

PROF. G. RANGA (Andhra): Before you put it to the vote, Sir, I would like to get some information with regard to this matter. Are we to understand that the All-India Institute of Medical Sciences is to serve as a research centre not merely for the western science of medicine but also the indigenous science and practice of medicine, because the word 'Sciences' is used, and then what is the relation between this Institute and the All-India Medical Council?

RAJKUMARI AMRIT KAUR: The Bill has already been discussed at length in this House and passed. This All-India Medical Institute of Medical Sciences is primarily to promote post-graduate studies in modern medicine, but because we are having a governing body composed of a number of medical personnel, very very highly qualified, we thought about it in the cabinet and it was my suggestion that we should also associate with that body two Members from the Lok Sabha and one from the Rajya Sabha.

MR. CHAIRMAN: The question is:

"That is pursuance of clause (g) of section 4 of the All-India Institute of Medical Sciences Act, 1956, this House do proceed to elect, in such manner as the Chairman may direct, one member from among themselves to be a member of the All-India Institute of Medical Sciences."

The motion was adopted.

MR. CHAIRMAN: I have to inform Members that the following dates have been fixed for receiving nominations and for holding election, if necessary, to the All-India Institute of Medical Sciences.

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| 1. Last Date for nominations. | 8-8-1956 (up to 3 P. M.)                                |
| 2. Date of election.          | 10-8-1956 (between 3 P. M. and 5 P. M. in Room No. 29.) |

The election, if necessary, will be conducted in accordance with the system of proportional representation by means of the single transferable vote.

## THE SECURITIES CONTRACTS (REGULATION)—BILL, 1956 *Continued*

THE MINISTER FOR REVENUE AND CIVIL EXPENDITURE: (SHRI M. C. SHAH): Sir, I was replying to the points raised in the general debate by my friend, Mr. Bhupesh Gupta, and my friend, Mr. Kishen Chand. Mr. Bhupesh Gupta admitted that this was a subject which he did not understand but he wanted to make certain observations.

MR. CHAIRMAN: What do you mean? Did he say that he did not know the subject and therefore he wanted to make the observations?

SHRI M. C. SHAH: That is what he stated, Sir. Then he wanted to make some observations. I have very carefully heard his speech and then I have again gone through his speech this morning. I do not find any specific point made by him during the course of the debate, but he only made certain general observations. When the motion for reference to the Select Committee was made all these points were raised and were replied to. At one place he says it is necessary to have these stock exchanges as they serve some useful purpose for the private sector. I have already explained to him and the other hon. Members of the House, when I started replying, that in an expanding economy, if the country is to be industrialised, private sector also has got a place and it has a very useful role to play in the Second Five Year Plan. The stock exchanges are absolutely necessary for capital formation. It is a place where the intending investors can go and purchase shares from out of their savings. Also they can sell their holdings when necessary. So now it is too

late to say that stock exchanges are not necessary. As I have already explained at the beginning, this is the first piece of all-India legislation complementary to the new Companies Act by which we propose to regulate the transactions in securities entered into on the stock exchanges and also to do away with undesirable practices and to prohibit options as they are indulged in on stock exchanges. The Constitution gives Parliament the power to legislate on an all-India basis on contracts and securities and having accepted the principle of the Bill, the observations of my hon. friend, Mr. Bhupesh Gupta, do not

rather fit in with the context. As usual, he had a tirade against the big people. It is natural, so far as he is concerned, that whenever an occasion arises he will not miss the opportunity of flinging criticisms against the big business but here we are not concerned with big business. He said that there may be cornering. I also say there may be cornering; there may be bad practices and to keep them in check we have got enough powers. He asked whether the powers would be adequate. That can be only seen when we pass this Bill and have it working for some time. And if we find that for keeping the management of these stock exchanges healthier more powers are needed, we will come to Parliament for amending the law accordingly and for taking more powers. Today we feel that the provisions contained in this Bill give ample powers to regulate the working of the stock exchanges, to prohibit options and to eliminate undesirable practices. We have made certain offences cognisable and we have provided for punishments. He feels that the punishments provided are rather liberal. I do not know what he means by liberal. Perhaps he feels that the punishments are not heavy. But there is another opinion which says that the punishments are rather heavy. In between these two we feel this is all right. We want to see that all the provisions are enforced vigorously so that we can achieve our objective. That is the only reply that I can give to my friend Mr. Bhupesh Gupta who has rather wandered into unknown lands. These are the main points that he made out in his speech lasting for 30 minutes out of two hours and twentyfive minutes taken by this House.

**SHRI BHUPESH GUPTA:** In the wonderland with which you are familiar I was just trying to find my way.

**SHRI M. C. SHAH:** He has to come to me, just sit at my feet and study all the complicated problems of the stock exchanges and their working.

So far as my friend, Mr. Kishen Chand, is concerned, he has raised two or three points. He spoke about blank transfers. Some other hon. Members also spoke about blank transfers and they also admitted that this is a very complex and complicated problem. Naturally, they may not be well aware of the practices going on in all these stock exchanges. Shares are sold and purchased but they are not transferred

immediately; they are not sent to the Company for the transfers to be registered. They always get these transfers signed by the transferer, and, as Mr. Kishan Chand pointed out, the name of the purchaser is not mentioned then. It is only mentioned when the scrip is sent to the Company for the registration of the transfer. Sir, there was a committee presided over by Mr. Gorwala and this question was considered at great length. There are two opinions and both are rather very divergent opinions. Some people feel that because of these blank transfers there is very great speculation, there is evasion of taxes and also evasion of stamp duties so far as the Government are concerned. On the other side it is urged that because of this system of blank transfers people get certain facilities of purchasing and selling without payment of stamp duty which is rather heavy, though it has been reduced recently to twelve annas per 100. But the fact remains that because of these blank transfers there is more speculation; there is no doubt about it. Therefore we are trying to regulate this system of blank transfers but as I said what will be its effect if we immediately prohibit blank transfers, how that will affect the easy flow of business in these scrips, how far the investors will be affected, all these questions are to be gone into. Therefore the Select Committee advisedly put it in the Report that they did not want to put a time limit. Today banks are also advancing moneys and it is to be considered how far that will also be affected. Therefore they said that this question should be examined by the Government. Without putting anything statutorily they say that it should be provided for in the regulations and they said that blank transfers should not be allowed currency of more than six months. Therefore we have taken that in this regulation of blank transfers. Now, my friend Mr. Kishen Chand, wants to give a longer currency; he also feels that there should be no prohibition. When the regulations come let us see what is advisable. He fears that in some stock exchanges we may allow currency of nine months, while in some others a currency of 12 months may be allowed and so on. I can assure him that there will be a uniform practice accepted by the Government till the Government has come to a confusion as to whether blank transfers should be prohibited altogether. We cannot be certain unless we study the matter very very carefully. Therefore the Select Committee

[Shri M. C. Shah]  
advisedly allowed powers to the Government to see whether regulation of blank transfers would be of advantage or not.

