

**FOURTH REPORT**

**COMMITTEE ON PETITIONS**

**(FOURTEENTH LOK SABHA)**

*(Presented to Lok Sabha on 20 December, 2004)*

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**LOK SABHA SECRETARIAT  
NEW DELHI**

**December, 2004/Agrahayana, 1926 (Saka)**

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## **COMPOSITION OF THE COMMITTEE ON PETITIONS**

**Shri Prabhunath Singh - Chairman**

### **Members**

2. Shri Raj Babbar
3. Shri Nandkumar Singh Chauhan
4. Shri N.S.V. Chitthan
5. Dr. M. Jagannath
6. Shri Jitin Prasad
7. Shri Baliram Kashyap
8. Shri Suresh Kurup
9. Ms. Nivedita Mane
10. Mohd. Muqueem
11. Shri Dharmendra Pradhan
12. Shri Jyotiraditya Madhavrao Scindia
13. Shri Damodar Barku Shingada
14. Shri Mansukhbhai D. Vasava
15. Shri Vijay Krishna

### **SECRETARIAT**

1. Shri John Joseph - Additional Secretary
2. Shri R.C. Ahuja - Joint Secretary
3. Shri Brahm Dutt - Director
4. Shri R.K. Bajaj - Under Secretary
5. Smt. Jagriti Tewatia - Sr. Executive Assistant

**FOURTH REPORT OF THE COMMITTEE ON PETITIONS  
(FOURTEENTH LOK SABHA)**

**INTRODUCTION**

I, the Chairman, Committee on Petitions, having been authorised by the Committee to present the Report on their behalf, present this Fourth Report of the Committee to the House on the following matters:-

- (i) Gist of the representations requesting for sanction of Freedom Fighter Pension.
- (ii) Action Taken by the Government on the recommendations of the Committee on Petitions (Thirteenth Lok Sabha) in their Thirty-sixth Report on the representation requesting for continuation of payment of family pension to the nominees of the deceased employees of Hindustan Fertilizers Corporation Ltd. (HFCL), Durgapur Unit, West Bengal.
- (iii) Action Taken by the Government on the recommendations made by the Committee on Petitions (Thirteenth Lok Sabha) in their Thirty-ninth Report on the representation to take action against Sanchayani Savings & Investments (I) Ltd. (SSIL), Kolkata and refund of investments made by Small Investors in the Company.....
- (iv) Action taken by the Government on the recommendations made by the Committee on Petitions (Thirteenth Lok Sabha) in their Forty-first Report on the petition requesting to revive Over-the-Counter Exchange of India (OTCEI), Mumbai

2. The Committee considered and adopted the draft Fourth Report at their sitting held on \_\_\_\_\_, 2004.

3. The observations/recommendations of the Committee on the above matters have been included in the Report.

**NEW DELHI;**

**December, 2004.**  
**Agrahayana, 1926 (Saka)**

**PRABHU NATH SINGH**  
**Chairman,**  
**Committee on Petitions.**

## CHAPTER - I

### **GIST OF THE REPRESENTATIONS REQUESTING FOR SANCTION OF FREEDOM FIGHTER PENSION**

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1.1 In 1969, a Scheme, known as “Ex-Andaman Political Prisoners Pension Scheme” was launched. Under the Scheme, pension was sanctioned to those freedom fighters who had suffered imprisonment in the Cellular Jail, Port Blair (Andaman Islands) for a minimum period of five years. In 1972, on the occasion of 25<sup>th</sup> Anniversary (Silver Jubilee) of Independence, a regular Freedom Fighters’ Pension Scheme was introduced covering other categories of freedom fighters. In 1980, the scheme was liberalized and renamed as “Swatantrata Sainik Samman Pension Scheme (SSSP).”

1.2 As per eligibility conditions under the Scheme, only those freedom fighters, who had undergone the prescribed minimum sufferings, are eligible. To become eligible for pension an applicant has to submit documentary evidence duly verified by the State Government along with their recommendation as required under the SSSP Scheme.

1.3 The Committee on Home Affairs in their 96<sup>th</sup> Report on the SSSP Scheme, presented the House(s) on 21<sup>st</sup> November, 2002, have inter-alia recommended to review all applications for SSSP in a time bound manner

as per parameters of the Scheme and ensure that applications of genuine freedom fighters are processed and pension is sanctioned to them expeditiously.

1.4 In reply to an Unstarred Question No. 1276 on 29<sup>th</sup> July, 2003 in Lok Sabha on the issue of delays in sanction of pension to the freedom fighters, the then Minister of State in the Ministry of Home Affairs had inter-alia assured that every effort would be made to dispose of the cases duly verified and recommended by State Governments within 45 days from the date of receipt of claims complete in all respects.

1.5 The Committee on Petitions have received a number of representations from the freedom fighters particularly from Gulbarga District of Karnataka and Madhubani District of Bihar. On scrutiny, it was found that many of these cases were duly recommended by concerned State Governments i.e. Governments of Karnataka and Bihar after due verification. However, these cases have been pending with the Ministry of Home Affairs for many years, even though the aggrieved petitioners have become too old to pursue their cases with the Government as they have reached the advanced age of 70 to 90 years.

1.6 Earlier, the representations received on the subject of freedom fighter pension used to be forwarded to the Ministry of Home Affairs for

disposal under intimation to the petitioner direct. However, considering (i) the criteria laid down under the Scheme, (ii) the recommendations made by the Committee on Home Affairs in their 96 Report for expeditious disposal of the cases of genuine freedom fighters, (iii) the assurance given by the then Minister in the Ministry of Home Affairs in reply to Unstarred Question for disposal of genuine and duly verified cases within 45 days and (iv) the fact that many petitioners have fulfilled the requisite criteria and their advanced age, it was felt that the matter warranted intervention by the Committee on Petitions. Therefore, 40 representations received from freedom fighters were referred to the Ministry of Home Affairs to examine and furnish the factual position in each case.

