

PROF. RASA SINGH RAWAT : I would like to tell you about FCI Gorakhpur. That unit was lying closed for six months and two three years might have elapsed by now but its employees were drawing salaries regularly whereas no efforts were being made for its revival. If all this continues in the same manner, the situation in the country will remain static which will prompt me to say—

"Nikale hain kahan jaane ke liye,  
pahuchenge kahan yeh maloom nahin,  
In raahon mein bhatakane waalon ko  
manjil ki disha maloom nahin."

Thereafter the situation will become incurable.

"marj badhta gaya jyon-jyon dawa ki."

MR. CHAIRMAN : You keep on deviating from the subject. Sometimes you mention Gorakhpur and sometimes you mention something else. Please speak on the Bill.

PROF. RASA SINGH RAWAT : Mr. Charirman, Sir, you are not accepting the proposal of referring the matter to the Standing Committee. My colleagues had proposed that this Bill should be referred to the Standing Committee. They had also proposed to discuss it on some other forum. Through you, I would like to say that I oppose this move to get the sanction of the Parliament for writing off certain amount of Industrial Reconstruction Bank. I am also against the move to convert an amount of Rs. 52.25 crore of equity share capital of the bank into redeemable shares carrying dividend at the rate of 6 per cent per annum redeemable at par on expiry of ten year. The Government has moved this Bill in order to write off a huge amount and you wish to have the parliamentary sanction for it. Hence I oppose the Industrial Reconstruction Bank Bill presented in the House and move my Resolution in the House.

MR. CHAIRMAN : Do not you wish to withdraw you Resolution?

[English]

Are you withdrawing the Resolution?

PROF. RASA SINGH RAWAT : No.

MR. CHAIRMAN : The question is :

"That this House disapproves of the Industrial Reconstruction Bank (Transfer of Undertakings and Repeal) Ordinance, 1997 (No. 7 of 1997) promulgated by the President on January 24, 1997."

*The motion was negatived.*

MR. CHAIRMAN : The question is :

"That the Bill to provide for the transfer and vesting of the undertakings of the Industrial Reconstruction Bank of India to and in the Company to be formed and registered as a Company under the Companies Act, 1956, and for matters connected therewith or incidental thereto and also to repeal the Industrial Reconstruction Bank of India Act, 1984, be taken into consideration."

*The motion was adopted.*

MR. CHAIRMAN : The House shall now take up Clause by Clause consideration of the Bill.

The question is :

"That Clauses 2 to 15 stand part of the Bill."

*The motion was adopted.*

*Clauses 2 to 15 were added to the Bill.*

MR. CHARIMAN : The question is :

"That clause 1, the Enacting Formula and the Long Title stand part of the Bill."

*The motion was adopted.*

*Clause 1, the Enacting Formula and the Long Title were added to the Bill.*

SHRI P. CHIDAMBARAM : I beg to move :

"That the Bill be passed".

MR. CHAIRMAN : The question is :

"That the Bill be passed."

*The motion was adopted.*

17.22 hrs.

[English]

STATUTORY RESOLUTION RE: DISAPPROVAL  
OF THE DEPOSITORIES RELATED LAWS  
(AMENDMENT) ORDINANCE

AND

DEPOSITORIES RELATED LAWS  
(AMENDMENT) BILL

MR. CHAIRMAN : The House shall now take up item

Nos. 9 and 10 together. The time allotted for this is one hour.

Shri Girdhari Lal Bhargava to speak.

[Translation]

SHRI GIRDHARI LAL BHARGAVA (Jaipur) : Hon'ble Mr. Chairman, Sir, I beg to move :

"That this House disapproves of the Depositories Related laws (Amendment) Ordinance, 1997 (No. 5 of 1997) promulgated by the President on January 15, 1997."

I rise to oppose the Depositories Related Laws (Amendment) Bill, 1997 (No. 5 of 1997) promulgated by the President. You know that what is happening here is that Ordinance favouring a particular party are issued. I have pointed out a number of times in the House that it is not proper to promulgate ordinances time and again. The ordinance promulgated now was introduced earlier also. I would like to draw the attention of the Hon'ble Minister and tell him that this Ordinance was introduced on September 20, 1995 and it has already been discussed in the House.

17.23 hrs.

[MR. DEPUTY-SPEAKER in the Chair]

[English]

What type of lacunae have been found and what are the difficulties that came in its implementation? These things should be mentioned.

[Translation]

Hon'ble Mr. Deputy-Speaker, Sir, at that time also I had raised this point and even now I want to say that the statement of objects and Reasons does not mention the need to move the Depository Bill and benefits likely to accrue after its implementation. I had stated earlier also that it would not be proper to add a new section to Depositories related laws. I request you to refer it to the Parliamentary Standing Committee on Finance. That committee should take it up for consideration section by section and I feel that it would be proper to take it up in the House only after the Committee has gone through it.