Then, Sir, he was rather critical about clause 9 wherein we have asked for certain information. If he had seen the original Report of the Joint Select Committee then he would have found that there more information was necessary to be furnished but after consultation with the stock exchange administrations we found that we should amend it. And, therefore, we have amended it and we have said that the information that is required by the Government should be furnished. Also, Government may ask the stock exchange administrations to publish certain information which will help the general public to know about the affairs of certain scrips—whether they should go in for investment or whether they should unload their holdings, and so on and so forth. Therefore, the information we have now asked for is very limited. Certain members of the Joint Committee who had good experience in the business of stock exchanges were of opinion that this ought to have been on a bigger scale, but in order not to inconvenience the administrations we have taken the powers. Government have asked them to publish this or that; to send this information or that information. So, he need not be unnecessarily apprehensive. As I have already assured the other House, Lok Sabha—and I assure the House here also—it is not the intention of the Central Government to interfere with the day-to-day administration of the stock exchanges. What we want to see is that all undesirable practices area bolished. What we want to see is that options are forbidden altogether. What we want to see is that the interests of the investing public and the general public are safeguarded and, therefore, we have provided for this.

Then, again, he raised the question about the harassing of stock exchanges, badlas or carry-over facilities. We have not touched them. Badlas or carry-over facilities are there. There will be regulations about them. We have not specifically mentioned about that too, because it is rather a controversial point. Some people say—and feel rightly that by allowing these badlas or carry-over transactions there is more and more speculation and in order to diminish speculation badlas facilities should not be allowed. But today that too is

important so we do not want to interfere with the internal working of the stock exchanges and, therefore, we have kept it that way. Therefore, I feel that my friend, Mr. Kishen Chand, who knows something about stock exchanges as it appears from his speech, need not be very much worried.

Now, he said there should not be harassing of stock exchanges. About spot delivery contracts also he felt somewhat aggrieved. As a matter of fact, we have limited the period to two days in respect of spot delivery contracts. The original proposal was three days exclusive of the time taken in getting those securities by post or the payment by post. But it was urged that two days were quite sufficient, because if we allowed more time, those contracts may ultimately turn into a speculative transaction. Therefore, it was considered necessary to reduce the period from three days to two days exclusive of the time that is required for sending the securities or payment. We want to give all facilities to those businessmen residing far away from the places where those transactions take place. For example, my friend, Mr. Kishen Chand, comes from Hyderabad and he may want to sell some shares on cash basis in Bombay. He will have to send his securities to a broker to be delivered to another broker. Therefore, we have provided that the time required for sending the securities by post should be excluded. Perhaps he may purchase some shares in Bombay and he has to make payment. Sometimes he may have to get a draft from the bank and he will have to send the draft to his broker to be paid to the person who sold the shares or purchased the shares on his behalf. And, therefore we have kept that there. At the same time he took objection to clause 18 (1) where it says that sections 13, 14, 15 and 17 do not apply to spot delivery contracts. Naturally we have done that advisedly, because we do not consider these spot delivery contracts to be speculative contracts. We want to give facility to all without the intervention even of a broker. If 'A' wants to sell some shares to 'B', it is not necessary that there should be some other intermediary. He may not pay brokerage or commission. He can have transaction with another man. Therefore, we have advisedly said that spot delivery contracts will not be affected by all those notified areas or non notified areas in sections 13, 14, 15 and 17.

In case the Government finds that in the guise of dealings in spot delivery contracts, speculative contracts are entered into or places are maintained where the spot delivery contracts, though they are for two days, may be kept for eight days thereby turning them into speculative transaction, we have taken powers to issue orders, to notify those places. At the same time we have said that those persons who manage or who keep such places—unauthorised stock exchanges as we must say—may be penalised. And, therefore, we have taken those powers for taking action whenever such spot delivery contracts convert themselves into speculative contracts.

SHRI B. P. AGARWAL (West Bengal) On a point of clarification, Sir, may I know whether these two days are exclusive of holidays, whether they are working days only? What is the position? Because, in Calcutta we find that the holidays sometimes run over a number of days. If the two days are net working days, it is all right. Otherwise, it will be a very difficult position.

SHRI M. C. SHAH. I think this will be provided for in the rules.

Now, those are the main points raised. My friend, Mr. Saksena, has wholeheartedly supported this Bill. Though he has not speculated, he has speculated in life. That is all right. Now, my friend, Mr. Himatsingka, also replied to the points raised by my friend, Mr. Bhupesh Gupta, and he has not criticised and, therefore, there is general approval so far as I can see. I am grateful to the hon. Members who have supported the motion for consideration of the Bill and I hope that the motion will be agreed to.

MR CHAIRMAN The question is

“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.”

The motion was adopted.

MR CHAIRMAN: We now take up the clause-by-clause consideration of the Bill.

### Clause 2—Definitions

SHRI S. C. KARAYALAR (Tiruvancore-Cochin). Sir, I move.

“That at page 2, line 29, the words ‘through the post’ be deleted.”

MR CHAIRMAN. The clause and the amendment are before the House.

SHRI S. C. KARAYALAR. Sir, the language of the clause is that there can be only one mode of despatch of security or remittance of money, namely through the post. Sir, other modes of transfer of security or remittance of money may be easily thought of. For instance, we can transfer monies through banks, by remittance by T.T., and all that. Why should the despatch of securities or the remittance of money be restricted to post alone? So, it is with the object of providing for such contingencies that I have suggested that the words “through the post” may be deleted. The object of the clause will be served sufficiently if the words are deleted. It is only to provide for other modes of despatch of securities and transfer of moneys that I have suggested that the words “through the post” may be deleted.

SHRI M. C. SHAH. I have already explained why “through the post” was necessary. I said there may be securities which will have to be sent by post or there may be payment also by drafts, cheques, money orders and everything, and therefore we have advisedly taken the word “post”. This matter was very carefully discussed in the Joint Select Committee and in order not to inconvenience those up-country people or people staying very far away from the place where the transactions take place it is absolutely necessary.

SHRI KISHEN CHAND (Hyderabad). The point is that it is not only a question of sending it through the post, it is quite possible that the person may nominate a second person to deliver it instead of sending it through the post and the man may take time to reach the other station, say from Hyderabad to Bombay. Will it come under the definition of “through the post”? It will not come under the definition of “post”, and the man will take time and it will be ruled out according to this interpretation. Therefore, it must be by any means of communication. Why should it be only by post?

SHRI M. C. SHAH: Then there will be uncertainties. In the post there will be no uncertainty. If you say "any other means", one will go walking and will take fifteen days. If you say "any other means", there are so many uncertainties. If your post is late, then there will be no uncertainty about that because there is postal stamp on every case. We have put this in advisedly.

MR. CHAIRMAN: The question is:

1. "That at page 2, line 29, the words 'through the post' be deleted".

The motion was negatived.

MR. CHAIRMAN: The question is:

"That clause 2 stand part of the Bill."

The motion was adopted.

