

MR. SPEAKER : I am looking into those.

PROF. SAIFUDDIN SOZ : Kindly listen to me for half a minute, Sir.

MR. SPEAKER : You give me in writing something.

PROF. SAIFUDDIN SOZ : ...*

MR. SPEAKER : You cannot do it. It is irrelevant. It cannot go on record. It is irrelevant. It is not going on record. Nothing is going on record.

(Interruptions)*

MR. SPEAKER : You are a new Member. You listen. You listen to certain things. You listen first. When I say listen that means, listen. You are a new Member. You read certain rules. You cannot caste any aspersions on the Election Commission. You first see that.

PROF. SAIFUDDIN SOZ : I can bring some things to your notice.

(Interruptions)

MR. SPEAKER : Not like this, Not here. Do it otherwise.

PROF. MADHU DANDAVATE : ...

(व्यवधान)

श्री राम लाल राही (मिसरिख) : बात भी नहीं सुनी जाती है।

(व्यवधान)

अध्यक्ष महोदय : मैंने आपकी बात सुनकर ही जवाब दिया है।

(व्यवधान)

अध्यक्ष महोदय : मैं कुछ नहीं कर सकता

श्री।

(व्यवधान)

MR. SPEAKER : Prof. Madhu Dandavate.

12.16 hrs.

CALLING ATTENTION TO MATTER OF URGENT PUBLIC IMPORTANCE

REPORTED IRREGULARITIES IN INVESTMENTS BY NON-RE- SIDENT INDIANS IN RELIANCE TEXTILES

PROF. MADHU DANDAVATE (Rajapur) : I call the attention of the Minister of Finance to the following matter of urgent public importance and request that he may make a statement thereon :

Reported irregularities in the investment by Non-Resident Indians in Reliance Textiles.

THE MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE) : Mr. Speaker, Sir, As the House is aware, portfolio investment in shares are debentures of companies quoted on Stock Exchanges in India by non-residents of Indian nationality/origin as well as Overseas corporate bodies owned to the extent of at least 60 per cent by such non-residents of Indian nationality/origin. Procedurally overseas corporate bodies intending to investment in India under the 'Scheme of portfolio investment' are to approach authorised dealers (banks) with application mentioning, *inter alia*, the extent of non-resident Indian ownership, etc. with a certificate from an overseas auditor/chartered accountant/certified public accountant. The authorised dealers refer such applications to the Reserve Bank of India and the Reserve Bank accords general permission after scrutinising these documents.

2. Reserve Bank of India has stated that the eleven overseas companies which purchased shares of Reliance Textile Industries Ltd. were duly incorporated in the 'Isle of Man' before they approached the R.B.I. through the designated banks for permission to make investments in India. As per documents submitted in accordance with the R.B.I. norms, all these eleven companies satisfied the eligibility criteria

to make investments and accordingly Reserve Bank of India granted the necessary permission to the designated banks to purchase shares of Indian companies subject to the usual terms and conditions.

3. It seems there was some confusion regarding the place of incorporation of the aforesaid eleven overseas companies in the light of certain press reports. All these eleven companies were actually incorporated in the 'Isle of Man' (which is a direct dependency of the British Crown) and not in the U.K. as mentioned in the replies to certain Unstarred Questions including Unstarred Question No. 5207 dated 26th August 1983 in the Lok Sabha in the last Session of Parliament. Statements clarifying this position as also amending the names of some of these companies have already been laid on the Table on the 2nd December, 1983 by correcting the replies.

4. As regards the question of registration of the eleven overseas companies the Reserve Bank of India has confirmed that the investments by these eleven companies incorporated in the 'Isle of Man' in M/s Reliance Textile Industries Ltd. were approved only after scrutinising documentary evidence regarding incorporation of these companies and the extent of ownership by non-residents of Indian nationality/origin on the basis of the statements furnished by these companies and certificates obtained from overseas chartered accounts/auditors. While it is true that the 'Isle of Man' cannot be called a part of the U.K., the fact whether the investing companies were incorporated under the U.K. laws or the laws of 'Isle of Man' does not make any material difference in respect of the eligibility of these companies to invest under the portfolio investment scheme. The scheme of portfolio investment by non-residents of Indian nationality/origin is equally applicable to companies in the U.K. and the 'Isle of Man' so long as it is owned by non-resident Indians to the extent of 60 per cent. I, therefore, do not find irregularity in the NRI investments in Reliance Textiles Industries by these 11 companies.

PROF. MADHU DANDAVATE : Mr. Speaker, Sir, firstly, I am thankful to you that you allowed this important sensitive

issue to be discussed through Calling Attention Notice so that through all the ways that we have got we will get the necessary satisfaction.

I hope the Finance Minister in replying to my queries and the queries of colleagues will give evidence that he is the Minister for Self-Reliance and not Minister for Reliance. I hope all the queries that will be made will be adequately met and the details will be given, which unfortunately we could not get through more than 13 questions that we have tabled in Both Houses of Parliament.

The entire episode has arisen in this particular House out of the question that I had put on 26th of August 1983. It was an Unstarred Question. I will start with that and make certain queries arising out of that. On the 26th August I had put forward a straight forward question :

"Will the Minister of Finance be pleased to state :

- (a) which were the companies in U.K. that purchased shares of Reliance Textiles in India ;
- (b) whether these companies were duly registered, who were its directors and shareholders and what was was their capital ;
- (c) whether these companies were fictitious companies ; and
- (d) if so, what action is taken in this regards ?"

He gave an answer. I do not want to enumerate those 11 companies which he mentioned. Firstly, to part (a) of my question he has given the reply as follows :

"The names of the companies in U.K. who purchased shares of Reliance Textiles in India are as follows."