Hon'ble Mr. Deputy-Speaker, Sir it is also not stated in the statement of objects and reasons as to what would be the consequent advantages and disadvantages. That should have been mentioned. Thirdly,

[English]

This Bill provides protection to depositors and to check

wrong practices prevailing earlier as has been mentioned in various recommendations of the JPC.

[Translation]

The Government has introduced such an amendment in order to implement the various recommendations of the JPC and this is the concept behind the Depository Bill. In a way, this is rather a novel idea. Hence my submission is that.

[English]

It would be made because small investors want protection and capital market should also function smoothly. So my first point is that who will make arrangements for it?

[Translation]

Who will be the depository? This is my fourth point and fifthly, I would like to say.

[English]

How investors will be given protection and capital market be controlled? Who will be given privilege of introducing depositories?

[Translation]

Who will decide as to who is to conduct the depositories. In order to decide this issue a RBI committee should be set up comprising of competent officers who will take a decision in this regard. Further more it does not mention anything about the certifying authority. There should be a capital base of one hundred crore rupees. No provision has been made in it for audit. There should be a provision for audit. It does not mention as to who is to conduct and audit.

[English]

It is necessary because in the absence of an audit irregularities and frauds are committed in mutual funds and Nationalised Banks.

[Translation]

In the end, I would like to submit.

[English]

Who will bear the losses incurred due to the fraud or scam during the transactions of depositories? Or will the company bear the losses? What would be the charges of services rendered by it?

[Translation]

This bill does not mention anything about all these

points. That is why I am opposing the ordinance. I would like to request Hon. Minister not to get it passed in haste. First it should be referred to the select Committee of Finance. The Committee should take into consideration the recommendations. Thereafter this Bill should be introduced.

Mr. Deputy-Speaker, Sir, such had been the tendency of the Government promulgating ordinances that they used to criticise such moves when they were in the opposition. Now that these 40 people have formed a Government they have forgotten their duties and responsibilities. Today they will move this ordinance, tomorrow they may move another 13 ordinances. Hence now that they have moved to the other side, all those sitting on those benches originally from opposition parties should not forget their earlier stand on the subject and they should not move this ordinance. It would be better to refer all these points to the Select Committee of Finance. Thereafter, a bill should be introduced. I feel that these were the points which I wished to raise. I thank you very much for having given me the time.

[English]

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM) : Mr. Deputy-Speaker, Sir, beg to move :

"That the Bill further to amend the Indian Stamp Act, 1899, the State Bank of India Act, 1955, the Companies Act, 1956, the State Bank of India (Subsidiary Banks) Act, 1959, the Industrial Development Bank of India Act, 1964, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 and the Depositories Act, 1996, be taken into consideration."

Sir, you may remember that the Depositories Bill was passed by this House and the National Securities Depository Limited, the first depository, came into being on the 8th of November, 1996. After the depository was commenced, we discovered that there were some operational difficulties and these are sought to be removed by this amending Bill.

In fact, one difficulty was pointed out even during the debate, on the last occasion, by an hon. Member of the Rajya Sabha. When he pointed out that as worded, Section 9(2) had a lacuna and that lacuna be corrected, I told him that it appeared to me that there was a lacuna, but asked him to allow me to pass that Bill so that the depository might come into being and I would amend it at the first opportunity. One of the amendments I am bringing is to correct a lacuna which was pointed out to me by an hon. Member of the Rajya Sabha.

Secondly, as a result of the amendments made to the Companies Act and the Depositories Act, the shares are now freely transferable. But then, it was brought to our notice that as the section stands, if a company perversely refuses to transfer or pass an order, there is no remedy to the investor. Therefore, it is necessary to provide a remedy to the investor against the company which refuses to pass an order of transfer when an application for transfer is made. Now, that is also being provided.

Then Sir, the Stamp Act does not apply to shares of companies dealt with by the depositories. The reasons are obvious. The depository deals with dematerialised shares. There is no scrip. The question of the Stamp Act does not arise as the Act only refers to shares of companies. Now UTI, SBI, subsidiaries of SBI and public sector banks want to join the depository. In their case, since the word 'company' does not include statutory corporations, it was pointed out to us that the exemption from the Stamp Act would not apply and unless an amendment is made exempting their scrips also from the Stamp Act, the Stamp Act will be attracted. So, the provisions that I am making today in the amending Bill are purely consequential amending provision in order to remove some anomalies in the Act and to make the working of the depository more efficient and effective. There is no substantive change in the law. As a result of experience gained in the last three or four months, after the depository came into being, we think that these amendments are necessary. The Ministry of Law has looked into it and is satisfied that these amendments are necessary.

I would request the hon. Members to cooperate and pass this Bill. The Ordinance was passed because the depository had already come into being and we could not allow these anomalies to remain on the Statute Book. Therefore, the Ordinance was passed. We are coming here at the first opportunity to replace this Ordinance.