Clause 2 was added to the Bill.

Clause 3 was also added to the Bill.

Clause 4—*Grant of recognition to Stock Exchanges*

SHRI S. C. KARAYALAR: Sir, I move:

2. "That at page 4, lines 3 to 5 be deleted".

3. "That at page 4, after line 21, the following be inserted, namely:—

"(6) This section shall not apply to the existing stock exchanges for a period of six months from the date on which this Act comes into force."

MR. CHAIRMAN: The clause and the amendments are now before the House.

SHRI S. C. KARAYALAR: Sir, my first amendment seeks to delete sub-clause (2) (iii). In my opinion, Sir, the stock exchanges should be autonomous bodies working within the ambit of the regulations and rules. For efficient working, Sir, these should be absolutely autonomous. If provision is made for the representation of the Central Government on these stock exchanges, that will not be conducive to the healthy development of stock exchanges. The hon. Minister conceded that it is very necessary to have the stock exchanges functioning properly in a growing economy. At the same time to impose a kind of representation of the Central Government on the stock exchanges will not be conducive to the healthy

development or growth of stock exchanges. That is one point. Then, Sir if the Central Government were to have their representatives on the stock exchanges, naturally Government cannot impose their controls in other directions. Having their own representatives on these bodies, it will not be fair on the part of the Government to impose other restrictions such as those contemplated in Clause 6 and other clauses. As a matter of policy, Sir, I am of the opinion that Government should not take part in the operations of stock exchanges. They will be reducing themselves to the position of parties operating the stock exchanges. That will not be exercising a very healthy influence on the operations of the stock exchanges. So, Sir, having regard to the scheme of affairs, having regard to the fact that the Government are imposing several restrictions on the working of stock exchanges and having regard to the fact that Government have got ever so many powers which may be exercised even from without, I am of the opinion that Government need not be represented on the stock exchanges.

For these reasons I seek to delete sub-clause (2)(iii).

SHRI M. C. SHAH: Sir, here also I may invite the attention of the hon. Member that before the Joint Select Committee was formed the original Bill had given unlimited power to the Government to appoint as many directors as they may think necessary, but then the Joint Select Committee discussed the matter and came to the conclusion that not more than three should be nominated as Government directors. Now, with regard to their usefulness, from experience we have found that if the Government directors are on the Boards, then the Government will be in constant touch with the working of the stock exchanges through its members nominated by it, and by experience also we have found that these Government directors have proved themselves very useful. There is no intention, as I have already stated and I state it again, to have any interference in day-to-day administration, but the Government directors will see whether all these transactions are carried on in a healthy way, because other directors may be there having vested interests. Suppose there is something like cornering or bear raids, naturally those directors who are there doing business

on those stock exchanges will be interested either in the bear raids or in cornering, and they will not raise their voice. But Government directors will immediately inform the Government that this is the state of affairs going on in certain stock exchanges, and therefore they can take action. Therefore, it is absolutely necessary to have Government representation on the governing bodies of the stock exchanges. But in order to show our *bona fides* we have limited it to a maximum of three. It may be that we may appoint one or two or three but we cannot appoint more than three, and that will be a very insignificant membership because the Board of Directors will consist of 15 or 16 or 18 members. So, they are not going to form a majority; they are not going to interfere with the daily working of the stock exchanges.

**SHRI P. D. HIMATSINGKA** (West Bengal): Is there any guarantee that the Government directors will not interest themselves in bear or bull raids?

**SHRI M. C. SHAH:** Certainly not. They will be mostly Government officers, they are not interested in that, and we have experience of two Government nominees of the Government of Bombay on the Bullion Exchange working for the interest of the general public and the trading public.

**SHRI S. C. KARAYALAR:** Sir, as withdrawn.

**SHRI S. C. KARAYALAR:** Sir, as far as my amendment No. 3 is concerned, my object is this. When this Act comes into force, a lot of formalities will have to be gone through. In the first place the Government will have to frame rules to carry out the objects of this Bill under clause 30. That will take some time, and then the stock exchanges which have got to be recognised necessarily under this Act will have to make applications for recognition, and the formalities are recited in clause 3. Then under clause 4, the Central Government has got to make an enquiry with regard to certain matters, namely, whether the rules and by-laws of the stock exchange are in conformity with such conditions as may be prescribed. Then they have got to be satisfied further that the stock exchange is willing to comply with any other conditions which the Central Government may impose for the purpose of carrying out the objects of the Act, and then they have

got to be satisfied also after such enquiry that it would be in the interests of the trade and also of the public to grant recognition. All these things will have to be carried out by the Government. These formalities to be complied with by the Government and by the stock exchanges and the framing of rules under clause 30 will take at least six months' time. What will happen if this Act comes into force? Immediately it comes into force all the existing stock exchanges will have to be closed down as they will be unlawful bodies, and there will be necessarily a vacuum created in the sphere of stock exchange operations. The Minister himself conceded, Sir, that the stock exchange should not be allowed to be closed down in the interests of the economy of the country. So, Sir, what is to happen when a vacuum is created at the time when this measure comes into force all of a sudden? Well, it is to provide against such a vacuum being created in the sphere of stock exchange operations, that I suggest that this clause should not apply to the existing stock exchanges for a period of six months from the date on which this Act comes into force. A period of six months is to be allowed to them in order that they should be able to comply with the formalities that are laid down in clauses 3 and 4, and within that period they will be able to get recognition and start functioning. There will be no vacuum in that case. Is it the intention of the hon. Minister that there should be any vacuum created or the stock exchanges should be closed down? In order that they may be able to comply with certain formalities laid down in this Bill, they must be allowed some time for that purpose. It is only to provide against such a contingency that I have suggested this simple amendment.

**SHRI M. C. SHAH:** Sir, I think this is quite unnecessary. If my hon. friend looks to clause 1 (3), it reads as follows:—

“(3) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.”

And therefore, Sir, the Central Government will look to all these matters, and the Central Government will see that all the bye-laws are framed and recognition is granted. All these preliminaries will have to be gone through by the Central Government, and the Act will

\* For text of amendment *vide* col. 619 *supra*.

[Shri M. C. Shah]

be applied by a notification. We do not want to create a vacuum, and it cannot be the intention of the Government to create a vacuum. And the amendment suggested by my hon. friend means that they will go on continuing in the way in which they are doing today. But our intention is to have all these things completed without creating any inconvenience for all the stock exchanges.

SHRI S. C. KARAYALAR: But all these things can be complied with only after the Act comes into force. Even the rules can be framed only after the Act comes into force. You cannot frame any rules before the Act comes into force. And an application for recognition can be made only after the Act comes into force.

SHRI M. C. SHAH: That can be done even before the Act comes into force. All these preliminaries can be gone through even before the Act comes into force, and there will not be any vacuum, so far as the stock exchanges are concerned. I can assure the hon. Member that that is not the intention of the Government, and that cannot be the intention of the Government. And therefore, Sir, he need not have any apprehension on that score. Everything will be done according to law and without causing any inconvenience to the stock exchanges which are operating. I therefore hope that he will withdraw his amendment.