He has given the names of eleven companies.

His answer to part (b) is most important. He said :

"These companies are duly incorporated"—What we call as registered—"Under the U.K. laws". Details regarding the names of shareholders and the capital of these companies are furnished to the RBI in strictest confidence and cannot be discussed."

Of course, there is the rest of the part of the answer. Here, two things he has made very clear, that these are duly registered companies under the U.K. laws, And as far as the rest of the information is concerned, he has said that this information was given to the Reserve Bank of India in strictest confidence. I want to raise the very basic issue : Who is sovereign—the investor in this country is sovereign or the Parliament in this country is sovereign ? Can the investor take shelter that you cannot reveal this information or this information revealed to the Reserve Bank of India in strictest confidence cannot be shared with the Parliament ? It is a fantastic proposition. In fact, I do not want to do that, but this will attract a fresh privilege issue. If, on behalf of the investor the Finance Minister says that whatever information has been sought by the Member of Parliament has been given by the investor or the investing company in strictest confidence to the Reserve Bank of India and it cannot be shared or discussed in Parliament, it is actually denigrating the Parliament, of which we are the Members and over which you are presiding. That is a very relevant question to which the hon. Finance Minister has to apply his mind.

Let me tell you as far as procedural matters are concerned. Any one who goes to the Registry office in London or in the 'Isle of Man' and seeks in writing certain information after filling up the forms, all the information that I have sought for in Parliament would be made available to any citizen in the Registry office in London and in the 'Isle of Man'. But whatever is available to an ordinary citizen there, that is not being made available to me, not only to me but to the House. When we seek information, we do not seek it for ourselves we seek it for the entire House and through the House we want to communicate it to the entire nation to the country as a whole on urgent matters of

public importance. But that was denied to us. If the matter was merely concealed, it would not have so much of an irregularity, though it is an irregularity, but the hon. Finance Minister went a step ahead. Not only he concealed certain information from the Member of Parliament, but he tried to supply certain information which was basically wrong, which he had to correct at a later stage. I told you, in the reply on 26th August 1983 he gave the list of 11 companies and they were supposed to be registered in U.K. under the U.K. laws, not only registered in U.K., but they were not registered under U.K. laws. Then thirteen replies appeared before both the Houses of Parliament—thirteen in number and the same is repeated. On the basis of the same information, more information is revealed to both the Houses. And repeatedly we are, told that this information is correct. Again and Again we are told that again on the Basis of the information collected by the Reserve bank of India we want to confirm what we had stated earlier. That is what the Finance Minister says.

Look at the dates. On the 26th August, 1983 I seek certain information. He gives certain replies. On the 16th September, 1983, the daily Telegraph Published from Calcutta gives out that report which correspondent from London sends it. It is published in Calcutta. And that report very clearly mentions that some of these companies are not at all registered. One of them had gone under liquidation eight years back. Some of them were registered at the time of purchasing the shares. One of them had got a major capital. That is the irregularity pointed out. Remember this is on 16th September, 1983 I read this report of the Telegraph of 16th. On 20th September, 1983 I raised the same issue through privilege notice. In your wisdom you had decided to reject Privilege Notice. Nothing to say about it. Ultimately we had to accept your ruling. Just as in a Cricket Match once the empire says leg before wicket even if he is hit upon his forehead he has to accept that my leg was before wicket and he has to accept that it was lbw. So, I accept that

MR. SPEAKER : That is sportsman-ship.

PROF. MADHU DANDAVATE : In all sportsmanship I accept your ruling. But all the same the issues that were raised through privilege notice though you could not admit in the privilege from they continue to be debated and discussed.

Incidentally, let me tell you when I actually tabled the privilege notice, my notice was discussed through the editorial of the Times of India. It was also commented upon by the Telegraph. But I was the only poor soul who had not got an opportunity to say something in the matter.

MR. SPEAKER : You were bound by the rules. They just crossed the limits.

PROF. MADHU DANDAVATE : Being bound by rules I devised a device by which I could get the same matter discussed under Call Attention Notice and so you responded very well. I am leaving aside the privilege issue but the issues that are involved, they are of importance.

MR. SPEAKER : You are discussing it by googly.

PROF. MADHU DANDAVATE : Incidentally, in the cricket match I used to have googly bowling, you know very well.

MR. SPEAKER : I sportsman way I am also allowing.

(Interruptions)

PROF. MADHU DANDAVATE : There are certain conventions of the House. He knew it very well. This has to be discussed threadbare. I had put the question.

Wrong information about registration in U.K. under U.K. laws have been repeated thirteen times in Parliament. I would like to point out to you the impression is sought to be created in the country that the mistake was committed by the Finance Minister is only a technical error. And he says after all these were registered not in U.K. under U.K. Laws but they were registered in the Isle of Man. One journal has said after all the Isle of Man is a part of U.K. territory. They forget that according to U.K. Company Laws or rules

regarding registration in U.K., they are not at all applicable to companies which are registered in the Isle of Man. That is one aspect. Secondly, I would like to know from the hon. Minister that on 16th September the news comes in the Telegraph. On 20th September, I raised the matter through privilege notice. That might have also been sent to him. Why is it that till 22nd September in this other House...

(Interruptions)

You will be shocked to remember in this House on 2nd December, 1983 only a few minutes before I raised the privilege issue the correction is laid on the table of this House. On the 2nd December I raised privilege motion and a few minutes prior to that a correcting statement is made by the hon. Minister in this House. Right from the 16th September the news appears. On 2nd December actually the Statement is laid on the Table of the House correcting this original mistake which had appeared in a number of Statements in both the Houses saying that these companies are registered in the Isle of Man. I would like to know from the hon. Minister why such a long time was taken. We suspect certain manipulations. I do not want to cast any aspersion on the Finance Minister. But I want to know from him why it is that when the matter was brought to public light on 16th September, 1983, till 2nd December, 1983 when the statement was made in this House, in the intervening period, nothing has appeared at all. I would like to have a clarification on that.