MR. DEPUTY-SPEAKER : Motions moved :

"That this House disapproves of the Depositories Related Laws (Amendment) Ordinance, 1997 (No. 5 of 1997) promulgated by the President on January 15, 1997."

"That the Bill further to amend the Indian Stamp Act, 1899, the State Bank of India Act, 1955, the Companies Act, 1956, the State Bank of India (Subsidiary Banks) Act, 1959, the Industrial Development Bank of India Act, 1964, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 and the Depositories Act, 1996, be taken into consideration."

MR. DEPUTY-SPEAKER : Prof. Rasa Singh Rawat.

SHRI P. CHIDAMBARAM : Prof. Rasa Singh Rawat cannot have any objection to this Bill.

[Translation]

PROF. RASA SINGH RAWAT (Ajmer) : Hon'ble Mr. Deputy-Speaker, Sir, I rise to welcome this Bill. Just now Hon'ble Finance Minister had presented Depositories Related Laws (Amendment) Bill, 1997. This bill was meant to protect the interests of investors, companies and share holders but some legal loopholes were left uncapped therein. There is a proverb that "Haste makes waste". "Late but not the loose". Earlier at the time of moving the Bill and formation of Government also I had stated that the Depositories Act...(Interruptions)

THE MINISTER OF CIVIL AVIATION AND MINISTER OF INFORMATION AND BROADCASTING (SHRI C.M. IBRAHIM) : As haste makes waste, hence we will delay your work.

PROF. RASA SINGH RAWAT : The proverb goes like this—"look before you leap" which means that one should think before leaping forward. At that time I had requested that it should be referred to the Standing Committee first. This bill was initially introduced in 1996. When the very first depository of the country viz. National Security Depository Limited (NSDL) came into being. When this Bill was introduced earlier, I had stated that a comprehensive bill should be brought in the House after thorough study but at that time no body paid any attention to it. Consequently a need to make amendment was felt. This bill is being moved in order to further amend Indian Stamp Act, 1899, the State Bank of India Act, 1955 the Companies Act, 1956, the State Bank of India (Subsidiary Banks) Act, 1959, the Industrial Development Bank of India Act, 1964, the Banking Companies (Acquisition and Transfer of Undertaking) Act, 1970, the Banking Companies Act, 1980, the Depositories Act, 1996. It clearly shows that in the earlier bill, the interests of small investors and shareholders of the company were safeguarded but the corporate bodies were in no way benefitted therefrom. The unit Trust of India, the State Bank of India and the Industrial Development Bank of India also wanted to be benefitted by it and they were also desirous of being covered under it as they were also dealing in shares. Hence we welcome this Bill as it has been introduced for a good cause.

But I would also like to add that Gandhiji used to say that when the goal or the objective is good, the means adopted to achieve it should also be good. But now this ordinance has been promulgated by the orders of the President. If the Parliament session was going to commence from 20th February nothing untoward should

have happened during these 15-20 days. Hence, the Government should have waited for a while. But they also have the same tendency. Whoever comes into power does not remain unaffected by its evils. Hence, I denounce the tendency of promulgating ordinances in such a manner but then this Bill has been introduced in order to remove a legal lacunae, as has been stated also.

[English]

"In order to remove certain legal lacunae, it was proposed to amend the Depositories Act, 1996, the Companies Act, 1956, the Industrial Development Bank of India Act, 1964..."

[Translation]

Just now, a Bill seeking amendment pertaining to Industrial Reconstruction Bank Act has been passed and it has been registered as a company. Will hereafter, this be fool-proof and not plagued with any legal lacuna? Has its name been notified in the Ordinance. It has become a limited company an investment company, hence its nomenclature should be changed just like Industrial Reconstruction Bank of India. Whether no lacunae will be left therein? Hence there is a need to consider this issue seriously. The Government want to get this Bill passed. It is written herein that it would be known as Industrial Reconstruction Bank of India. This Bill has been passed through Ordinance and the nomenclature has been changed through the Act and this name should be included therein. I feel that attention should be paid to this legal aspect and instructions should be issued in this regard.

All the countries of the world are now well connected and process of liberalisation is going on. Trade and settlement system in changing the depositories are working successfully in the developing nations from the point of view of trading activities. Provision should be made from auditing in order to run depositories successfully in our country. There is a need to exercise extreme caution so that common men and small investors desirous of depositing their money do not suffer losses. They should not fall prey to fraudulent persons. I would like to submit that people like Harshad Mehta are still roaming freely and have not been convicted. Fluctuations are caused in prices of shares due to such elements. Hence Hon'ble Minister should give an assurance that the common man will not fall victim to frauds and that the interests of shareholders will be safeguarded. The Government has set up SEBI and has also framed rules and regulations pertaining to stock exchanges for its regulation. After taking all these steps, the share market in India should become strong. The money invested in shares should be safeguarded and more investment should be attracted. The Government should pay attention towards all these issues.