1.7 The Ministry of Home Affairs after examining the referred cases, have decided to sanction pension in favour of the following freedom fighters:-

- (1) Shri Gundappa, S/o Basappa Gundapgol, R/o-At Post Kurikota Tq. & Distt. Gulbarga, (Karnataka).**
- (2) Shri Sangappa, S/o Shri Basappa Kalyan, R/o At Post Kurikota Tq. & Distt. Gulbarga (Karnataka).**
- (3) Shri Basavannappa, S/o Shri Siddaramappa, R/o Chiknagaon, At Post Kurikota Tq. & Distt. Gulbarga (Karnataka).**
- (4) Shri Ambajirao, S/o Shri Balappa Phulse, C/o K-H. Phulse, R/o Plot No. 57, Udnor Road, Santosh Colony, Gulbarga (Karnataka).**
- (5) Shri Girappa V. Patil, R/o No. 10. LIG, KHB Colony, Behind Court, Gulbarga – 585102 (Karnataka).**

- (6) Smt. Godawari Bai. W/o late Shri Vithalsa Chavan, R/o H.No. 9-654/1, Near Lal Hanuman Temple, Shahabazar, Gulbarga – 585101. (Karnataka).
- (7) Shri Sidramappa, S/o Shri Gurupadappa Badadal, R/o H.No. 2-399, Jagat Gulbarga – 585105, (Karnataka).
- (8) Shri Venkareddy, S/o Shri Tippareddy Kapanoor, R/o, Kalmood-585313, Tq. & Distt. Gulbarga, (Karnataka).
- (9) Smt. Narasamma, W/o late Shri Sayareddy, R/o H.No. 8-1545/142, Shivaji Nagar, Gulbarga-585104, Tq. & Distt. Gulbarga, (Karnataka).

**1.8 The Committee note with satisfaction that through their intervention, the grievances of some of the freedom fighters have been redressed. The Committee note that in most of the remaining cases referred, the Ministry have sought clarifications/additional information/documents from the State Government concerned. The Committee, would like the Ministry of Home Affairs to obtain necessary clarifications/documents from the State Governments concerned and sanction freedom fighters' pension in the remaining pending cases also at the earliest so that whatever little the nation can do for the genuine freedom fighters is not delayed. The Committee would like to be apprised of the conclusive action taken in the remaining cases within 3 months.**

## CHAPTER-II

### **ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS MADE BY THE COMMITTEE ON PETITIONS (THIRTEENTH LOK SABHA) IN THEIR THIRTY-SIXTH REPORT ON THE REPRESENTATION REQUESTING FOR CONTINUATION OF PAYMENT OF FAMILY PENSION TO THE NOMINEES OF THE DECEASED EMPLOYEES OF HINDUSTAN FERTILIZERS CORPORATION LTD. (HFCL), DURGAPUR UNIT, WEST BENGAL.**

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2.1 The Committee on Petitions (Thirteenth Lok Sabha) in their Thirty-sixth Report presented to Lok Sabha on 18<sup>th</sup> December, 2003 had dealt with a representation requesting for continuation of payment of family pension to the nominees of the deceased employees of Hindustan Fertilizers Corporation Ltd. (HFCL), Durgapur Unit, West Bengal.

2.2 The Committee made certain observations/recommendations in the matter and the Ministry of Chemicals and Fertilizers (Department of Fertilizers) were requested to implement those recommendations and furnish action taken notes for the consideration of the Committee.

2.3 Action taken notes have been received from the Ministry of Chemicals and Fertilizers (Department of Fertilizers) in respect of all the recommendations contained in the Report except on the point regarding continuation of dispensaries.

2.4 The Committee will now deal with the action taken by the Government on their recommendations.

2.5 In para 1.18 of the Report, the Committee observed as follows:-

“The main contention of the petitioners who are the employees of Durgapur unit of HFCL/FCI is that upon the closure of the HFCL the Family Pension being paid to the widows/dependents of about 42 of the deceased employees of the unit should not be discontinued. They want that the payment of family pension to the legal heirs of the employees should be retained. Also, the dues of the employees of the closed units be settled along with other benefits of education of children, residential quarters and retention of few employees for the closure operations.”

2.6 In their action taken reply, the Ministry of Chemicals and Fertilizers have stated:-

“The expenditure towards payment of family pension to the dependents of the deceased employees was met by the Hindustan Fertilizer Corporation (HFC) from its own resources. After its closure, all the commercial activities of the company have stopped and it has no funds to continue the Family Pension Scheme. However, this Department, after examining the issue, has instructed HFC on 1.9.2004 to reconsider the proposal for paying a lump sum amount equivalent to 12 months of pension to the beneficiaries as a welfare measure before discontinuing the scheme.”

2.7 In para 1.19 of the Report, the Committee recommended as follows:-

“The Committee cannot but express their deep concern over the fact that a final decision on the feasibility of continuation of payment of family pension to 42 families of employees of the Durgapur unit of HFC has not yet been taken and the matter is still under examination of the Government. The Committee are of the firm view that had the various aspects of closure of the HFC/FCI units vis-à-vis the benefits like family pension to the retired employees and their dependents been decided prior to the closure operation of these units, the affected employee’s families would have been saved from the present state of dilemma. During the course of examination the Committee were informed that the matter was being taken up with LIC for exploring the possibility of having some policy for the dependents of the deceased employees. The Committee, therefore, recommend that timely conclusive action should be taken by the concerned authorities for continuation of payment of the family pension to the legal dependents of deceased employees of the Durgapur unit of HFCL. The Committee would like to be apprised about the action taken in this regard within two months of the presentation of the Report.”

2.8 In their action taken reply, the Ministry of Chemicals and Fertilizers have stated:-

“With a view to continue the family pension scheme, HFC has taken up the matter with various insurance companies in the private and public sector proposing them to manage the scheme by themselves delinking the same from the company on the terms and conditions put forward by them in view of the closure of the company. However, these efforts of the company have not yielded any fruitful result as no positive response has been received from the insurance companies. Due to financial crunch, the company is not in a position to continue the scheme.”

2.9 In para 1.20 of the Report, the Committees recommended as follows:-

“In the context of closure of the HFCL/FCI sick units, the Committee have been apprised that the Government have decided to extend the following concessions to their employees after their release under VSS:

- Permission to retain company quarters till end of the current academic session (April, 2003).
- Continuation of the schools and dispensaries (at reduced scales) till the end of the current academic session.

Considering the impact of the closure of schools etc. on the wards of the employees/ex-employees of HFC and others who have been studying in HFC run schools/institutions, the Committee would like the Government to continue these and if necessary in coordination/jointly with State Government, NGOs or other educational institutions.”

2.10 In their action taken reply, the Ministry of Chemicals and Fertilizers have stated:-

“Keeping in view the interests of the children’s education of the released employees, they were allowed to retain company accommodation till

30.4.2003 on normal rent till the completion of the academic session. At Durgapur unit, schools had been run by the unit itself. But consequent upon closure of the unit as well as release of almost all the employees under VSS including teaching and other staff of the school, the functioning of the school was stopped by the company. To run the schools effectively, efforts were made by the company for leasing out the school building in various units which received a very poor response. Negotiations with Vivekananda Sewa Sammiti Education Trust, Hyderabad which had shown its interest for running the school at Durgapur unit also could not succeed. HFC is also negotiating with another party i.e. M/s Parth International, Mumbai for running the primary and secondary schools at Durgapur.”