SHRI S. C. KARAYALAR: Sir, I beg leave to withdraw my amendment No. 3.

\*Amendment was, by leave, withdrawn.

MR. CHAIRMAN: The question is: "That Clause 4 stand part of the Bill".

The motion was adopted.

Clause 4 was added to the Bill.

Clauses 5 to 8 were added to the Bill.

*Clause 9—Power of recognised stock exchanges to make bye-laws.*

SHRI KISHEN CHAND: Sir, I move:

4. "That at page 7, for line 16, the following be substituted, namely:—

(e) The regulation of blank

transfers subject to a maximum period of one year;."

5. "That at page 7, line 20, the words 'or prohibition' be deleted."

MR. CHAIRMAN: The clause and the amendments are before the House.

SHRI KISHEN CHAND: Mr. Chairman, Sir, the hon. Minister has given an assurance to this House in regard to this matter. But I think when we are considering Bills and passing Bills, all the assurances that are given should become integral parts of the Bills. After all, assurances can vary, because the Ministers may change, and some others may occupy their places. Therefore, Sir, wherever possible, our laws should be complete in themselves.

[MR. DEPUTY CHAIRMAN in the Chair]

Sir, objection was taken by the previous speaker to another clause of the Bill, and the hon. Minister gave an assurance to the House. But I would have been happier if that assurance had been incorporated in the Bill itself. If the notification is postponed by one year, during that period the stock exchanges may go on doing anything they like. In that case, they get that period of one year. It would have been far better if the stock exchanges had been given a period of six months. It is no doubt the same thing. But in one case there is some possibility of abuse and in the other case there is no possibility of abuse. Sir, the hon. Minister has stated that blank transfers serve a useful purpose. At present there is no limit at all, and the blank transfers may go on for 10 years. Now some limit is going to be put, and it is absolutely an arbitrary thing whether you put it as one month or even three years. Well, even in this arbitrary thing we must be guided by our past experience and see what is the normal duration. There may be exceptional cases where the blank transfers may continue for about ten years; but the normal duration is six to eight months or nine months. Therefore, when we can easily alter the Bill just by only one line, why leave it on the Minister's assurance? Here it is said "the regulation or prohibition of blank transfers". When you say that blank transfers are essential and they serve a useful purpose, the word 'prohibition' here is meaningless. When you omit the words 'or prohibition' from clause

\* For text of amendment *vide* col. 619 *supra*.

9 (2) (e), it reads as "the regulation of blank transfers". The Minister has given the assurance, but I suggest that instead of giving an oral assurance, why don't you make it an integral part of the Bill? I have suggested a period of one year. Normally, the duration of blank transfers is about six to eight months. Of course, the assurance of the hon. Minister is there, but I would rather like it to become an integral part of the Bill.

Similarly, Sir, in the case of budla, I suppose, the hon Members know what useful purpose is served by a budla. What happens is that on the date of delivery you do not have the shares delivered, and then you have a budla. That means that you borrow it from somebody else and meet your obligations. At one time, there was an idea of completely prohibiting the budla. But budlas are very essential, when you are permitting blank transfers. When big transactions are going on and the delivery date is only 15 days after the first transaction, the delivery cannot be given within that period, then one has got to go in for a budla. So, Sir, my amendment is a very simple one. I do not want the prohibition of budlas. I want only the regulation of budlas and the regulation of blank transfers subject to a maximum period of one year. Therefore, Sir, I commend my amendments for acceptance by the hon. Minister.

SHRI P. D. HIMATSINGKA: Mr. Deputy Chairman, Sir, I support the amendment moved by my hon friend, Mr. Kishen Chand. In fact, I had myself given notice of an amendment to delete the sub-clause (e) altogether, but it was sent very late. As a matter of fact, even if sub-clause (e) is deleted, then sub-clause (1) of clause 9 will give ample powers to the stock exchanges to frame any rules and regulations regarding blank transfers. What I feel is that this blank transfer has been given a bad odour, I should say. Blank transfers, if I have understood the position aright, have been doing a very useful function in the stock exchanges. If you will see the expert opinions of the various persons who were on the Committee which reported on this Bill you will find that they have given cogent reasons why there should be no interference in this matter. If the idea is to prevent or prohibit speculation by limiting the life of blank transfers, I think

the Government is absolutely mistaken. You know that there are two kinds of transactions done in the stock exchanges. One is short-term and the other is long-term. People who want to invest generally take a long term view and purchase such shares as they think will in course of time appreciate in value. In such cases there is not much hurry for having them registered. In the case of short-term transactions which are more in the nature of speculations, these transactions are over at the most within a week or a fortnight. Therefore, the period that is being intended to be given for the life of blank transfers will not prevent speculation at all. The practice of blank transfer, as a matter of fact, has been very useful and gives easy negotiability and marketability to the shares. Therefore, I would request the hon. Minister to consider whether or not Government should leave this portion of the practice in the market severely alone and not try to interfere and thus hinder the promotion of stock exchanges on proper lines which will be very useful especially in the next five years or ten years when you are going to have so many new concerns for putting through your various schemes. Let them consider this that the minimum the interference from Government, the best will it be for the money market. It may be that the intention of the Government is all right but the action taken is entirely to the contrary. Therefore, we should be very careful in interfering with or meddling in matters where perhaps the position is not quite clear. With these few words, I would request the hon. Minister to restrict the interference or meddling in share market, unless there is something unhealthy going on.

SHRI C. P. PARIKH (Bombay): I oppose the amendments moved by Mr. Kishen Chand on these grounds. He said that there should be regulation and not prohibition of blank transfers. He said also that for regulation the maximum period should be one year. Now, with regard to that, clause 27 says that the title to dividend goes to those persons in whose names the securities stand. There are cases where dividends are not declared for a very long period. This House and the hon. Minister will be surprised to know that there have been blank transfers for seven years and the persons holding blank transfers have not collected dividends for those seven years, and the matter came to



[Shri C. P. Parikh.]

light to the holder of the share only when he was assessed to income-tax. It is very necessary that the life of blank transfers should in no case exceed one year, because of the question of payment of dividends. Even where there is no payment of dividend, even then the life of the blank transfer should not exceed one year. If it is found that it is not properly regulated, there should be power to enforce prohibition.

With regard to the second amendment, the mover wants the removal of the words "or prohibition" in case of budlas. If we read sub-clause 2(s) of the same clause, we will find that it says:

"the emergencies in trade which may arise, whether as a result of pool or syndicated operations or cornering or otherwise, and the exercise of powers in such emergencies, including the power to fix maximum and minimum prices for securities."

because of this provision, there will be need for total prohibition of budlas, because this provision cannot be enforced unless there is total prohibition of budlas. When there has been cornering or squeezing or other kinds of operations, then naturally this power should exist. These two provisions are absolutely necessary for the proper regulation and control of stock exchanges.