I would like to reiterate that since Industrial Reconstruction Bank of India has become a company now, hence it would be better if its name is also changed.

DR. SHAFIQR RAHMAN BARQ (Moradabad) : Mr. Deputy-Speaker, Sir, I would like to bring to your notice that Shri Rajesh Ranjan is sitting at the main gate of the Parliament on a fast.

MR. DEPUTY-SPEAKER : Alright. Please sit down. Kumari Mamata Banerjee.

[English]

KUMARI MAMATA BANERJEE (Calcutta South) : Sir, yesterday, of course, I opposed the Ordinance because when Parliament is in session, Ordinances should not be issued. So, I am not going to repeat the same thing today.

This Bill was passed earlier in the year 1996 but it could not be passed in the Rajya Sabha. That is why, this Bill has been brought to the Lok Sabha. I do not think there are too many lacunae here. So, I rise to support this Bill. I think the Government's intention is to increase the share market and capital market as also to invest more money especially through depositories and through securities. They are going to register their names, their particulars, their company's name and everything through this Bill.

This is the good side of this Bill. But there are some lacunae in clause 9 of the Bill. What Shri Chidambaram said was that after section 82 of the Companies Act, a new section 83 shall be inserted, according to which, each share in a company having a share capital shall be distinguished by its appropriate number. I do not know, what is the meaning of this 'appropriate number'.

I only want to say two or three things here. Now-a-days, a parallel economy is going on in our country. Even from the Vohra Report, you will find that one section of Mafia gangsters, one section of politicians and one section of the administration are running a parallel economy in our country. In order to control and check this parallel economy, the Government has to be assertive.

There are some chit companies which are committing frauds. They should not take advantage of this Bill. Taking advantage of this Bill, they will register under different names. I have seen one man having ten or fifteen companies. They are either doing the promoting work or contracting work or they have set up some tourism industry. That way, one man is having ten or fifteen companies. This type of men may misuse the law.

When you are going to pass this law—it is a good law—you have to take some precautions so that people

should not deposit money under *benami* names. I am specially interested in the individuals because these individuals keep their money in the custody of Government agencies like the UTI, Life Insurance Corporation, State Bank and others. They should not be harassed and their money should be protected properly.

My request to the Government is that they must monitor and see whether the work is going on properly or not. The Government has to ensure that the Register is maintained properly at the central headquarters of the bank. They must see whether that Register is being maintained properly or not. The common people should not be harassed in respect of their hard-earned money.

I welcome this Bill and I support this Bill. At the same time, I request the Government to stop this parallel economy. The parallel economy may destroy the economy of the country. It may not harm any individual but it will harm the country. We want that our country should be developed through these types of laws.

SHRI BALAI CHANDRA RAY (Burdwan) : Mr. Deputy-Speaker, Sir, I rise to support this Bill with certain reservations and definite anguish. The anguish is because in the original Depositories Bill, section 8(A) of the Stamp Act was introduced, and section 8(A) of the Stamp Act provides that no stamp duty shall be leviable for certain types of transfers contained in clauses a and b. Those transfers are through the depositories. If 'beneficial owners', which is a phrase used for the first time in this Act, means nothing more than the holder of the scrip, transfer his shares to another beneficial owner, which was an ordinary transaction in the capital market, the stamp duty that has to be paid was on the basis of *ad valorem* rate of purchase price. It has now been totally abolished if the transfer takes place through the depository.

Now, in case of a transaction between the depository and the issuer, which means the company or the statutory corporation or a mutual fund, the only duty that will be assessable, and how it has not been mentioned, is on the value of the transfer the issuer makes.

It means the face value of the shares. It is well known that the transactions that take place in the secondary market, the value of the shares are sometimes 400 times more than the face value and the stamp duty that was realised which went as a revenue to the State Governments, was to the extent of the purchase price of that transaction. Now, only on the face value, the issuer will give stamp duty and we do not know what duty because it has not been mentioned how the duty will be assessed, whether it is *ad valorem* or what is the rate of the duty. The loss to the State Government of this account will be tremendous. Nowhere is it mentioned and it is possibly

[Shri Balai Chandra Ray]

unlikely to be mentioned in a Bill of this nature, how the distribution of the duty that will be realised will be made. The result is that first of all do not demand from the purchasers of valuable securities any stamp duty or any duty, while on ordinary transactions in land of small amount, duties have to be paid. Even a farmer has to pay stamp duty for transfer and in the share market in the transfer of shares, stamp duty was introduced with that view that crores of rupees transactions take place daily. If it can be taxed by way of duty or in any other form even, a fringe benefit can be bestowed to the State Governments by way of additional collection of revenue. It has been obliterated in the types of transfers in Clauses 'e' and 'd'. And in Clauses 'a' and 'b', only a small quantum of duty has been fixed.

