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12.03 hrs.

Title: Regarding sudden fall in sensex of Bombay Stock Exchange.

MR. SPEAKER: Now, the House will take up 'Zero Hour'.

SHRI S. JAIPAL REDDY (MIRYALGUDA): Mr. Speaker Sir,â€

MR. SPEAKER: Before you, there is one name.

SHRI S. JAIPAL REDDY : Sir, the issue is important ...(*Interruptions*) It is a matter of overriding importance. You kindly let me speak.

MR. SPEAKER: Your name in the list is second. The first one is Shri Suresh Ramarao Jadhav.

SHRI S. JAIPAL REDDY : Sir, I am only taking one jump.

MR. SPEAKER: All right.

SHRI S. JAIPAL REDDY : Mr. Speaker Sir, I wish to draw the attention of the Government and the House, through you, to the on-going melt down in the stock market. Ordinarily, we would not be concerned with what happens in the stock market, but sir, after Shri Yashwant Sinha presented his capital market-friendly Budget, the stock market rose to dizzy heights. Well, of course, everybody enjoyed it, but within 24 hours, it began to fall and fall. It seems to be heading towards fathomless depths.

Sir, we have reasons to believe that a big bull operator of Shri Harshad Mehta variety, style and scale is responsible for this kind of fall in the stock market. Sir, there are reports that he has taken huge stock exposure by borrowing heavily from banks in total contravention of RBI guidelines. Sir, on 27th February, one day before the Budget was presented, he availed of loan from a European bank, possibly ABN Amro Bank, of Rs. 50 crore through the good offices of our industry.

Sir, this is not a party matter; I am sure, my other friends will support me. Shri Ketan Parekh has become so important that in addition to Bombay Sensex, we have Ketan Parekh Index (K.P. Index). This K.P. Index has now touched 52-week low, and it is causing turmoil. We are concerned because our banks are in jeopardy; we are concerned because our depositors in the banks are in jeopardy; we are concerned because the small investors are in jeopardy.

Sir, Shri Ketan Parekh was a close associate of Shri Harshad Mehta. He was an accused in Canbank Mutual Fund Case. I am sorry, Sir, I said, "He was", but actually he continues to be an accused; he is currently an accused. In spite of that, he has been able to get away with many things. He has got into many business alliances, one of which includes a \$ 250 million investment by an Australian Press Tycoon, Mr. Kerry Packer; and that investment includes one company called Himachal Futuristic Company of Sukh Ram fame, in whose honour a statue needs to be erected in this House.

MR. SPEAKER: There are other Members who want to speak on the same subject.

SHRI S. JAIPAL REDDY : I would like to know as to what the SEBI has been doing, as to what the RBI has been doing, and why should the Finance Ministry get excited when the Sensex goes up and bother again when it goes down. That is the point.

Now, let me also refer to the ineffectiveness of SEBI as an institution. Harshad Mehta came back in 1988, even while he is facing a flurry of cases. He was responsible for the meteoric rise in the stock market in regard to BPL and Videocon.

MR. SPEAKER: Shri Jaipal Reddy, 20 Members have given their notices.

SHRI S. JAIPAL REDDY : Sir, let me come to the punch line.

SHRI PRIYA RANJAN DASMUNSI (RAIGANJ): Sir, it is a big scam.

MR. SPEAKER: What about the other Members? We have to give a chance to other Members also.

SHRI S. JAIPAL REDDY : Sir, besides BPL, Videocon, I want the Prime Minister to note, there is also Sterlite. Has

SEBI initiated any action? So far, no action has been taken. The person responsible for this scandal, at that time, was Rajendra Bhatia, who continues to adorn the Bombay Stock Exchange as its Vice-President. So, at this rate, where are we going? We want the Finance Minister to come out with a full statement on this question. I want all the sections of the House to react in a proper, non-partisan manner. ...(*Interruptions*)

SHRI RUPCHAND PAL (HOOGLY): This is a very urgent matter. ...(*Interruptions*)

SHRI P.H. PANDIYAN (TIRUNELVELI): Sir, I associate myself with what Shri Jaipal Reddy has said. ...(*Interruptions*)

SHRI PRIYA RANJAN DASMUNSI : Will the Finance Minister make a statement in the House? ...(*Interruptions*)

MR. SPEAKER: I have allowed Shri Jaipal Reddy to raise this matter. Now, you are not allowing others to speak. What kind of technique is this? Shri Kirit Somaiya has given a notice to raise this matter during 'Zero Hour'.

