(b) if so, the details thereof indicating inter-alia the objectives likely to be achieved thereby;

(c) the details of money market instruments in which the above fund is likely to be invested;

(d) whether this scheme will be tax efficient as the capital gains made on repurchase of investment; and

(e) if so, the details thereof?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA) : (a) Yes, Sir. Unit Trust of India has launched a 100% debt fund, called the UTI Bond Fund on 04.5.1998.

(b) As per information furnished by UTI, the fund is open ended offering easy liquidity with repurchase facility on a continuous basis. There will be no income distribution under the plan. The repurchase will be based on the Net Asset Value calculated on a daily basis. The investments in the scheme qualify for capital gains under Sections 48 and 112 with benefit of indexation. The stated objective of the fund is growth of capital with complete liquidity through investment in debt instruments.

(c) According to UTI, the fund will mainly invest in debt instruments and the money market instruments in which it could invest include call and notice money, reverse-repos with RBI and commercial banks, commercial papers, certificates of deposit etc. However, investment in money market instruments will be kept to the minimum to be able to meet the liquidity needs of the plan.

(d) and (e) Since the scheme will not distribute any returns, there is no incidence of income tax. At the time of repurchase investors realise capital gains which is taxable. Repurchases after one year will be treated as long term capital gains and will be subject to tax treatment under Sections 48 and 112 of the Income Tax Act, 1961. Further, investments in this plan also qualify for capital gains tax exemptions under Section 54 EA and 54 EB.

Violation of RBI Rule by Vysya Bank

2601. DR. BIZAY SONKAR SHASTRI : Will the Minister of FINANCE be pleased to state:

(a) whether Vysya Bank Limited has been repeatedly committing violations of RBI regulations such as that of stock invest scheme, bridge loans, bill finance, SLR & CCR etc. and the RBI has imposed monetary penalities;

(b) if so, how do these violations compare with other private sector banks;

(c) the action the Government propose to take in the matter to ensure that the bank to follow the laid down RBI regulations/norms; and

(d) whether there is also any proposal to replace directors on the Board of directors of the bank who have been there for more than three years; and

(e) if not, the reasons thereof?

THE MINISTER OF STATE IN THE MINISTRY OF PERSONNEL, PUBLIC GRIEVANCE AND PENSIONS AND MINISTER OF STATE IN THE MINISTRY OF FINANCE (BANKING, REVENUE AND INSURANCE) (SHRI KADAMBUR M.R. JANARTHANAN) : (a) to (c) Vysya Bank Ltd. is a private sector bank and it is neither necessary nor desirable for the Government to keep itself informed of the operational and management functions of such banks. RBI as a regulatory authority has to satisfy itself that the bank is complying with regulatory requirements. In cases having a bearing on the regulatory framework, RBI takes appropriate actions as the Regulator of the Banking System. RBI have informed that depending on the type of irregularities and violation of RBI's instructions which come to their notice, penalities have been imposed on some private sector banks including Vysya Bank Ltd;

(d) and (e) According to RBI, appointment of Directors other than the Chairman/Chief Executive Officer/Managing Director/Wholetime Director on the boards of private sector banks does not require RBI's prior approval. It is the responsibility of private sector banks to comply with the provisions of Section 10A of the Banking Regulation Act, 1949 in regard to the composition of the Board of Directors and the tenure of the Members. RBI have further informed that they haved not received any proposal from Vysya Bank Ltd. regarding replacement of Directors who have been on the Board for more than three years.

MOU with CCI

2602. DR. T. SUBBARAMI REDDY :
SHRI SANDIPAN THORAT :

Will the Minister of TEXTILES be pleased to state:

(a) whether the Government have allocated Central assistance of Rs. 7 crore for a programme aimed at improving production, and purity of cotton during 1998-99 as per MOU between Textile Ministry and Cotton Corporation of India;

(b) if so, the details of the scheme, specific activities formulated for extending financial support and State-wise break up of areas to be covered under the programme, the estimated number of beneficiaries, produce of certified goods etc;

(c) whether the National Cotton Research Institute at Nagpur is involved in execution of the scheme;

(d) if so, the present status of the scheme, and