## Observations/Recommendations

**2.11 The Committee regret to note that the main demand of the petitioners for continuation of the family pension to about 42 widows/dependents of the deceased employees of the Durgapur Unit of HFCL/FCI has not been accepted by the Government on the grounds that (i) no insurance company has shown interest to take over the Scheme, and (ii) after the closure of the company, it has no fund to continue the Scheme. However, as a welfare measure, the Ministry of Chemicals and Fertilizers have instructed the HFC to reconsider the proposal of paying a lumpsum amount equivalent to 12 months of pension to the beneficiaries before discontinuing the Scheme.**

**2.12 The Committee are, however, not convinced as to how the Ministry would exonerate the HFC from their liability in the matter of continuation of payment of family pension to the petitioners without explaining and fulfilling the legal obligations of the Government/ the company as per the original terms and conditions of the family pension scheme when it was introduced. The Committee also do not agree with the Ministry's view that payment of a lump sum amount equal to 12 months' pension would be a welfare measure and this would end the liability of the Government in the matter. The Committee, therefore, recommend that the Ministry reconsider the issue in the light of legal provisions applicable to the family pension scheme of HFC when it was introduced and take immediate necessary steps for continuation**

of the scheme in some appropriate form in the long term interest and welfare of the petitioners. Alternatively, the Ministry, in consultation with the Company, should work out and pay suitable lump sum compensation to each beneficiary to offset the loss of pension instead of a meagre lump sum payment equal to 12 months pension. The Committee would like to be apprised of the conclusive action taken in this regard within a period of 6 months.

2.13 As regards the other demands of the petitioners relating to (i) permission to retain the quarters till end of the academic year i.e. April, 2003 and (ii) continuation of the schools, the Committee note from the reply of the Ministry that the petitioners were allowed to retain company's accommodation till 30 April, 2003 on normal rent.

2.14 However, the running of the schools could not be leased out to/ handed over to any Private Trust/Body due to poor response from such bodies. The Committee would like the company to pursue the current negotiations with M/s Parth International, Mumbai, in right earnest to ensure that the Primary and Secondary Schools at Durgapur continue to run to meet the genuine requirement of the petitioners.

2.15 The Committee regret to note that the Ministry have not furnished any reply to the Committee's recommendation about continuation of dispensaries

**in HFC. The Committee expect the Ministry to be more vigilant and responsible in furnishing replies. Accordingly, the Committee would like to be apprised of the conclusive action taken in the matter expeditiously.**

### **CHAPTER-III**

#### **ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS MADE BY THE COMMITTEE ON PETITIONS (THIRTEENTH LOK SABHA) IN THEIR THIRTY-NINTH REPORT ON THE REPRESENTATION TO TAKE ACTION AGAINST SANCHAYANI SAVINGS & INVESTMENTS (I) LTD. (SSIL), KOLKATA AND REFUND OF INVESTMENTS MADE BY SMALL INVESTORS IN THE COMPANY.**

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3.1 The Committee on Petitions (Thirteenth Lok Sabha) in their Thirty-ninth Report presented to Lok Sabha on 30 January, 2004 had dealt with representation to take action against Sanchayani Savings & Investments (I) Ltd. (SSIL), Kolkata and refund of investments made by small investors in the Company.

3.2 The Committee had made certain observations/recommendations in the Report and the Ministry of Finance (Department of Economic Affairs – Banking Division) were requested to implement those recommendations and furnish their action taken notes for the consideration of the Committee.

3.3 Action taken notes have been received from the Ministry of Finance (Department of Economic Affairs – Banking Division) in respect of all the recommendations contained in the Report. Some of the recommendations made by the Committee and the replies thereto furnished by the Ministry of Finance (Department of Economic Affairs – Banking Division) are discussed in the succeeding paragraphs.

3.4 In paras 1.12 and 1.13 of the Report, the Committee had recommended as under:

“The Committee are informed by the petitioners that many people, including the low-income group section of the society, had deposited their life-time savings and hard-earned monies ranging from about Rs.5000/- to Rs.50,000/- in M/s. Sanchayani Savings & Investments (I) Ltd., (SSIL), Kolkata based on the assurance by this company to repay their investments on maturity. SSIL, classified by RBI as a Residuary Non-Banking Company (RNBC), had collected about Rs.800/- crore from more than 50,000 small depositors. However, their matured deposits were not repaid by the SSIL. Moreover, many of the branch offices of SSIL were closed or made non-operational. Eventually, the investors were compelled to approach the regulatory bodies and the RBI but in spite of their best efforts within the legal framework, they did not receive back their matured deposits from the SSIL. The petitioners have, therefore, prayed for appropriate action by the Government to get their deposits refunded from the SSIL.”

[para 1.12]

“The Committee note that the RBI at first conducted an inspection of the Company in May 1994 with reference to the SSIL’s financial position as on 31<sup>st</sup> March, 1993 and the inspection revealed violations of the provisions of RNBC Directions. As a result of this inspection it also emerged out that SSIL had a weak financial position. The RBI, in exercise of its powers under sec. 45K of the Reserve Bank of India Act, 1934, issued orders on 23<sup>rd</sup> November, 1994 prohibiting the SSIL from accepting deposits but this company continued to accept deposits from the investors, after an order by the Kolkata High Court. In April, 1999 another inspection was conducted by the RBI with reference to the Company’s provisional balance sheet as on 31<sup>st</sup> December, 1998. The second inspection revealed a very serious asset-liability mismatch alongwith violations of almost all the provisions of the RBI Act. Subsequently, the RBI again issued prohibitory orders against the company in 1999, barring it from raising fresh funds. Another inspection of the company was conducted by RBI in February, 2001, with reference to its financial position as on 31<sup>st</sup> March, 2000 which revealed an outstanding deposits (including interest) amount of Rs.599.76 crore. The total assets (net of intangibles) of the company were Rs.476 crore out of which, Rs.436.77 crore were investments made by the company from the public deposits. Due to litigations in various Courts and stay orders obtained by the SSIL against prohibitory orders of the RBI, this company continued to accept public deposits making a mockery of directions of the RBI.”