SHRI M. C. SHAH: I am not agreeing to any suggestion that the currency of these blank transfers should be one year. My friend, Mr. Parikh, seems to think that it may be one year. The Select Committee said that it should be six months as the maximum period, and I do not know when I had given an assurance that it may be one year or six months. What I had said was that there are two opinions even in the report that was referred to by my friend, Mr. Himatsingka. One is for total prohibition of blank transfers. Mr. Goralwala and Mr. Nadkarni, who were not concerned with the business side of blank transfers, recommended total abolition, and the other opinion is that a long period should be given to the blank transfers. The Joint Select Committee have suggested a middle course and they have said that ordinarily blank transfers should be only for six months. What I had assured was that the Government would study this question before asking the stock exchanges to

have a certain bye-law with regard to the control or prohibition of blank transfers. The only assurance was that the question would be gone into by the Government and that Government would decide on a uniform policy. There are so many difficulties in prohibiting blank transfers altogether, and so it was said that the currency may be limited to six months. That is the suggestion of the Select Committee.

With regard to the budlas also, I am not accepting any amendment. It may be that later on we may say that there should be no budlas, because thereby and by these blank transfers speculation is increasing, but because we do not want to interfere with the working of the stock exchange, we say that we would study the position. That is the only assurance that we have given. I have never envisaged a time limit of one year or nine months or six months. We want to study the position, and we will go on the recommendations of the Joint Select Committee. Therefore, I oppose both the amendments moved by my hon. friend, Mr. Kishen Chand.

\* Amendments Nos. 4 and 5 were, by leave, withdrawn.

MR. CHAIRMAN: The question is:

"That clause 9 stand part of the Bill."

The motion was adopted.

Clause 9 was added to the Bill.

Clauses 10 to 17 were added to the Bill.

*Clause 18—Exclusion of spot delivery contracts from Sections 13, 14, 15 and 17*

SHRI S. C. KARAYALAR: Sir, I move:

6. "That at page 13, lines 6 to 17 be deleted."

MR. DEPUTY CHAIRMAN: The clause and the amendment are open for discussion.

SHRI S. C. KARAYALAR: Sir, spot delivery contracts are placed in a specially favoured position. They are not really contracts of a speculative nature which are sought to be controlled and regulated by this Bill. They are actually

\* For text of amendments *vide* cols. 623-24 *supra*.

contracts between parties for ready delivery and purchase. So the provision in sub-clause (1) is a very wholesome provision but it is sought to be completely whittled down by sub-clause (2). By this sub-clause it is sought to apply the provisions of clause 17 to spot delivery contracts. In the first place to place such restrictions on spot delivery contracts is not in public interest. Very often spot delivery contracts may be between private individuals and it may not necessarily be through stock exchanges. If spot delivery contracts are to be prohibited by sub-clause (2) it will seriously interfere with private rights of parties to hold and sell their securities. That will be really an infringement of the Fundamental Rights contained in article 19 of the Constitution. If it is intended only to regulate operations on the stock exchanges I would have no quarrel. But in so far as it proceeds to put restrictions on contracts between private individuals in relation to spot delivery contracts, it is really an infringement of the fundamental right. Even otherwise to place restrictions on spot delivery contracts in the nature of restrictions contained in clause 17 will be against public interests. As a matter of fact the position is conceded in sub-clause (1) but it is sought to be taken away by sub-clause (2). I say that in public interest this restrictive clause (2) should be deleted.

SHRI M. C. SHAH: I am afraid the object of my friend is rather to allow speculative transactions under the guise of spot delivery contracts without being regulated by other provisions of this Bill. What we have provided for is that if the Government comes to the conclusion that under the guise of spot delivery contracts speculative activities are being carried on by people, certainly Government must have powers to regulate the conduct of that matter. They are not entitled to enter into forward transactions under the guise of spot delivery contracts. That is the only thing for which power is taken. It is to be used in case there may be some unauthorised stock exchanges. Otherwise they will just go in the guise of spot delivery contracts for 2 to 4 days or even for 8 days and then say that it was a spot delivery contract. Therefore we have taken that power. It is most necessary. Rather we have gone far in not applying this clause to spot delivery contracts in order to give facilities to people to have these cash

transactions and therefore we cannot do without these powers if they deteriorate into speculative transactions. So it is absolutely necessary.

SHRI S. C. KARAYALAR: What about the position in relation to article 19 of the Constitution? Everybody can hold and dispose of property under article 19.

SHRI M. C. SHAH: Article 19 will come in relation to stock exchanges because their activities will be regulated. Then the whole Bill will be *ultra vires*. Let my friend go to the Supreme Court and get a decision.

\*Amendment No. 6, was by leave, withdrawn.

MR. CHAIRMAN: The question is:

"That clause 18 stand part of the Bill."

The motion was adopted.

Clause 18 was added to the Bill.

Clauses 19 to 26 were added to the Bill.

#### Clause 27—Title to dividends

SHRI S. C. KARAYALAR: Sir, I move:

7. "That at page 16, lines 11 to 31, for the existing sub-clause (1) of clause 25, the following be substituted, namely:—

27. (1) It shall be lawful for the holder of any security whose name appears on the books of the company issuing the said security to receive and retain any dividend declared by the company in respect thereof for any year, notwithstanding that the said security has already been transferred by him for consideration."

SHRI KISHEN CHAND: Sir, I move:

8. "That at page 16, lines 14 to 20, for the words 'notwithstanding that the said security has already been transferred by him for consideration, unless the transferee who claims the dividend from the transferor, has lodged the security and all

\* For text of amendment *vide* col. 628 *supra*.

[Shri Kishen Chand.]

other documents relating to the transfer which may be required by the company with the company for being registered in his name within fifteen days of the date on which the dividend became due' the words 'but if the said security has already been transferred by him for consideration by means of a blank transfer form, he may authorise any person to collect the dividend for one year if the said shares continue to stand in his name by means of a blank dividend form. The person claiming the dividend under this will have to lodge the blank dividend form, blank transfer form and the share certificate one week before the date when the dividend warrant is issued' be substituted.

9. "That at page 16, lines 21 to 41 be deleted."

MR. DEPUTY CHAIRMAN. The clause and the amendments are open for discussion.

SHRI S. C. KARAYALAR: Sir, the object of my amendment is to delete the latter half of sub-clause (1). The latter portion really negatives the first portion. The first portion says:

"It shall be lawful for the holder of any security whose name appears on the books of the company issuing the said security to receive and retain any dividend declared by the company in respect thereof for any year, notwithstanding that the said security has already been transferred by him for consideration."

The latter portion really negatives the first portion and it says that if the securities and other documents relating to transfer have been lodged with the company, then it will not be lawful for the holder to receive and retain any dividend. So this latter portion is in conflict with the earlier portion. This subject of payment of dividend is dealt with by the Indian Companies Act, 1956. There it is only the registered holder that is entitled to payment of dividends. The unregistered holder is not recognised at all. It is only the registered holder for the time being that is entitled to receive dividends. Here the clause as it is now proposed gives right to unregistered holders also. This is in conflict with the provisions in the Indian Companies Act. It may be argued that the transferee, though he may

not be on the books of the company, must have his rights secured. His rights are secured under sub-clause 2(b) which says

"The right of the transferee of any security to enforce against the transferor or any other person his rights, if any, in relation to the transfer in any case where the company has refused to register the transfer of the security in the name of transferee."