As far as manipulations are concerned, he should be able to tell us, when Rs. 22.52 crores have been invested into these companies, the Reliance Textiles, not a small amount, whether he has looked into the balance-sheets of these companies that are supposed to have purchased the shares in the Reliance Textiles. I would like to know from him whether the balance-sheets of these companies which have purchased shares worth Rs. 22.52 crores have mopped up surpluses and profits. If the balance sheets do not indicate that they have actually mopped up surpluses and profits in their companies, nor they have heavily borrowed from certain agencies, the only inference that can be drawn is that some

black money has been ciphoned for the purchase of shares. I want to know whether he has made an inquiry to find out what type of money has been actually invested in purchasing the shares.

As far as the Isle of Man is concerned, originally, an impression given was that it is a part of the territory. But is it not a fact that the laws that operate in the Isle of Man are altogether different? Is it not a fact that the Company laws are quite different? Therefore, it is not a technical mistake that has been committed, but it has certain imports. I would like to know from the hon. Minister whether it is not a fact that if any company in London or in the Isle of Man to invest in purchasing certain shares in the Reliance Textiles or any other company, one of the statutory provisions is that there must be 60 per cent equity held by Indians or persons of Indian origin. On such companies in U.K. or in the Isle of Man in which Indians own 60 per cent equity are supposed to invest in shares of companies like the Reliance Textiles. I would like to know from the hon. Minister whether this condition has been fulfilled.

When we raise these questions, they say that these are not within our jurisdiction. I have very carefully gone through the statement that has been made by the hon. Minister. What does it say? It says, "We receive the certificates which are submitted to the Reserve Bank, the auditors' statement is there and they certify that fulfilment of certain conditions has been there. In that case, how do we challenge?" Now if certain companies are fictitious companies, as has been proved in this case, and if all this controversy had not started, the people would not have come to know that these 11 companies are not the companies which have purchased shares.

Incidentally, on 26th July, 1983, the hon. Minister made a statement in the other House that these are duly registered companies and, on 27th July, 1983, these companies actually send their application for registration in U.K. and, on 16th August, 1983, they received the registration. That means, long after the Minister makes

a statement in other House, the next day, they apply and, on 16th August, 1983, actually they get the registration and those companies for a long time were supposed to be registered companies under the U.K. law. Thank God, he has been able to correct that. But he must explain the lacuna. Who are the people responsible for this type of things? For instance, the statement is made that there are some registered identical companies in U.K. which have the same names as the companies of the Isle of Man. I would like him to expose the situation. I would like him to tell us who are the people responsible for this and who are the people who have actually purchased the shares, from where the source of money has come, whether it is unaccounted income and all that. All these aspects have to be borne in mind and, I hope, an explanation on that will come.

There is one more condition that must have violated, the rights of investors and certain restrictions that have been put on them. As far as restrictions are concerned a one of restrictions on the purchase of shares is regarding the value of shares at which they purchase the shares. It is an important condition. According to the NRI scheme, whenever the companies invest under the NRI scheme, an Indian company must buy shares on the floor of the stock exchange and at the ruling price. On the floor of the Stock Exchange and at the ruling price, they must purchase the share. As far as purchase of shares in Reliance Textiles is concerned, I would like to know from the hon. Minister whether it is not a fact that the NRI investors are prohibited from acquiring shares through negotiated deals. And if it is so, is it not a fact that the NRI companies that purchased shares in Reliance Textiles purchased shares at a price of about Rs. 130 per share? At that time what was the ruling price of share? The ruling price of each of the shares was Rs. 150 to Rs. 160. But they purchased the shares at Rs. 130 per share. Is it not a violation of the norm? If there is a violation of the norm, then what action has been taken?

There is one more aspect to which I would like to draw attention. As far as the hon. Minister is concerned, he is only taking shelter behind technicalities. What is the the objection to revealing to this House all the information? He is saying that a number of genuine investors have always complained. When there is a debate in Parliament, the investors have nothing to do with what happens in Parliament; I mean, they should not be concerned as to what is our jurisdiction. It is only you, Sir, who will prescribe the jurisdiction and that too, you will do it on the basis of the Rules of Procedure. But the investors have told him that, whenever in Parliament questions are asked about their capital, about their shareholding, about their Directors and all the conditions that they are supposed to have fulfilled while purchasing share, if all these details which they share with the Reserve Bank are shared with Parliament, it affects their credibility, it affects the customer-bank relationship. Of course, the customer-bank relationship can exist only if the customer exists. One does not know how many of them were actually bona fide registered companies. Anyway, leave aside that part. As the Speaker of this House I would ask you this. If any investor says that he would not like his problem to be discussed and debated in Parliament because that will cause damage to his credibility, I would say that only the credibility of those who have skeletons in their cupboards is likely to be damaged; those who have clean operations and transactions need not be afraid as far as these aspects are concerned. Therefore, that point has to be borne in mind.

I will ask the last question, and that is very significant. In fact, till today morning that information was not available at all. I just read the *Telegraph* this morning. I had taken it for granted that this was the last correction which the hon. Minister would be required to make; he had corrected that these eleven companies were not registered in London but they were registered in the Isle of Man. That is what he had said. Now unfortunately he will be faced with the situation of having to come forward with another explanation. Today the *Telegraph* has come out with the news that these three

companies, Fiasco, Crocodile and Corbin—the *Telegraph* published from Calcutta says on front page—have not been registered even in the Isle of Man, leave aside London. I do not want to make the submission here, but I have sent you another privilege notice against the Finance Minister...

