

(b) if so, whether the Government have taken any initiative in this regard;

(c) if so, the details thereof; and

(d) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES AND PENSIONS AND MINISTER OF STATE IN THE MINISTRY OF FINANCE (BANKING, REVENUE AND INSURANCE) (SHRI KADAMBUR M.R. JANARTHANAN) : (a) to (d) Sir, simplification of the taxation system is an ongoing process, involving a review of procedures and consequent amendments in various tax laws, principally through Finance Acts. This year also in the Central Budget, the Excise tax structure is proposed to be simplified by reducing the existing 11 major *ad valorem* rates to 3 rates, namely, at Central rate of 16%, a merit rate of 8% and a demerit rate of 24%. On the Customs side, it is proposed to reduce the 7 major *ad valorem* rates of Customs duty to 5 basic rates, namely, 5%, 15%, 25%, 35% and 40%. Regarding direct taxes, a number of measures to rationalise and simplify the Income Tax Act have already been taken, based on the recommendations of an Expert Group set up in 1997.

[English]

97-99
Standard Chartered Bank

1505. SHRIMATI GEETA MUKHERJEE :
SHRI S. SUDHAKAR REEDY :
SHRI V.V. RAGHAVAN :
SHRI K. YERRANNAIDU :

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India is aware of the Justice Sam. N. Variava's judgement of December 24, 1998 exposing the lies, exaggeration and false claims of the Standard Chartered Bank (SCB) in the course of securities scam investigations;

(b) if so the details thereof; and

(c) the action proposed to be taken by the RBI against the SCB?

THE MINISTER OF STATE IN THE MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES AND PENSIONS AND MINISTER OF STATE IN THE MINISTRY OF FINANCE (BANKING, REVENUE AND INSURANCE) (SHRI KADAMBUR M.R. JANARTHANAN) : (a) to (c) Reserve Bank of India (RBI) have reported that they are aware of the judgement dated December 24, 1998 of the Special Court in a suit filed by Standard Chartered Bank and another *Versus* the Custodian and another. Standard Chartered Bank had filed this suit in the Special Court because the Custodian required the bank to establish its rights on the shares, debentures and stocks belonging to notified broker, Hiten P. Dalal and held by the bank. In the said suit, the main questions for consideration before the Special Court were whether the plaintiff had suffered any loss as claimed, whether the brokers had given the shares as security or the same were taken from him forcefully by the bank and whether the said shares if given as security was by way of mortgage and also whether rights and bonus shares, dividends and interest on the said shares would become part of the secured assets.

After hearing the parties in the suit, the Honourable Judge held that:

- No force was used by Stanchart to obtain securities from Hiten P. Dalal to cover their shortfall,
- The said securities (shares) were pledged by Hiten P. Dalal in favour of Stanchart to secure a loss,
- Stanchart has been able to prove a loss of Rs. 280 crore only (against Rs. 1253 crore claimed) and hence these pledged securities can be sold by Stanchart over a period of two years to secure the said loss,
- The bonus, dividends and interest received on above securities do not form part of the pledged securities and therefore Stanchart should return the same to the Office of the Custodian,
- Cantriple units of face value Rs. 35.5. crore should be handed over to the Office of the Custodian.

In its judgement the Special Court made some observations about Standard Chartered Bank. The observations, *inter-alia*, included an observation to the effect that the bank tried to hide facts from RBI by creating false records. The Special Court also observed both the bank as well as the broker were keeping back the arrangements from the Court and that the bank was not admitting the arrangement because it was contrary to and in breach of RBI regulations and against prudent banking practices.

On an application moved on behalf of Standard Chartered Bank and Hiten P. Dalal the Hon'ble Special Court has extended stay of operation of its judgement beyond 24.1.99 by a further four weeks.

49-100 Punjab National Bank(?)

1506. DR. BIZAY SONKAR SHASTRI : Will the Minister of FINANCE be pleased to state:

(a) whether RBI has indicted in specific the Punjab National Bank and the CBI has been examining the clearance of loans of crores of rupees;

(b) if so, whether the CBI inquired into the matter;

(c) whether such dubious methods are adopted in other public and private sector banks also in the grant/sanction of loans to people consequent to which NPA of each and every bank has been increasing steadily; and

(d) if so, the action taken by RBI and CBI thereon?

THE MINISTER OF STATE IN THE MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES AND PENSIONS AND MINISTER OF STATE IN THE MINISTRY OF FINANCE (BANKING, REVENUE AND INSURANCE) (SHRI KADAMBUR M.R. JANARTHANAN) : (a)th and (b) The Reserve Bank of India (RBI) have noted some irregularities relating to Punjab National Bank. However, the Central Bureau of Investigation (CBI) has reported that during the last 3 years i.e. 1996, 1997, 1998 and upto 31.1.1999, CBI has registered ten cases pertaining

to grant of loans by Punjab National Bank. Investigation have been completed in four cases. Charge sheet has been filed in Court of law in one case. In two cases regular departmental action has been recommended and one case has been otherwise disposed off.

(c) and (d) CBI has reported that 71 such cases against other nationalised banks/Cooperative banks have been registered during the above period and investigations have been completed in eight cases. Out of these, in five cases chargesheets have been filed, in one case regular departmental action has been recommended and two cases have been closed.

RBI/Government have advised the banks to take steps not only to check the incidents of NPAs but also to take effective measures for recovery of NPAs. Accordingly, banks have prepared documents of loan policy, loan recovery policy, etc. Thus, each bank now has a loan policy which sets down the manner of sanction of loan, the guidelines for sanction of loans, documentation, post disbursement follow up action to be taken, etc. RBI also undertakes Annual Financial Inspections of banks. Inspecting Officers look into the adequacy of the system of post sanction supervision in banks, compliance with terms of sanction, adequacy of recovery policy, efficacy of recovery measures adopted by the banks, actual recovery of non-performing advances *vis-a-vis* targets aimed etc. The deficiencies observed are brought to the notice of the bank for initiating quick remedial action.

Conversion of Coal Into Hydrogen

1507. SHRI BIR SINGH MAHATO : Will the Minister of COAL be pleased to state:

(a) whether attention of the Government has been drawn to the newsitem "Work on to convert coal into hydrogen" appearing in 'The Hindustan Times' dated January 23, 1999;

(b) if so, the facts thereof and the reaction of the Government thereto; and

(c) the progress made so far in this regard?