

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:983

ANSWERED ON:19.07.2002

FRAUDS BY FINANCIAL WEBSITE HOME TRADE

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Will the Minister of FINANCE be pleased to state:

(a) whether the complaints of frauds against the financial Website Home Trade and some brokers involving hundreds of crores of rupees, have lately been received by the Reserve Bank of India;

(b) if so, the details thereof;

(c) whether a Joint Investigating Team comprising of representatives of Enforcement Directorate, Mumbai Crime Branch, the State Cooperative Deptt. and Reserve Bank of India has been constituted to speed up the investigations into the swindling of funds of cooperative banks by the Home Trade and its associates;

(d) if so, whether the investigations have been completed;

(e) if so, the findings of the investigating team;

(f) the action taken against the Home Trade and the co-operative bank management; and

(g) the steps taken to protect the interest of the depositors?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS(SHRI ANANT GANGARAM GEETE):

(a) and (b) Reserve Bank of India (RBI) has reported that during the course of regular statutory inspection by National Bank for Agriculture and Rural Development (NABARD) of Nagpur District Central Co-operative Bank (DCCB), certain irregularities in the investment transactions of the bank involving M/s. Home Trade Ltd. and a few other broking firms were found. It was noticed that among others, the bank had failed to comply with RBI guidelines on investments regarding formulation of internal investment policy and internal control system, dealings through brokers, preparation of panel of brokers, obtaining prior approval of RBI for investment in non-SLR securities, violation of co-operative laws regarding lending to companies, trading in Govt. securities in physical form through few broking firms, purchasing of Govt. securities from these brokers, who also acted as counter parties, etc. Similar violations of norms were also observed in Wardha DCCB and Osmanabad DCCB.

(c) to (e) RBI has reported that it is not a member of any joint investigation team. Govt. of Maharashtra has set up a Special Task Force headed by Special I.G., C.I.D. and comprising officers from, Registrar, Co-operative Societies and State Public Sector Enterprise for effective investigation. The investigation is still in progress.

(f) RBI has reported that the Board of Directors of the Nagpur, Wardha and Osmanabad DCCBs have been superseded and Administrators appointed therein. Further, Government of Maharashtra has filed an FIR against the Chairman and General Manager of Nagpur DCCB as well as the five investment companies involved.

(g) Deposit insurance premium in respect of these three banks has been paid up-to-date and thus the depositors' interests in these banks are protected upto Rs.1 lakh, per depositor. Further, RBI has also initiated other measures like requesting the Registrars of Co-operative Societies in Maharashtra and Gujarat to conduct a special audit of investment transactions of all State and District Central Co-operative Banks in their States; issuing circular to all State Co-operative Banks and DCCBs reiterating guidelines on investment portfolio, introduction of a system of quarterly audit in co-operative banks to be conducted by the concurrent auditor, etc.