PROF. K.K. TIWARI (Buxer) : Sir, I am on a point of order. If there any time limit to frame the questions? He has been speaking for the last 40 minutes.

PROF. MADHU DANDAVATE : I can tell you from my personal knowledge that Members of both sides were interested in this issue...

PROF. K. K. TIWARI : Can you say, Sir, that you will extend the same privilege to all the Members of the House?

MR. SPEAKER : We always do; we do not differentiate.

PROF. MADHU DANDAVATE : I will support Prof. Tiwari when he calls the attention of the House.

As far this issue is concerned, it cuts across partylines. I have myself met the Members of the ruling party who say that, as far as this issue is concerned, we are completely one with you. Some may differ. But, it cuts across partylines. That is why, I have raised this issue in that spirit. Therefore, my last question is this. Since even these three companies at has been established in the press are not registered even now I would like to know what exactly is the situation. Of course following the usual procedure, I have given one more Privilege Notice and, I think its fate will not be as usual.

MR. SPEAKER : It all depends upon the circumstances. Now, the Minister.

SHRI PRANAB MUKHERJEE : Mr. Speaker, Sir, I always have great respect for my colleague, Prof. Dandavate and I always think that when he makes a point, he takes various facts into account. May be, the stories in some newspapers have agitated him to the extent that even here he has made some sort of lobbying

and trying to ascertain even information from the Members belonging to this side about this issue. I do not know how they have responded to it.

But, Sir, I will start from the fact. Surely, he will agree with me that I did not frame the question on his behalf. If you just look at the question, Sir, you will find what is the text of the question. The question is—which were the companies in U.K. that purchased the shares of Reliance Textiles in India. If I make a mistake that the companies are registered in the Isle of Man or they are the U.K. companies, I shall be led to commit the mistake. What is the question which the hon. Member framed? He did not raise the question. Don't laugh at us. Be honest. You did not raise the question as to which are the foreign companies. One might have understood if you would have framed the question as to which are the foreign companies that invested in Reliance Textiles. Your specific question is: what are the U.K. companies that purchased the shares. What does it mean? Is it not your own contention that the U.K. companies are registered? Or is it your contention that the companies are registered in the Isle of Man or whatever it may be, they are the U.K. companies? Why you particularly choose this phrase 'U.K. companies'. You also owe an explanation. You are wanting an explanation from me. I am not going into the procedural aspect of your raising the privilege motion and immediately rushing to the press. I am not going into that. These are to be dealt with by you, Sir.

MR. SPEAKER : I go according to the rules.

SHRI PRANAB MUKHERJEE : Sir, Before. Prof. Dandavate raised the privilege issue why did I correct? I cannot do anything in the House without your approval. As per rules and procedures, you permitted me to correct it; whatever be the time or whatever be the consequence, the fact remains; I was under the impression that these were the U.K. companies. Perhaps Prof. Dandavate was also equally under the impression that these are the U.K. companies. Otherwise you would not have framed this question. But, Sir, this is

a minor point. I am concerned with the salient point. He has raised a major point about the sovereignty of the Parliament. The rules and regulations and banking laws are subject to the approval of Parliament. If we impose certain restrictions on the types of regulations, it is for Parliament to decide. If tomorrow you decide that all types of information which exist between a client and the bank ought to be laid on the table of the House, I will be obliged to do so. But, so long as the present rules are concerned, simply because Parliament is Sovereign and simply because of the fact that some hon. Members say that they want this type of information, I am afraid I cannot give the information, unless you change it. You are competent to change it. Let Parliament take the decision that even the secret information between a bank and its client ought to be laid on the table of the House or ought to be provided to the Members of Parliament. When a Member like Prof. Dandavate or anybody wants to have it you are going to extend the concept of sovereignty to that extent that anybody may ask for all types of letters Prof. Dandavate has written to Mrs. Dandavate to be laid on the table of the House—not now but 15 or 20 years ago.

PROF. MADHU DANDAVATE : If he demands, I will lay it on the Table of the House.

MR. SPEAKER : Even if both of you agree, I will not allow it; Mrs. Dandavate is also concerned and I have to safeguard the interest of all.

DR. SUBRAMANIAM SWAMY (Bombay North East) : Like Lord Krishna you come to rescue !

SHRI PRANAB MUKHERJEE : So, Sir, it is too much to extent this concept of sovereignty to this extent. In respect of share-holders certain information goes to the bank. We have accepted the law that the information will not be made available. And who are these investors? They are all non-residents. They are not subject to your municipal law. We are now dealing with Non-resident portfolio investment. But we are giving you the name of the investors. If I don't

give name of investors, how could I give you the name of the particular company? So, I gave that. But when you wanted detailed information, we did not give it to you. And then, what is this Scheme? Prof Dandavate himself pointed this out. He took 40 minutes. I think he will permit me 15 on 20 minutes to clarify it...

PROF. MADHU DANDAVATE : Not 40 minutes.

SHRI PRANAB MUKHERJEE : All right, 20 minutes.

PROF. MADHU DANDAVATE : Don't extend the 'relativity of time' to such an extent !

