

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:258
ANSWERED ON:17.12.2004
STOCK INVESTMENT SCHEME
Yadav Shri Giridhari

Will the Minister of FINANCE be pleased to state:

- (a) the directions issued by Reserve Bank of India to Nationalised Banks in regard to the Stock investment Scheme;
- (b) whether some nationalised banks have violated the directions issued by the Reserve Bank of India in regard to Stock Investment Scheme during the last two years;
- (c) if so, the details thereof alongwith the names of the banks, State-wise; and
- (d) steps being taken to ensure compliance of directions?

Answer

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

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

STATEMENT FOR LOK SABHA STARRED QUESTION NO.258 FOR 17TH DECEMBER 2004 REGARDING STOCK INVESTMENT SCHEME TABLED BY SHRI GIRIDHARI YADAV.

(a) to (d) The Stock Invest Scheme was introduced by the Reserve Bank of India (RBI) on 1st February, 1992. Under the scheme, banks intending to issue stock invests were required to refer to/inform RBI at least a fortnight before actually launching the scheme. However, in June, 1998, banks were advised that they could introduce the Stock Invest Scheme with the approval of their Board without reference to the RBI. The Stock Invest Scheme was reviewed by RBI in 2003. It was observed that the use of Stock invests as a mode of payment for application for allotment of shares/debentures in the primary market had declined substantially. Moreover, several measures were taken by Securities Exchange Board of India (SEBI) for bringing down the allotment period under primary issues. In view of these reasons, it was decided by the RBI that the scheme need not continue and it was withdrawn and discontinued with effect from 5th November, 2003.