[para 1.13]

3.5 In their action taken reply, the Ministry of Finance (Department of Economic Affairs – Banking Division) have stated as follows:-

“The outstanding deposits, including accrued interest thereon stood at Rs.599.76 crore as on March 31, 2000. RBI has reported that it has been receiving a number of complaints from the aggrieved depositors regarding non-payment of deposits by the company. RBI has taken several supervisory steps against the company like rejection of its application for Certificate of Registration, imposition of prohibitory orders against acceptance of deposits and alienation of its assets except for repayment of deposits, followed by application to Hon’ble

Supreme Court for appointment of Special Officer. The application filed by RBI for appointment of Receiver/Special Officer was heard by the Hon'ble Supreme Court on 28<sup>th</sup> April, 2003 and the Hon'ble Court appointed M/s N.C. Banerjee & Co. Chartered Accountants, Kolkata as Special Officer for M/s. SSIL and directed them to examine the feasibility of framing a scheme for repayment to depositors. The Special Officer has since initiated necessary action in the matter.

As there are several court cases involving SSIL and RBI, pending at various courts, with a view to avoiding multiplicity of proceedings and conflicting orders being passed by different courts, the Bank filed a Transfer Petition Civil No.209-213 before the Supreme Court for transferring all the cases pending before Bombay (Nagpur Bench) and Calcutta High Courts to the Supreme Court itself and prohibiting the Company from accepting deposits from the public. The move was primarily intended to protect the interests of depositors spread over many states and to restrain the company from accepting deposits in defiance of the regulatory measures. The company also filed a SLP on September 15, 1999 before the Hon'ble Supreme Court praying against division Bench order dated September, 15, 1999 for allowing the continuation of special officer and injunction on deposits acceptance. The SLP as well as the Transfer Petition were heard on September 18, 2000 by the Supreme Court when the Court admitted the Transfer Petition filed by the Bank and ordered the issuance of notice to all concerned. The Court also admitted for hearing, the SLP filed by the company and directed that pending disposal of the appeal, the status quo as of September 18, 2000 should be maintained. The Bank also filed an Interlocutory Application No.6 before the Hon'ble Supreme Court for amendment of the status quo dated September 18, 2000 and also for a restrain order on the company's continued acceptance of deposits. The said Interlocutory Application was finally heard by the Hon'ble Supreme Court of India on 19<sup>th</sup> August 2002 when the Court clarified that the order dated 18<sup>th</sup> September 2000 passed by the Hon'ble Supreme Court directing maintenance of status quo, would not prevent the Bank from taking all steps as may be necessary in the interest of the depositors and creditors of the company. The Supreme Court also directed that the company will strictly comply with the Prohibitory Order dated 10<sup>th</sup> May 1998 issued by the Reserve Bank of India.

In the interest of the depositors, the Bank has given wide publicity to the Supreme Court Order. The Bank again prohibited the Company & its directors from acceptance of fresh deposits and alienation of assets under Section 45 MB(1) & 45 MB(2) of the Reserve Bank of India Act, 1934 vide its letter dated 4<sup>th</sup> December, 2002. The application of the company for issue of Certificate of Registration under Section 451A of the Reserve Bank of India Act, 1934 was rejected by the Bank on 8<sup>th</sup> January 2003 and the same was published in one English daily and one vernacular daily on 13<sup>th</sup> January, 2003.”

3.6 In paragraph 1.14 of the Report, the Committee recommended as follows:

“The Committee have been informed that all litigations pending in various Courts relating to the SSIL were transferred to the Supreme Court in 2000, on an application placed before the Supreme Court by the RBI for appointment of Receiver/Special Officer for the Company. The Supreme Court on 28<sup>th</sup> April, 2003 directed for appointment of a “Special Officer” and M/s. N.C. Banerjee & Co, Chartered Accountants, Kolkata were appointed as “Special Officer” for M/s. SSIL. Subsequently in July, 2003, the Supreme Court gave further directions in regard to duties and powers of the Special Officer. These powers include the power to access and examine all accounts of the SSIL, take possession of all assets of the SSIL and initiate legal proceedings required to protect the rights and interests of the depositors. The Committee trust that the Government/RBI will review and monitor regularly, the progress made by the Special Officer and ensure that the small depositors get their money with due interest at the earliest.”

[para 1.14]

3.7 In their action taken reply, the Ministry of Finance (Department of Economic Affairs – Banking Division) have stated as follows:-

“A Special Officer has also been appointed by the Hon’ble Supreme Court vide its order dated 28<sup>th</sup> April, 2003 for taking charge of the assets of the Company. The Hon’ble Supreme Court has further issued, vide their Orders dated July 22, 2003, the following directions regarding the duties and powers of the Special Officer appointed by the Court:-

- (i) The Special officer is given full access to all books of accounts of all offices of the company irrespective of any orders passed by any other court.
- (ii) All banks having the company’s accounts have to provide details of accounts to the Special Officer, who would conduct all the transactions with the banks.
- (iii) The Special Officer should take all steps necessary to protect company’s assets so as to safeguard the depositors’ interests.
- (iv) The Special Officer is given complete financial authority to meet all expenses incidental to discharge of his duties as the Special Officer.
- (v) The directors of the company should furnish an exhaustive list of all the movable and immovable assets of the company along with their locations and addresses.
- (vi) The Special Officer is allowed to seek police assistance, if required.

- (vii) The Special Officer has been permitted to reimburse to the Reserve Bank of India all legal expenses incurred by the Bank on behalf of the Special Officer, from the company's assets.
- (viii) The Special Officer is empowered to take possession of the company's all movable and immovable assets in India and abroad after obtaining necessary permission of the courts having jurisdiction over them.
- (ix) The Special Officer is permitted to do and perform all the acts and deeds including engaging assistance and professionals and initiating legal proceedings required to protect the rights and interests of the depositors.

The Special Officer submitted his report dated September 15, 2003 to the Hon'ble Supreme Court indicating, inter-alia, the difficulties and impediments faced in getting full details of the assets of the company, for opening its premises, etc. the course of action proposed to be taken and progress made so far and requested the Hon'ble Court for certain specific orders for their convenience and their remuneration. The Special Officer has filed on November 3, 2003 their second Report before the Court indicating the further difficulties faced by them, inter-alia, the non-co-operation of Shri Sudipta Sen, Ex-Managing Director of the Company and sought for certain directions from the Court. Shri Sudipta Sen has denied the allegations made by the Special Officer in his affidavit dated November 12, 2003. The Hon'ble Court has directed the Special Officer on November 28, 2003 to take on record, the list of the company's assets furnished with the affidavit filed by Shri Sudipta Sen, ex-Managing Director of the company. The Court granted two weeks' time to the Special Officer for filing of a scheme specifying the steps to be adopted for recovery of the money, and three weeks' time to the petitioner company to file their reply to the second report submitted by the Special Officer to the Court. At the hearing held on January 23, 2004, the Counsel for Special Officer submitted before the Court that certain assets of the company have been seized by the State of Maharashtra under the Maharashtra Protection of Interest of Depositors (in Financial Establishments) Act, 1999 and prayed that as the Bank has filed the said application, the Bank may be directed to implead the State of Maharashtra as one of the parties. The counsel for Special Officer also prayed to the Court that the Bank may be directed to issue circulars to all the banks throughout the country directing the said Banks to transfer the funds of the company available with the said banks to accounts opened by the Special Officer. The Counsel for the depositors also prayed that in order to protect the interest of the depositors and to ensure that the distribution of the monies to the depositors is equitable, an officer from the Bank may also be deputed to work in conjunction with the Special Officer. After hearing the Counsel for the parties, the Court opined that the Bank may look into the possibilities and suggest its opinion with regard to the same and fixed the matter for hearing on February 3, 2004. Meanwhile, after discussing the matter with the

Bank's Senior Counsel, Shri Harish Salve and considering the interest of the depositors of the company, the Bank filed an application dated January 30, 2004 for impleading the State of Maharashtra as a party to the Interlocutory application.