SHRI PRANAB MUKHERJEE : This scheme is 'The Portfolio Investment Scheme, I made it quite clear at the time of the introduction of this scheme. Subsequently we had a discussion—if I remember correctly—sometime in the winter session. Some members expressed their apprehension that this scheme may be utilised for landering black money into white in the name of non-resident investment. To that, my reaction was that there are other laws of the land to take care of such types of problems. There is the Foreign Exchange Regulation Act, The Directorate of Enforcement is there. There are other types of laws which are there. If any instance of violation of the law comes to our notice, we take care of that and laws are there to deal with that. But one would not like to utilise this particular instrument for having any type of a roving inquiry. There is a procedure laid down by the Reserve Bank of India. The RBI has laid down the procedure that for portfolio investments, the maximum share which one can purchase is up to one per cent of the paid-up capital of the company. Earlier the monetary ceiling was one lakh. That monetary ceiling of one lakh was removed subsequently. Secondly, the condition is that the company/organisation should be owned by a non-resident at least to the extent of 60 per cent or more. Another condition is : that the investing companies will indicate their desire to the banks. The banks will obtain certa information from them. They have to certify to the Reserve Bank of India that they are our bonafide

customers and we have checked this. If the hon. Member is interested, I can read out the relevant circulars. So, that type of certificate is to be given. And then on top of it they will have to give another certificate from the overseas Chartered Accountant or Public Accountant that the company is owned by non-residents to the extent of 60 per cent. On the basis of that the bank gives the information. Here I would like to draw the attention of the House to one point. This scheme was not there earlier and whatever information the hon. Member seeks from us, we have to collect from the RBI. I cannot send my people there ; I cannot myself go there to every part of the world. The Reserve Bank has to get information from these banks. So, in this process we get the information and we give it to the Members. The hon. Member's contention is that for 13 times the information has been given wrong. Every attempt is made to give it correctly but sometimes there are some mistakes. To my mind, they are technical types of mistakes. As to how it occurred, I will explain it to you. And as many questions come, unless I have the correct type of information, I have to respeat that, it may be thirteen times, it may be fourteen times, it may be twenty times, or it may be hundred times. What is the relevance of thirteen times? If the information which has been furnished to the Members of Parliament in response to one question, unless we get the information to correct that, that type of information is to be repeated and shared, may be in this House or that House. Merely, the number is not going to alter the position. The question is, why we took so much time. I read the news in the Telegraph no doubt, but definitely, I cannot come to a conclusion on reading the news item. This is the newspaper, which gave us the news—I do not know, whether it was the Telegraph or the Business Standard, but this is the newspaper of that group—that one of my officers who was appointed as Deputy Governor of Reserve Bank long before his term expired in the Ministry, the news item appeared, that he was prevented from entering into the Reserve Bank Building. You may be enamoured of a particular newspaper, but I am not so. I will ascertain it from my men, I will not base my answers or question on that basis. I

will tell you about the last privilege motion which you have brought against me, and the documentary evidence which I have in my possession. Unfortunately, you are posing certain issues which you could have asked me and I could have shared my information with you in confidence, because you would have known the position, and you would not have disclosed that. On account of the constraints and as per the rules, as per the regulations imposed by ourselves, not by anybody else, we cannot disclose each and everything there.

When I collected the information, I got it corrected, with your approval, I kept the House informed about it.

MR. SPEAKER : I thought that you both had come together and realised that this is going to happen and you conspired.

SHRI PRANAB MUKHERJEE : At that time, I just did not know that. About certain other materials, and certain other issues, which the non-raised, I would like to share the information with the House.

PROF. MADHU DANDAVATE : There was such a big gap between 16th September and 2nd November.

SHRI PRANAB MUKHERJEE : The Parliament was not in session.

PROF. MADHU DANDAVATE : Before the Conference, we met here ; prior to that, I had written to you that you could send me a letter and let me know a position.

SHRI PRANAB MUKHERJEE : I cannot send you a letter, when you are just threatening me with half a dozen privilege motions. When a privilege motion is pending, I have to reply only to the Speaker. Could you find out a single day when there was no privilege motion pending.

PROF. MADHU DANDAVATE : Before the first privileged notice, I had sent a letter to you to clarify this, and then the privilege notice went. I will never go wrong on procedural matters.

SHRI PRANAB MUKHERJEE : That is why, you are raising this issue. What

was the fact ? I corrected and I said that the companies were registered in the Isle of Man. I am giving all the names, their date of incorporation, their date of submission of application to Reserve Bank, their date of approval, and date of purchase of shares. First is Thornton Investments Ltd.—Date of incorporation—10.2.1982 ; date of submission of application to Reserve Bank—23.8.82, Date of RBI approval—29.9.1982 ; and date of purchase of shares—15.10.1982...(Interruptions). That part I corrected. As you were under the impression that these were UK companies, I shared your mistaken conception, that these were U.K. companies, and that is why I corrected.

PROF. MADHU DANDAVATE : You have the State apparatus with you ; I had only newspapers with me.

SHRI PRANAB MUKHERJEE : Then, Victor Investments Ltd. : Date of incorporation—2.8.1982 : date of submission of application of RBI—23.8.1982 ; Date of RBI approval—29.9.1982, and date of purchase of shares—15.10.1982.

Gainford Investments Ltd.—Date of incorporation—10.2.1982; date of submission of application to RBI—23-8-1982 ; date of RBI approval—29-9-1982 and date of purchase of shares 15-10-1982.

Roman Investments Ltd.—Date of incorporation—18-9-81, date of submission of application to RBI—24-9-82 ; date of RBI approval—6-10-1982 and date of purchase of shares—15-10-1982.

Then Bamford Investment Ltd.—25-2-1981, 24-9-1982, 6-10-1982.

You mentioned Crocodile Limited. Their date of information is 10-2-1982 and the date of submission of applications—24-9-1982 ; date of RBI approval is 6-10-1982 and the date of purchase of shares 15-10-1982.