...(*Interruptions*)

MR. SPEAKER: Nothing should go on record, except the submission by Shri Kirit Somaiya.

(*Interruptions*)*

MR. SPEAKER: Shri Rupchand Pal, they have given notices, and they have to be given priority. I will allow you after him.

...(*Interruptions*)

MR. SPEAKER: If you want to say anything, you can speak only after him because he has given a notice.

...(*Interruptions*)

*Not Recorded.

अध्यक्ष महोदय : आपको भी बुलाएंगे। पहले उनका नोटिस है, अभी वे बोलेंगे।

श्री किरीट सोमैया (मुम्बई उत्तर पूर्व) : सम्माननीय अध्यक्ष महोदय, माननीय जयपाल रेड्डी जी ने जो विषय उठाया है, मैं इसी विषय पर बोलना चाहता हूँ। यह बात सही है और माननीय सदस्य ने यह मान्य किया है कि इतना सुन्दर बजट आने के बाद पूरे देश में बहुत अच्छा, सुन्दर और पोजिटिव प्रतिवास मिला।

वही प्रतिवास आपने भी यहां कबूल किया कि मुम्बई स्टॉक एक्सचेंज का पाइंट इन्डैक्स ऊपर गया। यह बात सही है कि मार्केट में कुछ अफवाहें जोर-शोर से चल रही हैं। किसी को अरेस्ट कर रहे हैं, बैंक ने ओवर लेंडिंग की है, सेबी एक्शन ले रही है, एफ.आई.आई. मेजर रोल प्ले कर रही है। यह बजट को सेबोटॉज करने का प्रयत्न हो रहा है। इस प्रकार की जो अलग-अलग अफवाहें मार्केट में चल रही हैं, मैं मंत्री महोदय से कहना चाहूंगा कि वे इस सम्बन्ध में सदन को बताएं कि वित्त मंत्रालय क्या एक्शन ले रहा है। सेबी ने जो इन्क्वायरी कमेटी गठित की है, वह किसलिए की है, क्या रिपोर्ट तैयार कर रही है और जो इस तरह की अफवाहें फैलाने वाले हैं, सरकार उनके ऊपर क्या कार्रवाई करेगी ? इतना सुन्दर बजट बनाया गया है, आर.बी.आई. ने लोगों के सामने जो लेंडिंग रेट है, बैंकों के जो नार्म्स हैं कि शेयर बाजार में कितना लोन देना चाहिए, पब्लिक सेक्टर के बैंक इसको इम्प्लीमेंट कर रहे हैं। प्राइवेट सेक्टर के बैंकों पर भी क्या यह लागू किया जाएगा और जो विदेशी बैंक हैं, उनके ऊपर भी इसको लागू किया जाएगा ? स्मॉल इन्वैस्टर्स के हित में सरकार कुछ करेगी, तो बहुत अच्छा रहेगा।

MR. SPEAKER: Shri Rudy, you can also associate yourself with Shri Kirit Somaiya and Shri Jaipal Reddy.

SHRI RAJIV PRATAP RUDY (CHHAPRA): Sir, I would associate with Shri Kirit Somaiya but I would dissociate with Shri Jaipal Reddy. ...(*Interruptions*)

Mr. Speaker, Sir, in the annals of history, this is the most outstanding Budget that has ever been given to this House and to the country...(*Interruptions*)

SHRI RUPCHAND PAL : This has been happening for a fortnight before the Budget was presented...(*Interruptions*)

SHRI RAJIV PRATAP RUDY : Sir, the moment I start speaking, they start reacting. What would happen if I start reacting?...(*Interruptions*)

अध्यक्ष महोदय : बजट पर अभी नहीं, बाद में डिसकशन होना है।

श्री राजीव प्रताप रुड्डी : इतना अद्भूत और इतना लोकप्रिय बजट आने के बाद शेयर बाजार में इस तरह गिरावट आती है तो निश्चित रूप से कुछ ऐसे तंत्र और शक्तियां हैं, जो सरकार को डिसक्रेडिट करना चाहती हैं। वे मार्केट में अपना जाल बिछा रही हैं। मैं किरीट सोमैया जी की बात से अपनी सहमति व्यक्त करते हुए सदन का ध्यान इस तरह आकृष्ट करना चाहूंगा कि जहां तक मेरी जानकारी है, सरकार अपनी तरफ से सभी कदम उठा रही है। इतने बढ़िया बजट के बाद इस प्रकार की