The Supreme Court heard the matter on February 03, and 06, 2004 and passed the following directions:-

- (i) That the Special Officer shall take immediate steps for publication of notice in six newspapers having wide circulation out of which, four newspapers should be in English language and two newspapers in the local language of different regions. The notice shall invite claims from the depositors of the petitioner company along with necessary averments and proof in support of the claims. The publication shall be at least in six issues of the newspapers spreading over a period of one month. The Special Officer on receipt of which claims shall scrutinize the same.
- (ii) In so far the two properties, as indicated in the suggestions, viz. Shree Vardhan Complex at Indore, and Golden Height Unit at Dadar, West Mumbai, are concerned, steps may be taken for sale of these properties by the Special Officer, by adopting sealed tender method. The tenders shall be addressed to the Special Officer and shall be opened by the Special Officer in presence of the Registrar General of High Court in whose jurisdiction the properties fall and the report of the same shall be submitted to this Court.
- (iii) It is indicated that the title deeds in respect of some of the properties are available with the Special Officer but the procession of the properties is with different parties in different legal proceedings, pending in different courts. In such matters, it is directed that the Special Officer shall take appropriate steps for taking over possession of such properties by moving the concerned courts so as to make those properties available for sale.
- (iv) It is also indicated that there are a number of properties in respect of which the Special Officer does not have the title deeds nor has the possession. In connection with such properties, it is directed that all the Divisional Officers of 10 divisions and 3 housing divisions (in all 13 divisions), as indicated in one of the Annexures filed along with an affidavit of Sudipta Sen, shall contact the Special Officer forthwith and hand over the title deeds of different properties to the Special Officer. They shall also furnish other relevant information in respect of other properties as well. The Special Officer shall send notices to the Divisional Officers along with a copy of this order. The Divisional Officers shall contact the Special Officer within 10 days of receipt of such notice from the Special Officer. The Divisional Officers shall also file affidavit of compliance, in this Court.

- (v) It is further indicated that there are certain title deeds and relevant information with Shri R.K. Majumdar, Legal Advisor of the petitioner company, made which, it is submitted, may also be made available to the Special Officer. The learned counsel for the petitioners submitted that the petitioners shall have no objection if such information is sought from and it is provided by Shri R.K. Majumdar. The Special Officer may seek necessary information of the title deeds and other information regarding the properties from Shri R.K. Majumdar.
- (vi) It is informed that there are building projects undertaken by the petitioner company with some builders. Such properties have been indicated in the report of the Special Officer. The Special Officer shall after contacting the builders, submit a status report about such building projects and the properties.
- (vii) It is also indicated that the petitioner holds shares of different companies. The shares so held by the petitioner company be sold by the Special Officer, after opening a D-MAT account in the name of the Special Officer, through an authorised share dealer. In case, where the share certificates are not available, the Special Officer may obtain duplicate share certificates from the concerned companies.
- (viii) Before proceedings to invite the sealed tenders the Special Officer shall get the properties valued through an approved valuer who may be appointed in consultation with the Registrar General of the High Court concerned.
- (ix) An application has been moved on behalf of the petitioner that a flat, which was in his possession for use of his family, has been attached and it is in possession of the Special Officer and the same may be released. The Special Officer and other parties shall file their response to the said application.
- (x) It is further provided that in place of Rs.50,000/- per month, which was allowed earlier to be withdrawn by the Special Officer on account of expenditure and remuneration, we provide that for the time being, a sum of Rs.25,000/- shall be withdrawn by the Special Officer on account of its remuneration and a sum of Rs.50,000/- on account of expenses, i.e. a total amount of Rs.75,000/- per month.

When the matter came up for hearing on March 12, 2004, the Counsel for the State of West Bengal informed the Hon'ble Court that arrest warrant had been issued in compliance with the telegraphic request received from the Deccan Police Station, Pune. The Hon'ble Supreme Court directed the Counsel for the West Bengal for filing an affidavit indicating the status of the arrest warrants issued and the steps taken so far for the arrest of Shri Sudipta Sen. The Court also

directed the Police Inspector, Deccan Gymkhana Police Station, Pune to file an affidavit within two weeks indicating the steps taken by them in pursuing the criminal cases pending against Shri Sudipta Sen and whether he has been taken into custody or not. The Hon'ble Court has directed that the matter be listed for hearing after three weeks.

The Bank has been promptly acting in accordance with the Court's directions. The Supreme Court is reviewing and monitoring the functions of the Special Officer."

3.8 In paragraph 1.15 of the Report, the Committee recommended as follows:-

"The Committee's examination of the matter has revealed that the present laws/directions and Government's/RBI's supervisory/monitoring control over the private financial institutions are not at all effective. Even though the RBI had found irregularities in the accounts of SSIL as back as 1994, it could not protect the interests of small investors for about a decade as the Company took advantage of flaws in the Government rules/directions by approaching the Courts for obtaining stay orders against the RBI orders. After prolonged litigations, the Supreme Court has appointed a Special Officer in April, 2003. The Committee strongly recommend that the Government should review all relevant Acts/Rules/Directions to remove the loopholes with a view to protecting the interests of small investors and to have purposeful supervision and control over private financial companies. The Committee would await Government's conclusive action taken in this regard."