Fiasco Overseas Limited—10-2-1982, 24-9-1982, 6-10-1982, 15-10-1982.

Tricot Investment Ltd.—12-7-1982, 21-2-1983, 1-3-1983 and 28-3-1983.

Sir, here I will seek your indulgence. The information that I have given, you can show it to Prof. Dandavate to find out whether the dates which I am giving here are correct or not, but for God sake, don't bring it for public discussion. You can satisfy yourself because you are raising the privilege issue. I will place the document with the Speaker. You see to it, but don't throw away all norms simply for scoring a point. You shall have to keep in mind that we are asking people who are abroad to invest here. Because some people may take advantage of it, for God sake don't try to kill the scheme. I know what type of pressure is being built up so that the whole scheme is to be given up. And if you find that the Reserve Bank is wrong or the Finance Ministry is wrong or somebody is wrong, you tell me. You have gone to the extent of saying, simply because you have been carried away by the newspaper, that I am a Reliance Minister. I don't have the privilege of saying to you that you are a Member of somebody representing somebody's interests. You please ascertain the facts. If you wanted to know the truth really, you could have told me and I can share my confidence with you. And I am telling you that in particularly three companies which you have referred to, the information which I have I will keep it with the Speaker. Please for God sake examine yourself and thereafter if you have any point you come and tell me that this is so. But we shall have to depend on certain information. The Reserve Bank has to depend on the information given by the Banks. I am to depend on the information given to me by the Reserve Bank of India.

Now, how did the mistake occur? I have made two corrections, I do agree. One correction is as I said that these are registered in U.K. under UK Laws, which you have quoted. Actually these are registered in Isle of Man. I was under the impression that for all practical purposes, the Isle of Man is a part of UK. It is under the British Crown. They travel under British Passports. Their company laws for taxes and other things are separate. We have ascertained it. But before these facts came, I did not ascertain it and I am admitting it. And then the mistake.

It happened unfortunately when the Bank sent the information to the RBI. Then the seven companies, four companies, had suffix 'investment'. In the case of the three companies the suffix was not 'investment'. Unfortunately, in the forwarding letter of seven companies, the suffix 'investment' was added.

It was sent by the Bank to the RBI. But in the original certificate the correct name was written. When we got the information, we thought at all the seven companies had this suffix. For instance, Iota Limited, then Fiasco Overseas Limited and the Crocodile Limited. The correction I made was I added 'investment' limited. The word 'investment' was not there. And it may be a plain and simple typographical mistake, because all the four are investment and in the forwarding letter it was so written. On the basis of that I supplied the information and whenever I came to know, I corrected it. Thereafter subsequently I checked out that in the certificates or documents which they gave to the Reserve Bank the correct name was written. So, three things are to be looked into. One is whether the companies are owned by the non-residents to the extent of 60%? That Chartered Accountant Certificate is there and they have certified it.

13.00 hrs.

About whether Reserve Bank was going to investigate to see whether these persons exist or not—at this stage, I am saying it is not possible; because they are to depend, and if we get some information, there are other instruments, other laws which can take care of this. But simply because of this scheme, can we not have any investment itself? So, they got the certificate of the charter accountants; they got the requisite certificates from the banks; and on the basis of that, they give the clearance; and I have indicated the date of incorporation, date of application to the Reserve Bank of India—I mean receipt. Somebody may again say that the application date may be one day, and the date of receipt may be another; third, the date of approval and fourth, the date of subscriptions—I have given.

And so far as documents which we have in possession and which the Reserve

Bank scrutinized—on the basis of that, I can say that there have not been any irregularities, so far as investments are concerned.

PROF MADHU DANDAVATE : Have you not come across a number of transactions where actually chartered accountants, and auditors' statements and certificates are there; and in spite of that, you have found that certain fictitious transactions have taken place? Has it come to not light in the past? We have brought it before Parliament.

SHRI PRANAB MUKHERJEE : I am reacting to that, when it comes to our notice. But you are saying that I should start from the presumption that every chartered accountant's certificate is wrong. I cannot start from that presumption. But if we find from other evidences that there may be some doubts, there may be some

13.02 hrs.

[**DR. RAJENDER KUMARI VAJPAI**
in the Chair]

questions then it is different thing. The question is, why was approval given? The approval was given on basis of the material information available to the Reserve Bank of at that point of time; and if subsequently India some information comes, then it is an absolutely different story. Your case is why was it given? What I am saying is that the information which they had, the necessary, requisite certificates which they ought to obtain—they got them; and on their basis, they gave the certificate, they gave the approval.

MR. SPEAKER : Now Shri Chitta Basu.

SHRI CHITTA BASU (Barasat) : I am glad that the hon. Minister has mentioned about the apprehensions which were expressed when the NRI scheme was introduced. The apprehensions were generally of two kinds. One is that this scheme will provide opportunity for some to launder black money into white money. Another apprehension was expressed, viz. that some non-resident Indian companies might be used as a conduit for the multinational corporations investing in Indian companies in a clandestine manner. These

apprehensions were expressed not only by many Members in this House, but also by very important economists of our country, and some highly placed authorities in the Reserve Bank of India also.

It quite natural that some suspicion is attached when eleven companies invest about Rs. 22 crores in an important textile company like the Reliance Textiles. May I ask the hon. Minister to clarify or remove the doubt or remove the suspicion in my mind viz. are not these investments in Reliance Textiles by eleven companies of an amount of Rs. 22 crores an example of investment or laundering of black money belonging to somebody into white money? I would be very glad if he could give out certain facts, whatever is possible, and remove these very suspicions which I have.