This is understandable. If one adds to the depositories, transfer of shares is not liable to pay at all. For beneficial owner, a transfer is not liable in any way to be charged with duty, call it stamp duty or any other duty. But if one is outside the depository, a beneficial owner, at that time he will be only the owner of the share and if he transfers the share from 'a' to 'b', stamp duty has to be paid. This may be an encouragement to the depositories to come and operate in the capital market. But it is too early to assess subjectively how the depositories will ultimately be able to function. In anticipation that the depositories will function in such a way that it will encourage quick transfer of shares, the entire duty has been abolished in all types of transfer from beneficial owner to beneficial owner via the depository. This will harm the State revenue and this will only encourage the depositories and new corporates in the name of depositories will come now.

Secondly, it has to be noticed that the amendment, not only as Prof. Rasa Singh Rawat has said, is incomplete, but far less is taken care of what is expected of the Government to take note of.

Kindly consider one amendment which has not come. The registered owner of a share, passing through the depository, is the depository. But he, under Section 10, is having no voting rights. At the same time, the beneficial owner, the shareholder, is also not having a voting right.

Therefore, the companies, hereafter, will be able to eliminate a volume of shareholders, a large number of them, from voting in company meetings and the result will be disastrous. Neither the depository has a right to vote nor the beneficial owner shall have a right to vote.

Again, a host of amendments have been brought to the Companies Act, to the Banking Companies Act and so on with only one purpose. Although the amendments are many, the object is one. The object is to see that the companies maintain a register of shareholders. These are

the registers of shareholders whose names are registered with the company. That is done under the Banking Companies Act, the Companies Act and the other Acts which have been mentioned in Schedule-II after the Stamp Tax and all that... In this register, the name of the depository shall be entered under Section 6(2) saying that the depository shall be the registered shareholder. Now, the company shall maintain only that register and the depository shall maintain another register which shall be of the names of the beneficial owners. Now, a provision has been made by the amendment that this shall be deemed to be the register with the companies by amending all those provisions. It has possibly escaped the notice. By a deeming provision, the register which is really existing cannot be obliterated. Only when there was no register, by a deeming provision, a register could have been brought into existence. But what has been done? A different register is maintained but the registered owner is the depository and by the deeming provision, the beneficial owner also becomes a registered owner. It is a situation which again will only involve complications.

What I was wanting to draw the attention of the Finance Minister was that a more comprehensive amendment should have been brought in with an idea not to take out of the coffers of the State Governments substantial amounts of revenue. If it is done, compensatory amounts have to be given by the Central Government. The stamp duty is one of the major sources of income of the State Governments. If the stamp duty is taken out and compensatory amount is not given, the States would suffer. It should not be forgotten that the State Governments have very limited resources, very limited scope of unearthing revenue. Therefore, that is one aspect to which I am drawing the attention of the Finance Minister.

I am also emphasising that the benefit which has been given generally that no stamp duty or no duty shall be leviable on transactions between beneficiaries and beneficiaries through the depository will only help the large manipulators in the capital market. The small investors whose investments are of thousands of rupees or even a lakh of rupees, could have been saved from the stamp duty through the depository. But why do you exclude all? Those who can pay should pay. After all, our Preamble still says that we have conceived of a socialistic pattern of economy in this country. Can we liberalise in such a way, can we provide freedom of exclusion of duty in such a way that one and all, the big manipulators will escape and the small investors who may not even dare to go to the depository may or may not get the benefit? At least, this amendment should have been carefully thought of. I think a further amendment will be necessary so that we know what is the rate of duty that will be charged. But that is nowhere mentioned. What will be the apportionment of

the duty? How far will the depositories be able to function in our country? Let them function properly. Let us hope so. Let the quick transfers of shares take place. But until and unless we find that the depository is so functioning, at least, the laxity of non-payment of duty should not have been given to them. This is a later step which you could have contemplated. But it is too early to give them the benefits that we are offering.

With these words, I support this Bill.

SHRI NIRMAL KANTI CHATTERJEE (Dumdum) : Sir, I participated when the original Bill was there. In fact, the original Bill was referred to the Standing Committee. It came via the Standing Committee. Primarily, I have a slightly different perception. May be, I will be happy if he is right and I am proved wrong. I seek some clarifications.

It is an enabling amendment in the sense that if it is not provided in the State Bank of India Act that their shares can be listed in the depositories, then there is a problem. Similar is the case for IDBI. That is what has been stated here. But the difficulty we had mentioned at that time was that the foreign institutional investors were praising the Government, that the transfer of shares or share certificate in material form took too much of time. Nobody is sure about it. And there are cases of false share certificates etc. They were pressurising our Government that 'A' Form which is adopted in some of the advanced countries may be introduced in our country also. This was the background in which the Depositories Bill was originally introduced. And then one depository has been opened with the help of certain public sectors like UTI, SBI etc. Now it is an enabling one. But to whom? Who are the people? It is enabling the State Bank of India so that their shares can also be recorded in the depositories and if somebody chooses not to have a physical share certificate, then he can enlist himself in the depository itself. It also enables the State Bank of India (Subsidiary Banks) Act so that their shares can also be listed in a depository. But the same story is about the Industrial Development Bank of India (IDBI).

