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Title : Reported sudden surge in Foreign Institutional Investors inflow in the country.

SHRI B. MAHTAB (CUTTACK): Madam Speaker, I want to draw the attention of the House and also of the Government, relating to a serious matter that is occurring in our country today.

It is said that even though 50 per cent of foreign money in the markets, which is from Tax Havens is no cause for concern, till October-end, around Rs.70,000 crore in offshore investment has come into India; and 50 per cent of it is from Mauritius, Hong Kong and Luxemburg. These three together have contributed almost Rs.25,000 crore of the net inflow of foreign institutional investors.

I would like to draw the attention of the Government that this surge in foreign institutional investors through the participatory notes in the last two months is certainly a matter of concern. These participatory notes are offshore derivative instruments issued by SEBI-registered FIIs, to their overseas investors who wish to invest in the Indian stock markets without registering themselves with SEBI.

I am sure, one is aware of the fact that in the participatory notes, the source of funds and the identity of foreign investors putting money remain unknown. Yes, SEBI can call for information; there is no doubt. But the day the SEBI initiated the steps to bring FII investments through the front door, its share declined in August 2009. The foreign investors who get only 0-1 per cent returns on their money abroad, specially from countries in Europe, the US and the Far East, are diverting funds to the emerging markets. Yet, Brazil, Taiwan and South Korea have already announced measures to curb excessive volatility in their markets with Brazil even slapping taxes on capital inflows. My apprehension is some dirty money might enter into our market. Therefore, there is an urgent need to put a tight lease on 'P' notes as it may pose a worry. I would like to get a response from the Government.

MADAM SPEAKER: Shri Navjot Singh Sidhu, I have received your notice of question of privilege dated 19th November, 2009 against Deputy Commissioner, Amritsar for obstructing you from performing your duties as an elected representative.

I have called for a factual note from the Ministry of Personnel, Public Grievances and Pensions in the matter. I will take a decision after receipt of the facts.