He has mentioned about the Isle of Man. Of course, he has mentioned that there is no material difference between a company which is incorporated in the United Kingdom, and a company incorporated in the Isle of Man. Is it not a fact that they are called the Shelf companies. And they are incorporated in—these self companies—they are incorporated in tax havens and these companies basically are conduits for converting black money into white. The only purpose of these companies is to hide the identity, of the investors, the source of their funds and the nature of their transactions. Because out of this they have certain benefits; they are not answerable to U.K. laws, they are not liable to pay taxes on the return of their investment and they are exempt from any kind of scrutiny of the Government. If these are so, or if these are not, the situation is different. I am not thinking of a company incorporated in the U.K. under the U.K. laws. But if these are the facts, there are material differences between 'X' company incorporated in the U.K. laws and a company incorporated in the Isle of Man. If this difference is there, will the hon. Minister clarify that this Isle of Man companies, are also taking advantage of investing money which is not got in a legal manner or that is ill got money and does it not flow into our country? Now, the hon. Minister has also raised the question, he sought to clarify rather, that they are only under the present system, to rely on the

certificate given by the chartered accountant and auditors. Now, I have that suspicion in my mind, may I know why the Government does not evolve a system by which the Reserve Bank of India merely without relying on the certificate issued by a chartered accountant or auditor makes an independent inquiry, as to the various aspects, which these companies are also required to place before the Reserve Bank of India? And there are various methods for the Government of India to do it—as for example,—even while giving certain information in the forms prescribed by the Reserve Bank these companies must fill in the names of the shareholders in that company, the pattern of shareholding as also the names of non-residents Indians holding predominant shares and also the nationality and their country of residence.

So, if these facts are available with the Reserve Bank of India the Government can verify as to the correctness of those statements being made by those companies which are going to invest normally. And then it is possible for the Government of India through its various agencies and various methods to ascertain as to whether the certificate given by the auditor or the chartered accountant are fictitious or valid or there are certain things which carry suspicion. In the absence of that this kind of investment of black money, ill-got money will have its own way into our economy.

Lastly, since I have got the suspicion about the companies incorporated in the Isle of Man would the Government assure the House that whenever this kind of applications are made from companies incorporated in the Isle of Man, the Government will exercise strict vigilance and see that those ill got money or black money cannot get any chance of being turned into white money through Indian nationals?

Finally, may I know who is the gentleman who has sought to launder black money into white money through this dubious process of investment through these eleven companies in Reliance Textiles?

SHRI PRANAB MUKHERJEE : The hon. Member has almost repeated the points which some of the Members have been repeating since the scheme was introduced. You decide whether you want to have the scheme or not. If you have the scheme, then you cannot expect a foreign investor to subject himself to your scrutiny. If you want to find out the source of each and every money which is invested, then his reply to you would be that he is not interested in investing in your country. What is the basis of the scheme? We are inviting foreign exchange. That is why, we have asked them to invest here. If you do not want investment, you say that. Otherwise under what rule will you subject a foreign investor to your scrutiny and why should you do it? If the consensus of the House is that we do not want a scheme like that, then give it up, throw it out. Who prevents you from doing that? Parliament is all mighty. So far as the Government is concerned, I have made it abundantly clear that to take care of the problems of laundering black-money, there are various other instruments and laws which we can apply as and when specific information is available with us. You are talking of black money. Under the existing scheme of remittances if somebody siphons off black money and launders that black money here, would you stop it? You cannot accept a position where you have no logic. You cannot expect that every body is subject to your rule and scrutiny. When we extended the scheme our objective was to draw the money so that we could overcome the foreign exchange crisis. We were told day in and day out that hundreds and thousands of people were there abroad who could invest in India provided we could create a climate for investment. We were to do this. Simply because one hon. Member has a suspicion we shall have to create a situation where would not be any investment, I am sorry, I cannot accept that position. Whatever reasonable care is required to be taken, that care is taken. The details which you have mentioned are available with the RBI. If it is found necessary to look into them, they will be looked into.

You imagine yourself in the place of a non-resident. If I tell on the floor of the House that at a subsequent date I

would look into the sources of the money and I will have probing enquiry and thereafter you will invest, will you like to invest? So, do not make a mountain of a molehill. We have provided some facilities. Just on Monday we have discussed it. Certain people are always there to misuse anything. But that does not mean that we should totally do away with the system of providing facilities if we find that socially and economically they are reasonable.

The second point which the hon. Member has made is whether there is any material difference between Isle of Man and U.K. There is material difference. But what I mentioned was that from our point of view and from non-residents point of view there is no material difference because if a company is registered in Isle of Man or registered in U.K. or Bahamas or FRG or any part of the world, they are entitled to be treated at par so far as non-resident investment is concerned. From that point of view I mentioned in reply to Prof. Dandavate's query there is no material difference whether the companies are registered in U.K. or Isle of Man. But in the Isle of Man they have made a system according to their own economic requirement, to give lot of concessions. This is known to everybody. People are getting the companies registered there in order to take advantage of the the taxes.

SHRI CHITTA BASU : We should be more cautious about those companies.