Then comes the amendment to the Banking Companies Act and amendments to the Banking Companies Act, 1980. There are two sets of banks which were nationalised or taken over by these two acts. With the amendment in these two Acts, all those banks are also enabled and their shares can be listed in a depository register. That is perfectly all right. Since we have passed and welcomed that Depositories Bill, if there is any hindrance in the shareholders' listing their names in the depository, that should be eliminated. But there is a problem. The problem is—perhaps, I have not understood it adequately and I want to be taught on that point—that there is a reference to

UTI also that along with State Bank of India and other banks which were nationalised in 1970 or 1980, this problem is affecting the UTI also. Now I do not see any amendment in the UTI Act. That also has a separate Act and that has been recognised here. But there is no amendment to that Act. I do not understand why this has happened, whether it has been a slip or I have misunderstood the whole thing. Even in his initial introductory remarks the hon. Minister referred to the UTI saying that the UTI has a separate Act.

SHRI P. CHIDAMBARAM : The UTI has no shares.

SHRI NIRMAL KANTI CHATTERJEE : In that case, you have to withdraw a part of your statement from the Statement of Objects and Reasons.

18.00 hrs.

This statement says :

"The securities of statutory bodies like, the Industrial Development Bank of India, Unit Trust of India, State Bank of India and other banks established under the Banking Companies Act 1970..."

If what he says now is correct then this reference is irrelevant.

SHRI P. CHIDAMBARAM : What are you reading?

SHRI NIRMAL KANTI CHATTERJEE : I could read out what you have said but it is the Statement of Objects and Reasons.

SHRI P. CHIDAMBARAM : Statement of Objects and Reasons for the Bill?

SHRI NIRMAL KANTI CHATTERJEE : Yes.

[Translation]

MR. DEPUTY-SPEAKER : It is six O'Clock. I would like to know the opinion of the House with regard to extending the sitting.

SHRI GIRDHARI LAL BHARGAVA : Please take it up tomorrow: Where is the need to pass it in a hurry?

[English]

MR. DEPUTY-SPEAKER : We will extend the sitting of the House till the discussion on this item concluded. Agreed?

[Translation]

SHRI GIRDHARI LAL BHARGAVA : It is six O'Clock. Please take it up tomorrow.

KUMARI MAMATA BANERJI : Tomorrow is the Private Members' Day...(Interruptions)

MR. DEPUTY-SPEAKER : No other Member is scheduled to speak on the bill only the reply has to be given by Hon'ble Minister.

KUMARI MAMATA BANERJI : There would be holiday on 7th and 8th. Tomorrow Rail Budget would be taken up. Tomorrow is also Private Members' Day. So it would be better if we finish it today.

[English]

SHRI P. CHIDAMBARAM : I am requesting you to please cooperate.

MR. DEPUTY-SPEAKER : Anyway the time is extended till the discussion is concluded.

[Translation]

SHRI GIRDHARI LAL BHARGAVA : It is six p.m. Please take it up tomorrow...(Interruptions)

[English]

SHRI P. CHIDAMBARAM : Who is objecting Sir?

[Translation]

MR. DEPUTY-SPEAKER : Members have objection...

...(Interruptions)

[English]

SHRI P. CHIDAMBARAM : Why are you objecting?

[Translation]

SHRI GIRDHARI LAL BHARGAVA : Our party members are also not present. Who will listen to you reply? Please take it up tomorrow after the Question Hour.

[English]

SHRI P. CHIDAMBARAM : What are you objecting? Everybody has spoken on it. Do not do it for the sake of doing it. Both of you have spoken.

[Translation]

SHRI GIRDHARI LAL BHARGAVA : It is six p.m. Please adjourn the House...(Interruptions)

KUMARI MAMATA BANERJI : Those who are not present here obviously do not have any interest in it.

[English]

SHRI P. CHIDAMBARAM : Please cooperate...(Interruptions)

PROF. RASA SINGH RAWAT : When we are ready to cooperate, in spite of that you are saying like this...(Interruptions)

SHRI P. CHIDAMBARAM : All right, I am sorry, Please sit down. Please cooperate.

MR. DEPUTY-SPEAKER : So, till the discussion is concluded, the time is extended. Agreed.

SHRI P. CHIDAMBARAM : Just now, I will finish it.

MR. DEPUTY-SPEAKER : Yes, Shri Nirmal Kanti Chatterjee, you may continue. But please be brief.

