

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

STARRED QUESTION NO:47  
ANSWERED ON:03.12.2004  
IRREGULARITIES IN GLOBAL TRUST BANK  
Chander Kumar Prof. ;Das Gupta Shri Gurudas

**Will the Minister of FINANCE be pleased to state:**

- (a) whether there has been failure on the part of RBI to prevent irregularities committed by the management of Global Trust Bank;
- (b) if so, the details thereof;
- (c) whether the GTB shares manipulators had done insider trading with Mauritius based overseas corporate body that led to a loss of over Rs. 36 crore to small investors;
- (d) if so, whether any enquiry has been initiated by the Government to investigate insider trading;
- (e) if so, the outcome thereof and the action taken by the Government against the guilty persons;
- (f) whether the Members of Parliament have requested the Government to refund of Rs. 36 crore to 20,000 small investors who bought two crOTE shares of GTB prior to the moratorium imposed by the RBI; and
- (g) if so, the response of the Government thereto and step taken by the Government thereon?

**Answer**

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

(a) to (g): A statement is laid on the Table of the House.

STATEMENT FOR LOK SABHA STARRED QUESTION NO.47 FOR 3RD DECEMBER 2004 REGARDING IRREGULARITIES IN GLOBAL TRUST BANK TABLED BY SHRI GURUDAS DADSGUPTA AND PROF. CHANDER KUMAR

(a): No, Sir.

(b): Does not arise.

(c) to (e): On the basis of certain reports indicating a sudden spurt in transaction in shares of erstwhile Global Trust Bank (GTB) before the moratorium was announced on 25th July, 2004, an investigation by SEBI was ordered. Enquiry revealed that two Overseas Corporate Bodies (OCBs) namely Far East Investment Corporation Limited and European Investment Ltd. based in Mauritius, started selling their shares from 17th June, 2004. This was done after they became eligible to trade in the shares of GTB on June 12, 2004. Together, they sold 95 lakh shares till 19th July, 2004. The main findings of SEBI are:

i) The analysis of the data and information on GTB scrip does not suggest that the sales by the concerned persons were based on any information about the likely announcement of moratorium by Government/RBI or the likely swap ratio and there are no evidences to suggest that they were in possession of the price sensitive information.

ii) During the pre-moratorium period, the purchasers were widespread and no concentrated purchases could be observed except two clients namely Suman Goyal, a resident of Ludhiana, and Ramji Mehrotra a resident of Kanpur, who purchased 599016 and 575000 shares, respectively. The analysis did not reveal any common set of purchasers and sellers during the period.

iii) During the post moratorium period, the purchasers and sellers were widespread and no concentrated purchases could be observed with few exceptions. No adverse findings could be observed on the above transaction. During the post moratorium period the prices of the scrip of GTD had fallen to a negligible level of about Rs.2/-.

(f) & (g): Several representations were received from different quarters including Members of Parliament expressing concern on the fate of investors and depositors of erstwhile GTB after the moratorium was imposed. A scheme of amalgamation was notified by the Government on 13th August 2004, which clearly laid down provisions protecting the interests of shareholders and depositors. This issue has also been debated threadbare in the Lok Sabha on 01.12.2004 and necessary clarifications have been provided.