

*[English]***CRB Scam**

606. SHRI TARIT BARAN TOPDAR:
 SHRI MULLAPPALLY RAMACHANDRAN:
 SHRIMATI JAYAWANTI NAVINCHANDRA MEHTA:
 SHRI PRAMOD MAHAJAN:
 SHRI BASUDEB ACHARIA:
 PROF. AJIT KUMAR MEHTA:
 SHRI MOHAN RAWALE:
 SHRI MADHUKAR SARPOTDAR:
 SHRI SANAT KUMAR MANDAL:
 SHRI PRAKASH VISHWANATH PRANJPE:
 SHRI A. SAMPATH:
 SHRI SURESH R. JADHAV:
 DR. ASIM BALA:
 SHRI SANTOSH KUMAR GANGWAR:

Will the Minister of FINANCE be pleased to state:

(a) whether the Government are aware that CRB Capital Market Ltd. have defrauded investors to the tune of several hundred crores;

(b) if so, the details of irregularities came to the notice of the Government alongwith the extent of involvement of RBI, SEBI, CDDT and some public sector banks in the scam;

(c) the action being taken by the Government in the matter;

(d) whether the matter is under investigation of CBI/ any other agency; and

(e) if so, the time by which investigation is likely to be completed?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SATPAL MAHARAJ): (a) and (b) The main activities of CRB Capital Markets Ltd. (CRBCML) were hire purchase, leasing finance and merchant banking. A complaint was received in December, 1996 by Reserve Bank of India (RBI) from Tourism Finance Corporation of India Ltd. regarding default of repayment of deposits by CRB Capital Markets Ltd. Global Trust Bank Ltd. has also reported to RBI in March, 1997 about development of Letter of Credit opened by a group Company. Further, CRBCML fraudulently overdraw its accounts with the State Bank of India, Mumbai Main Branch (MMB) for payment of interest warrants, deposit refunds and brokerage warrants by an amount of over Rs. 58 crores. Keeping in view the findings

of the inspection carried out by RBI between November, 1996 to January, 1997 and the subsequent developments, especially relating to the SBI, the RBI issued prohibitory orders in April, 1997 under section 45MB(1) & (2) directing the company not to accept any further deposits and not to alienate any assets without prior permission of RBI, RBI filed a winding up petition in the Delhi High Court under section 45 MC of the RBI Act on 21.5.1997. A provisional Liquidator has been appointed by Delhi High Court. The Liquidator has initiated action to crystallize the assets and liabilities of the company.

(c) to (e) In view of these developments, the Government has asked the regulators, i.e., RBI and Securities and Exchange Board of India (SEBI) to undertake a thorough internal review of the regulatory actions in regard to these companies to see if there have been any lapses in application of regulations to CRB group of companies or in responding to warning signals, so that these deficiencies can be corrected. Government has also advised the State Bank of India to ascertain whether there was any internal failure to act on early warning signals emanating from the defaults in the payment arrangements with CRB Capital Markets Ltd. At the operative level an inter-departmental group comprising representatives of Central Bureau of Investigation (CBI), RBI, SEBI and the State Government has been constituted to ensure concerted action. RBI has also issued detailed instructions to banks prescribing the procedural safeguards to be taken into account while providing "at par" payment facilities to companies.

The recent amendment to RBI Act inter-alia, include mandatory requirement for registration, minimum net owned funds, compulsory transfer of certain proportion of profits to reserves and empowering the Company Law Board to look into the cases of non repayment of deposits. The regulatory mechanism for non-banking financial companies (NBFCs), thus, stands considerably strengthened. Operationally, the RBI has already initiated action to strengthen the supervisory mechanism in the light of the recommendations of the Khanna Committee. In so far as the criminal investigation and other legal proceedings are concerned, it is not possible at this juncture to fix any definite time frame for their completion.

International Funds for Human Resource Development

607. SHRI T. GOVINDAN: Will the Minister of FINANCE be pleased to state:

(a) whether the Union Government is considering the request from the Government of Kerala with regard to international funding for Human Resource Development, a project to consolidate and strengthen its advantages in the human resources front;

(b) if so, the details thereof; and

(c) the action taken thereon?