SHRI NIRMAL KANTI CHATTERJEE : Yes, Sir, I do not want to consume much time. I will be very brief.

As I have said, this is primarily an enabling Bill so that the depositories can function, so that his target of 10 billion dollars materialises through this dematerialisation process. Therefore, I am not objecting to that.

The other point that has been raised by our comrade is about the Indian Stamp Tax. That is very important. I have already spoken to the Finance Minister about the loss to the State because of this. Now, if a share certificate in the material form changes hands, then there is a stamp duty.

SHRI P. CHIDAMBARAM : Correct.

SHRI NIRMAL KANTI CHATTERJEE : I am not making any in correction right now.

The only argument I have heard is that since this is not a material one, how and why should there be a stamp duty? The transfer is a book transfer. A register is there in the depository and a particular share certificate numbered, was in the name of somebody; and it is being transferred, on the basis of his advice, to somebody else. So, this transfer is taking place. But I do not agree with the approach of the Finance Minister that in that transfer, it is not possible to impose the stamp duty. It is perfectly possible to have a stamp duty in that transfer also, even if that takes a dematerialised form of transfer.

So, my objection is that all these things are in the form of ordinances. In this case, he has no promise to keep.

In the case of the earlier Bill we understood that he had a promise to keep. But there is no such promise to keep in this case. I do not believe that between the Ordinance and today this depository has gloriously succeeded. It has to succeed; we know that because it is a simpler form. There is absolutely no doubt that there is so much loss of paper work also in the sense that shares

will not have to be printed and transferred, etc. It is simplified. But this leads to a loss of stamp duty to the States. There is nothing else in Chapter-2 of the Amending Bill but to say that there will no stamp duty. That is a loss to the States.

I wanted that since all these questions do arise, it should be referred to the Standing Committee. It is almost in the habit of those who draft the Bill to be rushed into a draft which contains lacunae or even if the intentions are all right, it could be sent to the Standing Committee for modification or share the wisdom of the Standing Committee. However, that was not to be. You have ruled that this need not go to the Standing Committee because of an earlier decision of the Deputy-Speaker. I do not know what is the hurry even today that it cannot be referred to the Committee. Because this is a very simple one also. In any case I want an answer on this particular point. Why is it a must that there should be no stamp duty? Secondly, if it is a must by any kind of logic, then how does he propose to compensate the States?

This is all that I want to raise besides the earlier technical point that I raised about UTI not being mentioned unless it comes under the Companies Act amendment.

SHRI P. CHIDAMBARAM : Mr. Deputy-Speaker, Sir, I am grateful to all the hon. Members for broadly supporting this Amending Bill which is, as I said, to cure the lacunae that were noticed in the operation of the earlier Depositories Act, 1996.

To take the last point first, my friend Shri Nirmal Kanti Chatterjee asked me as to why I am exempting securities in the Depositories Act from the liability to stamp duty. I am not doing it now. It was done by Parliament while passing the Depositories Act. Section 30 of the Act already provides that exemption from stamp duty. The question should have been raised when the main Act was passed. The main Act has been passed, I am not doing anything new now.

The reason is very simple. According to me, the securities must be transferred without any let or hindrance. It is free transferability of the security which makes it an effective instrument of the capital market. The reason for introducing a depository is that we must avoid scrip based trading and switch over to dematerialised form. Having switched over to a dematerialised form, to burden it with another charge known as a stamp duty and to ensure that stamp duty is paid and collected, would only impede the free transferability of the security. That is why Section 30 of the main Act itself exempted securities under depositories from the Stamp Act. If Nirmal Kantiji had any objection he would have raised it at that time.

SHRI NIRMAL KANTI CHATTERJEE : We did object to that at that time.

SHRI P. CHIDAMBARAM : There must have been a satisfactory answer at that time. Therefore, I think that question does not arise.

About the reference to UTI, the answer is very simple. There is nothing in the UTI Act which prevents UTI from entering a depository. If you will kindly look at the Ordinance, I am amending those Acts which have provisions which prevent that company from entering the depository. The State Bank of India Act, the State Bank of India (Subsidiary Banks) Act, the Industrial Development Bank of India Act, the Banking Companies (Acquisition and Transfer of Undertakings) Act are in it. There is no provision in the UTI Act which prevents it from entering a depository. The reference to UTI in the Statement of Objects and Reasons is not in the context of enabling the UTI to enter the depository.

But it is in the context of exempting units of UTI also from the stamp duty. This Bill does two things. One, it helps institutions which cannot enter the depository now to enter the depository and the other is it continues to exempt those services from stamp duty which are now entering it. Units of UTI also would be liable to stamp duty if I had not applied the exemption to units of UTI. That is why the statement refers to UTI.

I would like to submit that these are purely consequential amendments which have been made in order to make the Depositories Act effective. I would request the hon. Members to kindly extend their cooperation and pass this Bill.

