So, racketeering is going on. I do not agree with what Mr. Himatsingka said. Racketeering is going on. These business interests, magnates, do manipulate the share market, just as if there is Suez Canal block, immediately the prices of commodities and the value of stocks and shares fluctuate. When the Korean war came, to a close there was so much of loss to shareholders, so much of loss to businessmen and stockists and all that. So, the psychological shocks are there. Those who are strong in the stock exchanges: are able to manipulate to their advantage and that is how they

make profit. There is another thing. I am a director in a company. At the end of the year I know how it is working and what profit it has made. If I find that the company has thrived well and shows a promise of declaring a good dividend, what I do is that I buy these shares and keep them. Before the dividends are declared I buy them because I get them at a low price. And when the dividends are declared naturally the prices rise. The price of shares depends upon the extent of dividend declared. The more the dividend the higher the price in the market. So, I buy at a lower price and sell at a higher price. This is how these people manipulate and that is exactly where this Bill comes and that is the justification.

SHRI P. D. HIMATSINGKA: That cannot be.

SHRI M. GOVINDA REDDY: By making a provision, by making it compulsory for a stock exchange to make bye-laws, they limit these operations. I do not say that even after this Bill such a speculative element does not enter the share market. I do not suppose so. It all depends on how the Government will enforce the provisions of this Bill. As far as my reading goes, the provisions are quite satisfactory. I listened very carefully to the speech of the hon. Mr. Kishen Chand and Mr. Himatsingka. I do not see how this can in any way handicap the stock exchange. The only thing is, as Mr. Kishen Chand said, it may mean some labour on their part to submit the returns. But when in a thing, which is a vital spot in the economy of the nation, at least in one sector, in the investment sector if the Government tries to regulate the business of the stock exchanges, nobody should object to it. I do not think the stock exchanges themselves will consider it as an impediment. Well, I would like to suggest only one thing in this connection. It would have been better for the Government to have framed some model bye-laws, because it is now open to the stock exchanges to frame any bye-laws they like. All that is obligatory is that they should frame bye-laws and they have bye-laws.

SHRI H. P. SAKSENA: But they have got to be approved by the Government.

SHRI M. GOVINDA REDDY: Yes, that I know. We know what an

approval is in the Government. When in a technical matter, when a stock exchange submits its rules, those rules may be automatically approved—may be they are automatically approved, may be they are scrutinised. But generally these things are not scrutinised.....

SHRI H. P. SAKSENA: I hope you do not insinuate that just a little expenditure of money is needed to get the approval of the Government. I hope you do not insinuate like that.

SHRI M. GOVINDA REDDY: But Mr. Saksena has not followed me. This is a highly technical matter. Unless there is a technical man who knows them and unless he takes the trouble of going through them, it will automatically be a formal approval. But I do believe that the very purpose of passing this Act is to exercise control and therefore they will be careful. But it would have been better to see that some standard bye-laws were given just as a model with some scope for the companies to vary

PROF. HUMAYUN KABIR: Who in the Government will frame the model bye-laws, if the Government cannot examine even the laws submitted by others?

SHRI M. GOVINDA REDDY: The Government themselves could have given model bye-laws. It does not mean that they are compulsory. Any stock exchange may follow those rules substantially. I think one of the business magnates has suggested this for the stock exchange. I think he is a Member of the Select Committee I found it in the Report of the Select Committee.

Then, Sir, there is another suggestion that has been made. That is not my suggestion, but that is made by an association of Calcutta—the Assistant Members of the Stock Exchange of Calcutta. They say that it would be better always to have a bank connected with stock exchange, so that when questions of deposits for margins are concerned, it is a very healthy principle that the deposits will be there in the bank. But as I have already said, I am not a technical man myself. But I am just throwing this suggestion for the hon. Minister to consider for the furtherance and efficient working of the stock exchanges and for greater and greater safety of the investors.

Well, there is one more thing. The hon. Members have already referred to it, and I will not develop it. But I will say that by these transfers the Government is losing a lot of money by way of stamp duty. By making it obligatory for the transactions to be entered in the share ledgers, the Government cannot only get this revenue, but also the scope for speculation will be considerably limited. With these observations, Sir, I support the Bill, and I consider that although it is a very small Bill, yet it is a very vital matter which will put the stock exchanges on a healthy footing.

SHRI M. C. SHAH: Sir, I have heard the debate with great attention. There were two extremes. One was that the stock exchanges should be abolished, and the other was rather to make the position easier for speculation, although that was not meant. My friend, Mr. Bhupesh Gupta, in his long speech for about 50 minutes perhaps referred to many things which were not relevant at all. I thought that perhaps after his visits to Paris, London and other capitalistic countries, his knowledge in these matters would have somewhat been bettered.....*(Interruption.)* The whole burden of the song of my friend, Mr. Bhupesh Gupta, was that the stock exchanges should be abolished. But I think that it was too late in the day. There was a motion to refer the Bill to the Joint Select Committee. I believe that the Members of the Communist Party had accepted the membership of the Joint Select Committee, and had accepted the principle of the Bill. And it is not worthwhile for Mr. Bhupesh Gupta to have such a short memory of that debate

SHRI BHUPESH GUPTA: I am not quite clear whether it should at all remain, but I proceed on the assumption that the stock exchange should continue for the present, at any rate.

SHRI M. C. SHAH: I am happy to note that he now accepts the idea that the stock exchanges should continue for the present. That is an improvement, and I congratulate my friend, Mr. Bhupesh Gupta, for having improved his position.

(Interruption.)

Now, Sir, we find that the stock exchanges serve a useful purpose in an

[Shri M. C. Shah.]

expanding economy like ours. We want to industrialise the country, and that too very rapidly. That is envisaged in the second Five-Year Plan. And therefore we want to have healthy investment markets. Stock exchanges are a forum where the intending investors can go and purchase their shares and also to sell them. Therefore, Sir, in the matter of formation of capital and the promotion of companies in the private sector, stock exchanges certainly serve a very useful purpose. But as the House is well aware, there was no all-India legislation in respect of security contracts, and there was no power in the hands of the Centre to legislate on this subject. Up till now, to my knowledge, there is only a provisional legislation, and that is in the Bombay State. Therefore, it was absolutely necessary to have an all-India legislation in order to regulate the working of stock exchanges and in order to eliminate the undesirable practices that were there in the matter of security contracts. And this is the first all-India legislation with respect to security contracts. My friend, Mr. Bhupesh Gupta, referred to the Forward Contracts (Regulation) Act. But that Act did not apply to these securities. It applied only to the commodities. And therefore this Bill was absolutely necessary. It was all the more necessary after the passing of the new Companies Act under which the Central Government have taken wide

powers to regulate the management of the joint stock companies. This legislation is complementary to the new Companies Act.

Now, Sir, two or three points were raised by my friend, Shri Kishen Chand. One was with regard to clause 9 whereby we have taken certain powers with regard to rules and regulations. Then he referred to blank transfers. It seems to me that he was not in favour of regulating** the blank transfers. He was of the view that there should be no limitation with regard to the duration of the blank

THE VICE-CHAIRMAN (SHRI S. N. MAZUMDAR) : Mr. Shah, I think you will require some more time.

SHRI M. C. SHAH: Yes, 15 minutes or more.

THE VICE-CHAIRMAN (SHRI S. N. MAZUMDAR) : Then, you may resume your speech on Monday.

The House now stands adjourned till 11 A.M. on Friday, the 3rd instant.

The House then adjourned at five of the clock till eleven of the clock on Friday, the 3rd August 1956.