The transferee of any security may enforce his rights against the transferor although the company as such may refuse to pay the dividends. So the rights of the transferee are secured under sub-clause 2(b). It is unnecessary in my opinion to have the latter portion of sub-clause (1) of clause 27. There are only three parties—the company, transferor and the transferee. The rights between the transferor and the transferee are put on a safe footing under sub-clause 2(b) and so far as the company is concerned, under the Indian Companies Act, the company cannot recognise anybody who is not registered in their books. So this provision in clause 27 must be reconciled with the provision in the Indian Companies Act. In order to do that I propose that the clause relating to the transferee lodging his security and other documents with the company and having his rights secured thereby is unnecessary so that if that portion goes, the Explanation also ought to go.

MR. DEPUTY CHAIRMAN: We will continue in the afternoon.

The House stands adjourned till 2-30.

The House then adjourned for lunch at one of the clock.

The House reassembled after lunch at half past two of the clock, Mr. DEPUTY CHAIRMAN in the Chair.

SHRI KISHEN CHAND: Sir, I have sent in my amendment to this clause 27 and this amendment is a long one. Therefore I want to explain what is the object of that amendment.

MR. DEPUTY CHAIRMAN. Yes, briefly.

SHRI KISHEN CHAND. Sir, as I have pointed out, in the share register there is the name of the shareholder and when the dividend is declared, they

give a certain period of time before the transfer books are closed and the dividend warrant is sent to the person in whose name the share stands. Mr Karayalar also tried to explain that according to the Companies Act, the company only recognises the registered shareholder. Now you have permitted blank transfers. We have just now passed the clause by which we permit blank transfers. According to the blank transfer provision, the hon. Minister may fix any period, let it be six months or one year or any period, even in that period A may sell his share to B and get full money for it. But B does not want to register this share, he might intend to sell it to somebody else. So the share still stands in the name of A and when the dividend is declared, the dividend warrant is sent to A and this raises all sorts of complications. B goes and claims it from A. Sometimes A gives it gracefully to B, but sometimes he refuses to give and then brokers are approached and all sorts of questions arise. It is an internal arrangement.

The hon. Minister in this Bill suggests a sort of *via media*, but I submit that the *via media* is not workable. What is suggested here is:

"It shall be lawful for the holder of any security whose name appears on the books of the company issuing the said security to receive and retain any dividend declared by the company in respect thereof for any year, notwithstanding that the said security has already been transferred by him for consideration."

And now comes the qualifying clause. There in that qualifying clause it is said

"unless the transferee who claims the dividend from the transferor, has lodged the security and all other documents relating to the transfer which may be required by the company with the company for being registered in his name within fifteen days of the date on which the dividend became due:".

Now, the dividend becomes due on a particular date which is notified by the company and two or three days before the dividend becomes due, the dividend warrant is made out and sent to the person. I fail to see or understand how the company is going to manage it. There seems to be some misunderstanding

ing about the due date, the date on which the dividend became due. Once the company has sent out the dividend warrant to a particular shareholder, that dividend warrant reaches him and on the due date, he comes and cashes his dividend warrant. This provision of fifteen days is absolutely useless, because the transferee cannot do anything at that time. This clause, if it is really meant to give any benefit to the transferee, should have stated "within fifteen days of the date on which the books were closed". It should be either within the closing of the transfer books or within fifteen days of the holding of the meeting in which the dividend is declared. But to say "within fifteen days of the date on which the dividend became due" does not help. Once the company has given the dividend how can they get it back? I cannot understand and it seems there is some contradiction in the wording. The hon. Minister probably means by the wording, something else than the date on which the dividend became due. This the hon. Minister will kindly clarify.

My amendment simplifies the whole procedure and I say that when you sell the share with the help of the blank transfer, the transferor should also give to the transferee another form which may be called, the "assignment of dividend". The moment he sells the share he sells not only the share, but he assigns the dividend also to the person to whom he sells the share. So in another form he will authorise that person, saying "I have sold these shares and I hereby transfer the dividend also to the same person." What will happen is that the form transferring the dividend will be lodged by the new holder of the share. Though the share is not registered in his name, he will go to the company one week before the date when the dividend warrant is issued. Why have I set this period of one week? I say this because the company should not issue the dividend warrant to the person in whose name the share stands. It should be issued in the name of the new person who is the transferee of the share actually stands. Though not transferred in his name, he will take the blank transfer form and the assignment of dividend form and go to the company and say that the dividend warrant should be given to him. This provision is only for one year. The blank transfer holds good for six months or one year as the hon. Minister fixes and if within one year the person does

[Shri Kishen Chand.]

not get the shares transferred to his name, then of course, he is at fault. Therefore, I submit that the wording in the Bill should be rectified. As it stands in the Bill it is confusing as I have tried to explain.

Secondly, my wording which follows the spirit of the blank transfer should be followed. If you want the blank transfer to perform a real function, you should help the person who holds the share in the blank form to get the dividend that is due to him.

Then come the explanations. There are a series of explanations, because the hon. Minister has introduced a complicated language and so he has had to put in a number of explanations (i), (ii), (iii) and so on. There is half a page of explanations. He says:

“(a) the right of a company to pay any dividend which has become due” etc.

I do not want to read the whole of it. These, I submit will lead to a lot of legal difficulties and complications and a lot of unnecessary litigation. After all the matter is a very simple one and in my amendment I have simplified the procedure. There is no need for these explanations.

I would only add that there is a small misprint in my amendment. At the start it should read:

“That at page 16, lines 14 to 40” and not “lines 14 to 20”. That is to say, it covers up to the end of the page.

Sir, as I have explained, my amendment covers the point entirely and it will lead to a very simple formula and therefore, I request that the House may be pleased to accept it.

SHRI P. D. HIMATSINGKA: Sir, this clause seems to be very unfortunate, though I have to say that the objections raised by Shri Kishen Chand do not seem to be correct. I say this because, so far as this clause is concerned, to my mind, it lays down the rights, as between the transferor and the transferee. It has nothing to do with the company. The company will issue the dividend warrant in favour of the registered shareholder. But this clause gives a special right which in equity or in law, the transferor has not got. That is to say, even though he has

sold the shares to another person, he will be entitled to receive the dividend and to retain it and he need not part with it. If this clause were not there, then the purchaser, that is to say the transferee, though he had not got himself registered in the books of the company, would be entitled to ask for payment of the dividends in respect of the shares the property of which had passed from the transferor to the transferee. This clause gives the right to the transferor, the “registered” holder of the share to retain the dividend. It will be paid by the company to the person who is the registered shareholder. You will find that section 206 of the Companies Act 1956 has already provided that no dividend shall be paid by any company in respect of any share therein except to the registered holder of a share or to his order or to his bankers. That no doubt gives the right to the shareholder to get the dividend, but here in this clause again, you will find that sub-clause (2) provides;

“Nothing contained in sub-section (1) shall affect—

(a) the right of a company to pay any dividend which has become due to any person whose name is for the time being registered in the books of the company as the holder of the security in respect of which the dividend has become due”.