[Translation]

SHRI GIRDHARI LAL BHARGAVA : Mr. Deputy-Speaker, Sir, what I had stated.

[English]

In that, the first point was this. Who is to make the arrangement for it? How would the investors be given protection and the capital market controlled?...*(Interruptions)*

[Translation]

My second point was that...

MR. DEPUTY-SPEAKER : Please do not repeat all the points.

SHRI GIRDHARI LAL BHARGAVA : Mr. Deputy-Speaker, Sir, who will do the auditing and what would be the capital base? All these questions have not been answered. Hence I request that if Hon'ble Minister gives

(Shri Girdhari Bhargava)

reply to all these question, it is all right. Otherwise he might have introduced this Bill with good intentions but there are people like Harshad Mehta who used to manipulate the share market through certain brokers. However, now I feel that whoever manages an entry in Depositories would get the validity. Hence I think that Hon'ble Minister seems to be in a bit of hurry. I had suggested earlier that it should be referred to the Standing Committee. Now it is up to him to refer it to the Committee. But there are some questions like who will audit the accounts, who will set up depository and who will take the responsibility for fraud. Hon'ble Minister has not replied to all these points. Hence, it would be better if he gives a satisfactory reply.

[English]

SHRI NIRMAL KANTI CHATTERJEE : Sir, I will take just one minute. This is regarding his explanation about UTI. The sentence is this. 'The securities of statutory bodies like the Industrial Development Bank of India—in one breath—Unit Trust of India, State Bank of India and other banks established under the Banking Companies Act, etc. could not be dealt in a depository mode.' If I have understood the English, some error has entered into the statement because the reference to units is in that Chapter. It is in Chapter II, Amendment to the Indian Stamp Act where the reference to ownership of units is there. But this sentence says, 'The securities of statutory bodies' and mentions Unit Trust of India in this connection. You have to amend that part of the sentence in the Statement of Objects and Reasons. You kindly see this. Your understanding of English is far superior to mine.

SHRI P. CHIDAMBARAM : I agree that it could be an error putting Unit Trust of India along with the other five. Unit Trust of India could have been put in a separate sentence because the next sentence makes it very clear that I am amending only the Companies Act, the IDBI Act, the State Bank of India Act, the State Bank of India (Subsidiary Banks) Act and the Banking Companies Act. I should have taken out Unit Trust of India and put it in a separate sentence but my intention is clear. It was perhaps wrong to include it in that sentence.

MR. DEPUTY-SPEAKER : Is there anything that you want to say regarding Shri Bhargava's remarks?

SHRI P. CHIDAMBARAM : As regards his points, all I would say is that all these are dealt with in the regulations. When the main Act was passed, I had explained in great detail the controls that will be there on the depositories. Now, regulations have been made known as the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996. Those regulations have been placed on the Table of the House. I am willing to send him a copy of the regulations. All the

matters that he was referring to are dealt with comprehensively in the regulations.

The regulations will control the function of the depository. Those questions do not arise in the amending Act. Those questions arose when we passed the main Act. I have explained it in great detail about the checks and balances and the controls which are in place in order to ensure that the depositories do not in any way effect the interests of the participants and the share holders. I am willing to send a copy of the regulations made by SEBI. Those regulations contain all the answers to all the issues that you have raised.

[Translation]

SHRI GIRDHARI LAL BHARGAVA : I seek the permission of the House to withdraw my statutory resolution.

[English]

MR. DEPUTY-SPEAKER : Is it the pleasure of the House that the Resolution moved by Shri Girdhari Lal Bhargava be withdrawn?

*The Resolution was, by leave, withdrawn.*

MR. DEPUTY-SPEAKER : The question is :

"That the Bill further to amend the Indian Stamp Act, 1899, the State Bank of India Act, 1955, the Companies Act, 1956, the State Bank of India (Subsidiary Banks) Act, 1959, the Industrial Development Bank of India Act, 1964, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 and the Depositories Act, 1996, be taken into consideration".

*The motion was adopted.*

MR. DEPUTY-SPEAKER : Now, we shall take up clause by clause consideration of the Bill.

The question is :

"That clauses 2 to 23 stand part of the Bill."

*The motion was adopted.*

*Clauses 2 to 23 were added to the Bill.*

MR. DEPUTY-SPEAKER : The question is :

"That clause 1, the 6 Enacting Formula and the long Title Stand Part of the Bill."

*The motion was adopted.*

*Clause 1, the Enacting Formula and the Long Title were added to the Bill.*

SHRI P. CHIDAMBARAM : I beg to move :

"That the Bill be passed".

MR. DEPUTY-SPEAKER : The question is :

"That the Bill be passed".

*The motion was adopted.*

The House now stands adjourned till Eleven a.m. tomorrow.

18.17 hrs.

*The Lok Sabha then adjourned till Eleven of the Clock on Thursday, March 6, 1997/Phalgun 15, 1918 (saka)*

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