बातें कहना और स्टाक एक्सेचेंज में जो गिरावट आई, तो निश्चित रूप से सरकार चिंतित है। लेकिन जिस प्रकार से जयपाल रेड्डी जी इस बहस को दूसरी तरफ ले जाना चाहते हैं, वह सही नहीं है। मि. पारीख, जिनके बारे में दबी जुबान से चर्चा की गई, वे जांच के दायरे में हैं। (व्यवधान)

SHRI SOMNATH CHATTERJEE (BOLPUR): Sir, what is this? Is he replying to it?...*(Interruptions)*

MR. SPEAKER: Shri Rudy, Ministers are there to reply to it.

SHRI RAJIV PRATAP RUDY : Sir, I am not replying. I am just saying that it is a matter of concern but it is not such a bad concern as it has been made out to be by the Opposition. We would like to request the Government to look into the matter and take appropriate action...*(Interruptions)*

MR. SPEAKER: Would the Government respond to it?

...*(Interruptions)*

SHRI PRIYA RANJAN DASMUNSI : Sir, where is the Finance Minister?...*(Interruptions)* Let the Finance Minister come to the House and make a statement...*(Interruptions)*

डा. रघुवंश प्रसाद सिंह (वैशाली) : हम लोगों को भी सुन लिया जाए।

अध्यक्ष महोदय : यह डिस्कशन नहीं है।

â€¦ (व्यवधान)

MR. SPEAKER: This would not go on record.

*(Interruptions)**

MR. SPEAKER: Shri Aiyar, he is giving reply.

***Not Recorded.**

संसदीय कार्य मंत्री तथा सूचना प्रौद्योगिकी मंत्री (श्री प्रमोद महाजन) : अध्यक्ष जी, जिसने नोटिस दिया है, उसी को बोलने दीजिए। नोटिस दिए बिना आप एलाउ मत करिए। (व्यवधान) Otherwise, every Member would like to speak.

SHRI MANI SHANKAR AIYAR (MAYILADUTURAI): Sir, I wish to remind the Government that in December, 1993, the Joint Parliamentary Committee on Securities and Banking Irregularities presented its report to this Parliament. The present Minister of Finance, the present Minister of External Affairs, the present Minister of Defence, the present Minister of Commerce and Industry and the present Minister of Petroleum and Natural Gas, in addition to Shri Jaipal Reddy, myself and some others, were members of that Committee. We wish to know whether the Government is satisfied that the recommendations of that JPC have not been violated in connection with the scandalous behaviour of the Bombay Stock Exchange caused by the people who are involved as much in that scandal as they appear to be involved in this scandal.

SHRI PRIYA RANJAN DASMUNSI : Sir, the Finance Minister has arrived. Let him respond to the questions.

MR. SPEAKER: He is not aware of what has been discussed so far.

SHRI PRIYA RANJAN DASMUNSI : He can be informed about it.

SHRI PRAMOD MAHAJAN: Sir, the Minister would like to reply.

MR. SPEAKER: Mr. Minister, this is with regard to the sudden crash in BSE Index.

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): Yes, Sir.

Sir, first of all, I must apologise for not being present in the House when this issue was being raised. I did not, unfortunately, have any notice of it. Otherwise, I would have been present even during 'zero hour' to be able to reply to the concerns of the hon. Members.

Sir, there are some dates which are etched in our memories and we sort of keep going back to them every now and

then. For instance, if the foreign exchange reserves of the country go down by 100 million US dollars, we immediately think of 1991 type of crisis. Similarly, if anything happens in the Bombay Stock Exchange, we immediately think of 1992.

Let me make it clear that as Government, one is not concerned with the ups and downs of the stock market. ...*(Interruptions)* The stock markets all over the world have a habit of going up and going down. There are various factors which operate in this and this happens the world over. As Government what is our concern? Our concern certainly is the integrity of the market. The integrity of the market is very important. There are two things in the integrity of the market about which I would like to assure the House. One is to ensure that the markets are not manipulated and that nobody belonging to one cartel or the other is allowed to fix the market or to manipulate the market. The other is to ensure that the payment system is safe, that no payment crisis takes place. This is the duty of the market regulator.