I do not see the necessity for this particular provision. As Mr. Kishen Chand has tried to explain, there will be confusion due to this clause. It says, “within fifteen days of the date on which the dividend became due:”. When does the dividend become due? Is it at the close of the year when the books are closed for transfer or when the dividend is declared by the directors or sanctioned by the shareholders or when it is made payable by the company? All these questions will make this problem more complicated and to my mind this clause seems to be wholly unnecessary and will create more confusion rather than clear the position.

SHRI M. C. SHAH: Sir, there is no confusion and there is no contradiction. It is very clear. In clause 27, we have provided that the registered shareholder shall be entitled to claim and to retain the dividend declared and payable if the documents are lodged within fifteen days of the date on which the dividend became due.

Now, so far as the blank transfers are concerned, there is a practice today that dividend warrants issued by the companies to the registered shareholders are endorsed to those persons who hold blank transfers on securities. My hon. friend, Mr. Kishen Chand, perhaps wants to have that by his amendment though it is not clear whether he is for the holders of the blank transfers or whether he is for the institution. However, that practice is not over-ruled by this clause. We made it clear that those shareholders whose names were on the register of the companies shall be entitled to claim and retain the dividend. Now, those who hold these blank transfers will be entitled to claim the dividend provided they had lodged all these documents necessary with the company to be registered in their names within fifteen days of the due date. Therefore, this rather restricts the blank transfers. He was correct when he said that there were two restrictions on the blank transfers. One is with regard to the time during which they are current. This is also a restriction in the sense that in order to claim the dividends, they must get their names registered as shareholders within fifteen days from the date when the dividend is due. There may be some difficulties about the companies. My hon. friend, Mr. Himatsingka read out the relevant section from the Companies Act. It is there; still, in order to make the position clearer and in order to protect the companies from being sued, we have provided that a company can pay and that there will be no bar to a company paying the dividend to the shareholders whose names are on the register. As regards the relationship between the transferor and the transferee, there is the Contract Act. Really speaking, there will be a restriction. If people want to get the dividend, they must lodge the necessary documents with the company within that specified time. If it is not done, then perhaps the shareholder whose name is on the register has all the right to receive the dividend and perhaps he will not pay.

SHRI P. D. HIMATSINGKA : Encouraging dishonesty.

SHRI M. C. SHAH: Encouraging honesty in the sense that those people who want the dividend must get their transfers registered; otherwise, they will not register their transfer for years together. Then, the currency also is

limited to six months or three months or even there might be prohibition. This is very necessary for discouraging blank transfers. In the original Bill, there was only the first provision; thereafter, we thought that there might be some difficulties and, to provide against them, added this sub-clause to clarify the position and to clear the confusion, if there is any according to the lawyers. Therefore, Sir, I cannot accept the amendments.

SHRI S. C. KARAYALAR: What about my amendment? He has not replied to that even.

SHRI M. C. SHAH: I think I have already replied. The same arguments apply to his amendment and so, it is not necessary to take the time of the House. All the objections are the same as are applicable to the amendment moved by Shri Kishen Chand and so, it is not acceptable.

SHRI S. C. KARAYALAR: The amendment of Mr. Kishen Chand is contradictory to my amendment. That argument will not hold good for my amendment.

MR. DEPUTY CHAIRMAN: He is not accepting your amendment.

\*Amendment No. 7 was, by leave, withdrawn.

MR. DEPUTY CHAIRMAN: The question is:

8. "That at page 16, lines 14 to 20, for words 'notwithstanding that the said security has already been transferred by him for consideration, unless the transferee who claims the dividend from the transferor, has lodged the security and all other documents relating to the transfer which may be required by the company with the company for being registered in his name within fifteen days of the date on which the dividend became due' the words 'but if the said security has already been transferred by him for consideration by means of a blank transfer form, he may authorise any person to collect the dividend for one year if the said shares continue to stand in his name by means of a blank dividend

\*For text of amendment, *vide* col. 630 *supra*.

[Mr. Deputy Chairman.]

form The person claiming the dividend under this will have to lodge the blank dividend form, blank transfer form and the share certificate one week before the date when the dividend warrant is issued' be substituted "

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is.

9 "That at page 16, lines 21 to 41 be deleted."

The motion was negatived.

MR. CHAIRMAN: The question is:

"That clause 27 stand part of the Bill "

The motion was adopted.

Clause 27 was added to the Bill.

Clause 28 to 31 were added to the Bill.

Clause 1, the Title and the Enacting Formula were added to the Bill.

SHRI M. C. SHAH: Sir, I beg to move:

"That the Bill be passed".

MR. DEPUTY CHAIRMAN: Motion moved:

"That the Bill be passed".

SHRI BHUPESH GUPTA: Mr. Deputy Chairman, I raised a number of points in the course of the discussion. The hon. Minister thought that they were not very relevant to the matter and yet he was at pains to reply to many of them and he invited me to come and sit at his feet and learn as to how the stock exchanges operated. I am glad to hear that at least we have got one in the Treasury Benches who has got ample experience and knowledge in the matter of the stock exchanges. I do not know how his business in the stock exchange was, whether it was successful or one of failure. However, I would like to tell him that it is essential for the Government not only to pass such measures but to set up a proper administration which will look into the affairs of the stock exchanges. He was a little confused himself

because he did not quite understand as to what suggestions we were making in the matter. Our point at this stage is not whether the stock exchanges should exist at all or not. One might debate over this point but we assume for the time being that the stock exchanges are going to exist in our country and that it would be necessary also for both sellers and buyers to operate in this market of stock exchanges. What, however, is important in this connection is to set up proper machinery to see that the legislation that we are going to pass is adequately applied so that there is no speculation. It appears from the speeches of some hon. Members in the House, especially from that of Shri Pradhu Dayal Himatsingka that there is no such speculation in the country; it is only a minor matter. Maybe a nuisance for him. To us it is a very serious matter, and there is no denying the fact that our economy is ridden with speculators in various places and this fact should not be overlooked by persons like him. He told us that he had no connections with the stock exchange but we know that he is a person who knows something about the business. I was amazed as to why such a responsible Member of the House would not see the dangers that lie in the speculations that are going on in the country. As far as the hon. Minister is concerned, he is not so much bothered about discussing the question of administration as in sponsoring certain provisions of the Bill and justifying them on the basis of his brief. I do not say that measures are not necessary nor do I say that this Bill is useless. All that I say is that this is not adequate and I think it will be necessary for the Government to take some more powers in its hand with a view to controlling it. Now the hon. Minister said, when we suggested this thing, that it required some more experience to see how it worked and that it would be too early. I for one do not see as to why that attitude should be taken. We have enough experience of this stock market. We have enough experience of those speculators who operate there in order to understand that very effective and drastic powers are needed. When I dealt with the question of punishment, he also raised the same point. He said some people were demanding liberal punishment, some people were complaining against the provisions of the Bill because the punishment provided for was liberal and others thought that the provisions for

punishment were rigorous. I would only tell him that the provisions for punishment would not act as a deterrent in the case of speculative elements. Besides, as you know, they are in a position to pull wires in all quarters and get out of the trouble whenever they are hauled up for speculative activities.