[para 1.15]

3.9 In their action taken reply, the Ministry of Finance (Department of Economic Affairs – Banking Division) have informed that:-

"The activities of Non Banking Financial Companies (NBFCs) are at present being regulated by Reserve Bank of India (RBI) under the provisions of Reserve Bank of India Act, 1934. Concern has been expressed over the plight of investors in the NBFCs. The necessity was, therefore, felt to safeguard the interests of the public/investors. The Government of India appointed a Task Force on NBFCs to go into inter-alia, the adequacy of present legislation framework and to devise improvements in procedure relating to customer complaints. The Task Force considered various legislations received from different quarters and made wide-ranging recommendations to deal with redressal of depositors' grievances. To give effect to the recommendations of the Task Force and to remove certain hurdles in the administration of the certain provisions, the Central Government has decided to enact a new legislation – The Financial Companies Regulation Bill, 2000. The proposed bill provides for safeguards to protect the interests of depositors/investors of NBFCs. The Bill was introduced in the Lok Sabha on 13<sup>th</sup> December, 2000. It had been referred to the

Standing Committee on Finance, who has given its report to the Hon'ble Speaker on 30<sup>th</sup> June, 2003. The Report is under examination of the Government in consultation with RBI.”

### Observations/recommendations

3.10 The Committee note from the submissions made by the Ministry of Finance (Department of Economic Affairs – Banking Division) that the Supreme Court, in response to an application filed by the Reserve Bank of India (RBI) for appointment of Receiver/Special Officer, vide its order dated 28<sup>th</sup> April, 2003 appointed M/s. N.C. Banerjee & Co., Chartered Accountants, Kolkata as Special Officer for M/s. Sanchayani Savings and Investements Limited (SSIL) and had directed them to examine the feasibility of framing a scheme for repayment to depositors. Subsequently, the Supreme Court had further issued orders dated 22 July, 2003 regarding duties and powers of the Special Officer appointed by the Court. The Committee note that the Special Officer has since initiated necessary action in the matter.

3.11 The Committee further note that the Special Officer had submitted his report dated 15 September, 2003 to the Hon'ble Supreme Court indicating, inter-alia the difficulties and impediments faced in getting full details of the assets of the Company, for opening its premises, non-cooperation of Shri Sudipta Sen, Ex.Managing Director of the Company, action proposed to be taken and progress made till then and their remuneration, etc. The Supreme Court heard the matter on 3<sup>rd</sup> and 6<sup>th</sup> February, 2004 and passed inter-alia the following directions:-

- (i) to give wide publicity in daily local newspapers to invite claims from the depositors along with necessary averments and proof in support of the claims;

- (ii) sale of the two properties viz. Shree Vardhan Complex at Indore and Golden Heights Unit at Dadar, West Mumbai by adopting sealed tender method;**
- (iii) Special Officer to take steps for taking over possession of properties whose title deeds were available with them;**
- (iv) Divisional Officers of 10 divisions and 3 housing divisions to contact Special Officer within 10 days from the date of receipt of notice from the Special Officer and hand over title deeds of different properties to the Special Officer and also to furnish information in respect of other properties;**
- (v) Special Officer to submit status report about the building projects undertaken by the petitioner's Company with some builders;**
- (vi) To open a D-MAT account in the name of Special Officer through an authorised share dealer to sell shares of different companies held by the petitioner.**

**3.12 The Committee also note that when the matter came up for hearing on March 12, 2004, the Court also directed the police Inspector, Deccan Gymkhana Police Station, Pune, to file an affidavit indicating the steps taken by them in pursuing the criminal cases pending against Shri Sudipta Sen.**

**3.13 Considering the (i) unending agony and suffering of small investors over the last 10 years who had been duped of their hard earned money by the SSIL, (ii) the failure of the regulatory institutions like the RBI in preventing such scandals despite having come to know of such things long back, and (iii) the legalities to be observed by the Special Officer appointed by the Supreme Court, the Committee recommend that the Ministry of Finance in consultation with the RBI and other regulatory bodies should chalk out a time bound programme to implement the directions of the Supreme Court expeditiously and conclusively to facilitate refund of money by the**

**Special Officer to the aggrieved investors at the earliest. The Committee would like to know the action taken by the Government in the matter.**

**3.14 The Committee note with satisfaction from the reply of Ministry that in order to safeguard the interests of the public/investors, the Government of India had appointed a Task Force on Non-Banking Financial Companies (NBFCs) to go into the adequacy of the present legal framework and to devise improvements in procedure relating to customer complaints. This Task Force after considering the various suggestions on new legislations required, made wide-ranging recommendations to deal with redressal of depositors' grievances. The Committee also note that to give effect to these recommendations, the Central Government had decided to enact a new legislation – the Financial Companies Regulation Bill, 2000 and the same was introduced in the Lok Sabha on 13 December, 2000. The Bill was referred to the Standing Committee on Finance, who gave its report to the Hon'ble Speaker on 30 June, 2003. The Report of the Committee is under examination of the Government in consultation with the RBI. With a view to protecting small investors in future from the kind of scandals committed by SSIL, the Committee recommend that all necessary steps be taken to ensure passage of the Financial Companies Regulation Bill expeditiously and necessary mechanisms be put in place for effective implementation of the same to regulate the activities of Non-Banking Financial Companies.**

## CHAPTER - IV

### **ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS MADE BY THE COMMITTEE ON PETITIONS (THIRTEENTH LOK SABHA) IN THEIR FORTY-FIRST REPORT ON THE PETITION REQUESTING TO REVIVE OVER-THE-COUNTER EXCHANGE OF INDIA (OTCEI), MUMBAI.**

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4.1 The Committee on Petitions in their Forty-first Report (Thirteenth Lok Sabha) presented to Lok Sabha on 30<sup>th</sup> January, 2004 had dealt with a Petition requesting to revive Over-the-Counter Exchange of India (OTCEI), Mumbai.

4.2 The Committee had made certain observations/recommendations in the matter and the Ministry of Finance (Department of Economic Affairs) were requested to implement these recommendations and furnish their action taken notes for the consideration of the Committee.

4.3 Action Taken notes have been received from the Ministry of Finance (Department of Economic Affairs) in respect of the recommendations contained in the Report. The recommendations made by the Committee and the replies thereto furnished by the Ministry of Finance (Department of Economic Affairs) are discussed in the succeeding paragraphs.

4.4 In paragraph Nos. 1.27, 1.28 and 1.29 of the Report, the Committee observed as follows:-

“The Committee note that the total fund raised by the 115 listed companies, through public issues is Rs.237.80 crore. Out of these, two companies were de-listed. Thus, at present there are 113 companies listed. The Committee are surprised to note that the exchange was running its own depository,

which operated in the absence of any depository law and the system was fraught with many legal and operational complications. Thus, as per the notification dated 6<sup>th</sup> January, 1999 of the Ministry of Law, Justice & Company Affairs, OTCEI discontinued trading the Counter Receipt mode effective from 1<sup>st</sup> March, 1999 and all securities are now being traded either in physical share certificate or dematerialized mode only.”