We are all aware of the fact that after the 1992 events – there are many Members sitting here on both sides who were members of the JPC then – we had all deliberated upon this in the Joint Parliamentary Committee and we had made certain recommendations. The recommendations were implemented by the then Government and by the subsequent Governments. We have a strong regulator in the SEBI today. Therefore, I can stand here and tell the hon. House that there is no possibility of any payment crisis in the market. The margin requirement has been so prepared that there is no question of any payment crisis in the Indian stock market. This I am saying on the fullest assurance of the Securities and Exchange Board of India.

As far as manipulating the markets is concerned, it is now well known that the market regulator, namely SEBI, has launched an inquiry to find out if at all there was something on that 'Black Friday' and subsequently on the part of anyone to manipulate the market. That inquiry is going on.

I will be prepared to share the findings of that inquiry with the House as soon as that inquiry is over. But let me assure the House, Sir, that just as in the foreign exchange market, similarly, in the stock market those who know about it, tell me that these markets operate on the basis of sentiments.

I will only appeal to the Members to make sure that we, in this House, do not do anything which will unnecessarily impact upon the sentiments of the market.

MR. SPEAKER: Now, Shri Suresh Ramrao Jadhav.

...*(Interruptions)*

SHRI S. JAIPAL REDDY : Mr. Speaker, Sir....*(Interruptions)*

MR. SPEAKER: Shri S. Jaipal Reddy, please understand that there are other Members also who have to speak about their anxieties.

...*(Interruptions)*

SHRI S. JAIPAL REDDY : Sir, it is a matter of supreme importance.

MR. SPEAKER: I have received 18 notices from various hon. Members but you are not allowing others to speak. Everyday, senior Members are taking the time of the House like this. Let others also be allowed to raise their issues.

SHRI S. JAIPAL REDDY : Sir, I have not spoken earlier.

MR. SPEAKER: Please understand their anxieties also.

SHRI S. JAIPAL REDDY : Mr. Speaker, Sir, Shri Yashwant Sinha was not present when I began to make opening remarks. I referred to K.P. index with which he, as Finance Minister, would be familiar...*(Interruptions)* He was not familiar.

MR. SPEAKER: Shri S. Jaipal Reddy, please.

SHRI S. JAIPAL REDDY : Sir, the point is that he could not respond to some of the observations and some of the concerns we expressed because he was not present.

I, therefore, suggest that he should make a more complete official statement on the entire question. We are concerned about the operations of bear cartel. We are concerned about the foreign institution investors who are taking full advantage of the market panic.

But why did market panic come into operations in the first place? It was because of the rumour or reports -- we do not know the truth -- that Ketan Parekh had got into a payment problem and also because of the reports that certain banks had got exposed to the share problem of Ketan Parekh. And, the hon. Minister has not addressed himself to this problem. I refer to the crisis created by Harshad Mehta. Even while he continues to be an accused since 1998. That case still remains unresolved. The people in that case have not been punished. They are still operating as bigwigs in the Bombay Stock Market.

I did not expect Shri Yashwant Sinha to reply to all the observations because he was not a privy to the concerns we expressed earlier. But I want him to come out with a more well-considered statement in the House....(*Interruptions*)

SHRI MANI SHANKAR AIYAR : It should be including all possible violations of the JPC....(*Interruptions*)

SHRI RUPCHAND PAL : Even in the case of Videocon, BPL, etc, the SEBI has not come out with its findings. It is the question of punishing the offenders....(*Interruptions*)

SHRI YASHWANT SINHA: Sir, many of the issues which have been raised by my colleague Shri S. Jaipal Reddy are the issues which are under inquiry today by the SEBI. So, it will not be possible on my part to jump the gun and talk about those issues here and now. I have already said that once the SEBI completes the inquiry, I shall be quite willing to come to the House and make a statement in that regard... (*Interruptions*) The SEBI has been doing its job very well and when the Stock Market was subjected to volatility on Friday, the SEBI had come out with a set of measures including imposing volatility margins on a number of scrips.

So, I am quite satisfied with the action which the SEBI had taken. But as I said, we must learn to distinguish between the integrity of the market, *per se*, and the fluctuations in the Sensex. These are two different issues. So, I would like to assure the House that as far as the integrity of the market is concerned, that is not in danger at all.

SHRI S. JAIPAL REDDY : Sir, will he say that he will come out with a statement?

MR. SPEAKER: He has already said. Please take your seat now.
