

**GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:5954
ANSWERED ON:02.05.2003
BANKS INDULGING IN SECURITIES TRADE
UMMAREDDY VENKATESWARLU

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

- (a) whether Reserve Bank of India has warned all banks against indulging in circular trade in Government securities;
- (b) if so, the details in this regard;
- (c) whether some banks have been found violating rules through trading in securities during the last three years;
- (d) if so, the names of such banks; and
- (e) the action taken by the Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS {SHRI ANANDRAO VITHOBA ADSUL};

(a) to (e) Reserve Bank of India (RBI) has intimated that the issue regarding circular trading in Government Securities by commercial banks was recently discussed in a meeting taken by it with CMDs/CEOs of select banks. In the meeting the bankers were informed that it had come to RBI's notice that some banks are entering into preset transactions in Government Securities to book profit on account of appreciation in their value without actually off-loading the same in the market. The bankers were advised to avoid such transactions since it was not a desirable practice.