It is essential to tell them that if they violate the law they would be given exemplary punishment and I thought that our economy has been brought to such a position when speculators ought to be put in strait-jacket. I do not understand as to why the hon. Minister would not see the necessity of dealing with such people firmly. Perhaps having had some experience of the stock exchange and some very good connections there, he does not feel that way, but I think, as an hon. Minister who is concerned with the administration of the finances of the country he would see the necessity of dealing with such people severely. I mentioned something about getting more facts and other things so that he could deal with this matter. He did not answer this and other points.

Then he remarked that I had come back from England, Paris, what not, as if it was a very relevant utterance on his part and as though I have come with the experiences of the stock exchanges of Paris, etc., in order to cross swords with him.

SHRI M. C. SHAH: London.

SHRI BHUPESH GUPTA: I do not think it had any relevance in this matter. Now what I would like him to do, now that the Bill is being passed, is to set up a very powerful and strong machinery at least in places like Calcutta and Bombay. These are the two hot-beds of the speculators. They are the spring-boards of the speculators who operate throughout the country, and I think that the administration there is not at all good. I hope the Ministry will seek the co-operation of those people who are knowledgeable in this matter, those people who have not got a vested interest in the stock exchange, and find ways and means of checking them. It is essential to have proper administration and the Government of India should take the initiative in this matter. I can tell you that the local police is not a very dependable force. The local detectives are not very useful in this matter and Government should seriously consider as to whether

it should not have some kind of an organisation of its own operating under the Central Government with a view to tackling this problem. We have got the enforcement department and other things, but we need some kind of a department—I do not say a big department—or some people earmarked for this work in this department who would deal with the speculators in the country. That is very important and it is most regrettable that, when we speak against speculators, the hon. Minister says: "I know, Mr. Gupta, when he gets up, will have a fling at the big man." Well, all types of big men are operating in the country. A speculator, to my mind, is not necessarily a very big man, but he is a pot-bellied man. The big speculator is, I should say, a criminal, and if I have any grudge against him it is not because he is a moneyed man nor because he is a businessman, but because he works and operates in our economy to the detriment of our economy, sending thousands of people to ruination in the stock markets. I am speaking about the small shareholders who buy and sell in the market and this is why I have a grudge against him. It is also because the speculators hold our economy to ransom by their speculative activities in the stock market. They are connected with other financial investments in the country—banking, industry, commerce—and the whole thing is interlinked and therefore they operate in such a manner that our economy suffers under their operation. I have got very serious complaints against them. It is not that I hold certain ideologies and therefore I must necessarily have some complaint against the rich people. That is not the point here at all. I know that there are many people on the other side of the House who are against these speculators, who want drastic action to be taken against them. We want them to be controlled and eventually hounded out of the economic set up. I would like the Government to take note of these sentiments and feelings on the part of the people and do something about it. They are not doing anything about it. This is my complaint. If they have moneys such moneys can be utilised otherwise.

Then the hon. Minister said: "Well, how are the shareholders affected? In their case nothing much takes place because the people buy and sell shares." Here I think he was supported somewhat powerfully by Shri P. D. Himatsingka. Now does not the story of the



[Shri Bhupesh Gupta.]

stock exchange tell you how many small shareholders had been ruined by speculative operations? Now you will say: "You go and sell. Why should you blame the stock exchange?" I do not blame the stock exchange as such, but the manipulations take place in such a manner that sometimes people are induced to sell shares when they should not sell. Sometimes the people are induced to buy shares by some fraudulent manipulations when they should not buy.

MR. DEPUTY CHAIRMAN: All this is not relevant at this stage. We are in the third reading stage, Mr. Gupta.

SHRI BHUPESH GUPTA: Yes, Sir, as I was saying that is how those people are ruined. I say you have to check this thing now that we are having this measure. What we need is a proper administrative set-up, to enforce this law. Many of the laws that are passed in this Parliament are not enforced in practice.

MR. DEPUTY CHAIRMAN: That will do, Mr. Gupta.

SHRI BHUPESH GUPTA: Therefore, Sir, I would request Government to set up a proper administration and pick up a little courage. They are in a position to take action against the speculators that are prowling in our economy and let us not forget those gentlemen because unless we put them in the right place, our entire economy will be in danger.

That is what I would like to state again before I resume my seat.

3 P.M.

SHRI M. C. SHAH: Sir, I am glad and happy that Shri Bhupesh Gupta during these last two hours, or rather three hours, has tried to learn some thing and say it out here in the third reading. I am glad that he also accepts now the usefulness of this legislative piece. That is a gain so far as I am concerned. Now, it is only commonsense that is required to understand that whenever a Bill of this nature is passed, there is always an administrative set-up to administer the law. Whenever penalties and all sorts of checks are prescribed, naturally it goes without saying that there must be a strong administrative set-up and it does not require so many minutes of speech and

repeating things again and again. I do not think any purpose can be served except taking the time of the House. I have already tried to explain all the points. I also made the point that he got knowledge from London; I thought that London was a big place of stock exchange. He had been there and I thought he might have got some knowledge from there. That is why I referred to him. If he feels hurt.....

SHRI BHUPESH GUPTA: No; I do not feel hurt.

SHRI M. C. SHAH: Further, Members of the House may not have known that he had been to London and he must thank me for having made that fact known to the Members. Sir, I do not want to take more time of the House. I commend the Bill to the House.

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill be passed."

The motion was adopted.

### THE RESERVE BANK OF INDIA (AMENDMENT) BILL, 1956

THE MINISTER FOR REVENUE  
AND DEFENCE EXPENDITURE  
(SHRI A. C. GUHA): Sir, I beg to move :

"That the Bill further to amend the Reserve Bank of India Act, 1934, as passed by the Lok Sabha, be taken into consideration."

This Bill now consists of only seven clauses in all and the purposes of these clauses have already been given in the Statement of Objects and Reasons and Notes on Clauses. I shall explain in some more detail the salient features of the Bill.

Under Section 33(2) of the Reserve Bank of India Act, 1934, not less than two-fifths of the assets of the Issue Department of the Reserve Bank are required to be held in gold coin, gold bullion or foreign securities, the value of gold coin and gold not being below Rs. 40 crores in value. For some time it has been felt that these provisions are unduly restrictive in the context of our plans for development. The House