(Para 1.27)

“The Committee are surprised to note that subsequent to the decision of the Department of Company Affairs, out of the 113 companies presently listed with OTCEI, 77 companies have converted their counter receipts into shares. However, 36 companies have not dispatched the share certificates to investors.”

(Para 1.28)

“The Committee regret to note that though the Exchange has repeatedly taken up the matter with these defaulting companies to expedite the dispatch of share certificates and has also approached SEBI and Registrar of Companies for initiating action against these 36 companies, nothing concrete has been done. The Committee take a serious note of the lenient approach being adopted by SEBI and the Registrar of Companies for not initiating any action against the 36 companies for undue delay in issuing share certificates in exchange of Counter Receipt to the small investors. The Committee strongly recommend to expeditiously initiate action against the defaulting 36 companies so that the small and medium investors get their share certificates. The progress made in this regard may be communicated to the Committee within three months.”

(Para 1.29)

4.5 In their action taken note, the Ministry of Finance (Department of Economic Affairs), have stated as follows: \_

“Originally 115 companies were listed on the Exchange, out of which 2 companies have delisted and currently there are 113 listed companies.

**Depository/System of Counter Receipts:** The Department of Company Affairs (DCA) has issued a notification in May, 1995 permitting companies listed with the OTCEI to issue Jumbo Share Certificates in favour of custodian and issue counter receipts to every allottee with respect to their holdings.

The system of Counter Receipts was introduced by the Exchange in order to obviate the difficulties involved in the physical movement of share certificates for transfer on the one hand and to reduce the huge cost to be incurred by the companies in printing the share certificates on the other hand. The Counter Receipt contained all the information, which are contained in the Share Certificate. Since the Share Certificates were immobilized, the Counter Receipt was the only document accepted for trading on OTCEI. For transfer of shares, the Counter Receipt was sent along with the duly filled in transfer deed and not the Share certificate.

The jumbo certificate was in the custody of the registrar/company. The Custodian was carrying out all the post trading activities such as confirmation and settlement of transactions, safe keeping of securities and participation in the clearing system to effect deliveries of securities and payment thereof.

The Exchange went for a major restructuring of its operation in order to generate larger trading volumes and as a prelude for the same decided to shift from counter receipt to share certificates as the trading documents and recommended the same to Government of India in July/August, 1998. Department of Company Affairs, Government of India notified that the counter receipt would not be a tradable document with effect from 1<sup>st</sup> March, 1999.

Accordingly, in line with market practice, OTCEI has adopted the share certificate/demat system and National Securities Depositories Ltd.(NSDL)/Central Depository Services Ltd. (CDSL) as depositories.

After the Government of India (GOI) notified that the counter receipt will not be a tradable document effective from 1<sup>st</sup> March, 1999, the exchange advised all the listed companies to convert their counter receipt into share certificate. Out of the 113 listed companies, 77 companies have converted their counter receipts into share certificates and 36 companies have not yet converted their counter receipts into share certificates. The Exchange has already served legal notices to all such companies which have not converted counter receipts into share certificates. Also the Exchange has suspended the trading in these scrips.

The matter is being reported regularly to SEBI, Department of Company Affairs (DCA) and Registrar of Companies (ROCs). The Exchange has provided the addresses of such companies and Directors to ROC, Mumbai.

ROC, Mumbai has initiated prosecution proceedings against such companies and the Directors.

In response to the request of OTCEI, some other ROCs have taken up the matter with the companies under their jurisdiction, directing them to comply with the listing requirements including conversion of counter receipt into share certificates. With a view to sorting out this issue, the Exchange is in touch with such companies, which are not complying with listing requirements including conversion of counter receipts into share certificate.”

### **Observations/Recommendations**

**4.6 The Committee note that the Over-the-Counter Exchange (OTCEI) has gone for a major restructuring of its operation in order to generate larger trading volumes. One of the corrective actions taken by the Exchange, was to shift from Counter receipt to share certificates as the trading documents. The Committee are surprised to note that out of the 113 companies listed in the Exchange, 36 companies have till date not converted their counter receipts into share certificates. Even though the Exchange has taken some steps like serving of legal notice, suspending trading of these scrips, initiating prosecution proceedings against such companies and the Directors, etc., concrete specific punitive action is yet to be taken against the defaulting companies. The Committee would, therefore, like to reiterate that the Department of Company Affairs, SEBI and the Registrar of Companies should take conclusive action in the matter at the earliest with view to provide**

**relief to a large number of small investors whose hard earned money has been blocked in these companies.**

4.7 In paragraph No. 1.31 of the Report, the Committee observed as follows:-

“The Committee have been apprised that to improve the performance of OTC Exchange, the Government have, from time to time taken the following remedial measures:-

- (i) The facility to trade in permitted securities (Highly Liquid shares of BST & NST) was provided to OTCEI members/dealers.
- (ii) A new fault tolerant hardware system was bought and software from Computer Maintenance Corporation (CMC) procured for the same.
- (iii) Clearing and settlement of trades were arranged through National Securities Clearing Corporation Ltd. (NSCCL).
- (iv) Approval from RBI for trading in Subsidiary General Ledger (SGL) securities was obtained.
- (v) Various concessions and relief were offered to member-dealers (brokers) to promote activation.
- (vi) ‘Mission Activation’ campaign was approved by the Board in August 2000.
- (vii) Transfer of membership/dealership has been simplified.
- (viii) Trading time was extended upto 7.30 pm. etc.”

4.8 In their action taken note the Ministry of Finance (Department of Economic Affairs) have stated as follows:-

“The Exchange has been proactive in analyzing its business model, shortcomings in its systems, products, procedures etc. apart from keeping a

sharp eye on the development in capital market in general. As a result the exchange has been, since inception, taking numerous remedial as well as developmental steps to enhance its performance.

The latest initiative in the process of introducing innovative ideas to the capital market is the Call Auction Market. The Exchange believes that with the introduction of this trading mechanism it will be able to tackle illiquidity more effectively not only for its listed stock but also for a wide range of other illiquid stock which exists on almost every exchange in India.

The Exchange has recently secured permission from SEBI to launch this market.”

4.9 In paragraph No. 1.32 of the Report, the Committee observed as follows:-

“The Committee also note from the Ministry’s reply that some of the other remedial measures like listing and trading of privately placed debt instruments, parallel listing of companies listed in other Regional Exchanges, reduction of transaction charges compulsory market making etc. have also been proposed.

Also OTCEI Board had appointed a professional consulting firm in 2002 to provide advice on “Repositioning Alternative” for the Exchange and it submitted their study report.”

4.10 In their action taken note the Ministry of Finance (Department of Economic Affairs) have stated as follows:-

“The consultants had recommended that OTCEI pursue the following repositioning alternatives:

- (a) Listing and trading of all companies with paid-up equity capital below Rs.10 crore (entailing increase in IPO limit for compulsory listing on OTCEI from paid up capital of Rs. 3 crore to Rs. 10 crore);

- (b) Trading in Unlisted Corporate Debt Securities on OTCEI;
- (c) OTCEI offering and operating non-continuous Single Call Auction Market (SCM) as an alternative market design for trading in thinly traded permitted equity securities;
- (d) offer and operate a non-continuous Single Call Auction Market (SCM) as an alternative market design for trading in permitted demat corporate debt securities, whether or not listed on other stock exchanges.

In this regard:

1. SEBI has not acceded to this recommendation.
2. With regard to recommendation at (b) above, SEBI has mandated that Corporate Debt is now required to be listed.
3. SEBI has accorded permission for recommendation at (c) above.
4. With regard to recommendation at (d) above, the Exchange would explore introduction of the same.

4.11 In paragraph No. 1.34 of the Report, the Committee recommended as follows:-

“The Committee note that SEBI has been working out a scheme aiming at reviving the OTCEI by a mechanism of ‘call auction’. The Committee, trust that the ‘call auction’ method as a means of revival of this Exchange would achieve its goals and objectives in near future. The Committee also trust that the revitalization of the OTCEI should drive the Indian Corporate Sector to new heights by effective involvement of the small and medium investors who have invested in the illiquid stocks. The Committee, therefore, recommend that timely decision should be taken in the matter for wholesome and efficient functioning of OTCEI by mobilizing the trading system.”

4.12 In their action taken note the Ministry of Finance (Department of Economic Affairs) have stated as follows:-

“The exchange has received permission from SEBI for introduction of the Call Auction Market. The ground work for the introduction has already started on the exchange. In the first phase, the exchange proposes to adopt the single call auction (SCM) and with the experience gained, would introduce Multiple Call Auctions (MCM) over a period of time.

The trend in the capital market has been that the majority of listed stock, whatever the exchange, is not traded regularly. The exchange proposes to extend the SCM facility to include such stock also to provide a price discovering for such stocks and impart liquidity.

The Exchange envisages positioning itself as the Principal Auction Market (as a non-continuous market) in the country for securities.”

4.13 In paragraph Nos. 1.35 and 1.36 of the Report, the Committee recommended as follows:-

“In regard to implementation of a minimum Rs. 10 crore as IPO norm for the investing companies, the Committee note that while ‘Dave Committee’ and ‘Malegam Committee’ had revised Initial Public Offers (IPOs) norms and had recommended for the revision of the 3 crore limit for mandatory listing on OTCEI and the same was also recommended by a professional consultancy firm appointed by OTCEI Board while providing advice on ‘Repositioning Alternatives for OTCEI’, however, the same was not considered for implementation by SEBI.

(Para 1.35)

The Committee feel that keeping in view the recommendations given by the Committees constituted to review the working and operations of OTCEI, for raising the mandatory limit of Rs. 3 crore to a minimum of Rs. 10 crore for listing of all IPOs on OTCEI, SEBI should review its decision in order to yield effective results from OTCEI and in return help the small investors who have invested in the companies listed in OTCEI. The Committee, therefore, recommend that the Ministry should take a positive view of the

issue and expedite the matter with SEBI for early decision on the proposals which are pending for consideration by SMAC alongwith reconsideration of revision of IPO limit to a minimum of Rs. 10 crore.

(Para 1.36)

4.14 In their action taken note the Ministry of Finance (Department of Economic Affairs) have stated that:-

“The Securities and Exchange Board of India (SEBI) has examined the proposal and observed that the same would have an adverse impact on the functioning/existence of the regional stock exchanges. Therefore, the proposal of the OTCEI has not been acceded to by SEBI.”

#### **Observations/Recommendations**

**4.15 The Committee note from the reply of the Ministry that the consultants who were appointed by OTCEI Board in 2002, ‘Dave Committee’ and ‘Malegam Committee’ had recommended to OTCEI to pursue some repositioning alternatives. One of the alternatives recommended by the consultants/Expert Committees was listing and trading of all companies with minimum paid-up equity capital of Rs. 10 crore from the existing limit of Rs. 3 crore. The Committee are surprised to note that the Expert Committee’s recommendations regarding revision of IPO limit from Rs. 3 crore to a minimum of Rs. 10 crore have not been accepted by SEBI. The Committee would like to reiterate their recommendation and expect the Ministry to again take up the matter with SEBI keeping in view the necessity of the same for revival of OTCEI.**

**4.16 The Committee are satisfied to note that SEBI has accorded permission for introduction of the Single Call Auction Market. The ground work for the same has already started. The Committee also note from the reply of the Ministry that the Exchange, after gaining experience, would introduce Multiple Call Auctions (MCM) over a period of time and has plans of positioning itself as the Principal Auction Market (as a non-continuous market) in the country for securities. The Committee expect that the Ministry would work in a planned manner with a specific time frame so that the OTCEI attains the status of Principal Auction Market in the country at the earliest. For achieving the same the Committee recommend that the Government should periodically review the progress in the matter.**

**4.17 The Committee also note from the reply of the Ministry that the OTCEI would be exploring to introduce other repositioning alternatives as recommended by the Consultants/Expert Committees to operate as a non-continuous Single Call Auction Market (SCM) as an alternative market design for trading in permitted demat corporate debt securities, whether or not listed on other Stock Exchanges. The Committee feel that action on this may be taken at the earliest for achieving the basic objectives for which the exchange was set up particularly to protect the interests of small investors.**

**MINUTES OF THE NINTH SITTING OF THE COMMITTEE ON  
PETITIONS (FOURTEENTH LOK SABHA)**

The Committee on Petitions sat on Thursday, 16<sup>th</sup> December, 2004 from 1500 to 1530 hrs. in Room No. 45 (II), Parliament House, New Delhi.

**PRESENT**

**Shri Prabhunath Singh - Chairman**

**MEMBERS**

2. **Shri Raj Babbar**
3. **Shri N.S.V. Chitthan**
4. **Dr. M. Jagannath**
5. **Shri Suresh Kurup**
3. **Shri Jyotirditya Madhavrao Scindia**
4. **Shri Vijay Krishna**

**SECRETARIAT**

1. **Shri Brahm Dutt - Director**
2. **Shri R.K. Bajaj - Under Secretary**

2. The Committee considered and adopted their draft Fourth Report without any modification.

3. The Committee decided to present the First, Second, Third and Fourth Reports of the Committee to Lok Sabha on 20<sup>th</sup> December, 2004.

The Committee then adjourned.