SHRI PRANAB MUKHERJEE : Why you should be cautious? You will have to decide whether you want money or you do not want money. If you do not want money, you tell you do not want. Why should you be cautious? Parliament is sovereign, Parliament is Supreme. If Mr. Chitta Basu can carry the Parliament to come to the decision that this type of money you do not require, you can do that. Nobody prevents you. But so far as we are concerned, we do feel and I have mentioned it quite clearly—this is not for the first time we are saying—that we thought that if we can provide opportunities to the non-residents to invest in India, we will get money and they have some sort of

commitment in the economic development of this country and we should provide opportunities. So far as my memory goes, when, I introduced the Scheme in the Budget of 1982-83—not 1983-84, about which Prof. Dandavate brought another Privilege Notice that I have divulged the Budget to Mr. Sawraj Paul—it was welcomed by the cross sections of the House. Your apprehension is that somebody may try to take advantage of this Scheme and for that I may assure you that there are other laws to tackle the problem and whenever we will get some type of concrete specific information, the matter can be handled. People in the country are evading and avoiding taxes. That is why you will say that whatever tax concessions we are giving, we should not give those. The other day we discussed the research and development that we are giving concessions on research and development. Somebody is misusing it. Your argument would be that totally stop it. No concession should be given on research and development. You cannot have that type of argument. So, my point is that so far as the investments by these eleven companies are concerned, from the documents available with us, I mean with Reserve Bank of India—Reserve Bank is to operate the scheme and they have satisfied themselves that the necessary formalities have been complied with—I do not think that there is any irregularity so far as these investments are concerned.

SHRI SATISH AGARWAL (Jaipur) : Madan Chairman, at the outset, let me make it very clear that I was one of those who welcomed this Scheme and this Calling Attention motion and any questions regarding investment in any particular company by the non-resident Indians should not be construed by the Finance Minister as an opposition to the Scheme or as working under such lobbies. This is very unfair comment on his part.

SHRI PRANAB MUKHERJEE : You will call me Minister of Reliance.

SHRI SATISH AGARWAL : I did not tell.

SHRI PRANAB MUKHERJEE : I reacted to him, I have not yet reacted to

you. I reacted to Prof. Dandavate when he called me Minister of Reliance.

SHRI SATISH AGARWAL : The violent reactions from your side are not called for or are expected. You are occupying a very important position.

SHRI PRANAB MUKHERJEE : Only you will have the privilege of calling the Minister as the Minister for Reliance.

SHRI SATISH AGARWAL : If somebody has said so in the Press, it is for you to take action.

SHRI PRANAB MUKHERJEE : Not in the Press, on the Floor of the House he told me.

SHRI SATISH AGARWAL : He said he wants you to be the Minister for Self-Reliance and not for Minister of Reliance.

SHRI PRANAB MUKHERJEE : What does it mean ?

SHRI SATISH AGARWAL : Why do you mis-interpret it ? Anyway, these are financial matters.

Madam Chairman, to be very fair to the subject, nobody has condemned the whole Scheme lock, stock and barrel. It is only on the basis of certain press reports that certain issues were raised and if this would not have appeared in the Daily Telegraph, then probably the situation for a correction may not have arisen. I do not say whatever is written in the newspapers is hundred per cent correct and the analogy is that if you have made an incorrect statement at one point of time regarding this having been misled by the framing of the question, it does not mean that Mr. Pranab Mukherjee is giving false answers every time. May be some items are wrong here or there. So, that analogy does not fit in in this case.

So far as this particular issue is concerned, some reasonable doubts arose in our minds with regard to a particular investment in a particular company and that is why certain clarifications are to be sought and in order to be brief and in order to facilitate an exact and correct answer, by the hon. Finance Minister I gave an

advance copy of my questions to the Speaker as well as a copy to the hon. Finance Minister so that I can have exact answers. I am not here to score a debating point over you, I am only eliciting information. As some information with regard to some parts of the questions that I am going to raise, you have already furnished, I do hope that if you can furnish the other information now in this House, well and good, and is quite welcome. If you cannot furnish that information now, then please go through that questionnaire and furnish that information, if you can, later on, and wherever you cannot furnish the information, tell us so. So, the matter ends there.

Sir, I have divided the questions into parts and I have given advance copies to the Hon. Speaker and to the Finance Minister. I do not know whether he has got it or not. I think he must have got it.

I am putting all these questions very much mindful of the fact that there are certain constraints so far as the banking operations are concerned. It is not that that I am not aware of that. But even then, when certain suspicions arise and as you rightly pointed out that there are provisions like the FERA, that is why I am drawing your kind attention to all these matters; you would give the instant answers, or you would look into it later on and send me a reply or you would clarify the position later on—I am not particular about it that you reply to all these questions now and here.

My questions are as follows :

(A) What were the contents of each of the declarations made by these 11 companies in the forms RPC and OAC as prescribed by the RBI vide Circular No. 9 dated 14.4.82 with particular reference to para (c) of form O.A.C. certified by foreign Auditor/Chartered Accountants regarding names of shareholders of Indian origin, paid up value of shares held and percentage holding.

(B) Who are these auditors and Chartered Accountants ? Is he one person for all these 11 companies ? Please name them.

(C) Which are those bank branches who have forwarded these applications to the RBI ?

(D) When were they received by RBI ? Were they complete in all respects ?

(E) When was the approval given by RBI on each of these applications and when was it communicated to the bank branches ? Dates in each case and names of companies in these approvals may be given.

A part of it you have already given.

(F) In each case what further documentary evidence became available to the RBI and then to the Government and when was the same made available and by whom so as to correct the replies given to Parliament (Unstarred Question No. 907) dated 18.11.83 reaffirmed correction on 22.11.83 in Rajya Sabha.

(G) Assuming that instead of mentioning Isle of Man, U.K. was mentioned, how is it then that the names of the following three companies are completely changed as per correction dated 2.2.83 by the Finance Minister in Lok Sabha ?

I can appreciate it that you were misled by the format of the question, but how is it that these names are completely changed ? For example, the original reply was 'Iota investments Ltd. U.K.' I can understand that you were misled by the word 'U.K.' But now you say, 'Iota Ltd., Isle of Man.' But why 'Iota Ltd.' only ?

For 'Crocodile Investment Ltd. U.K.', now you say 'Crocodile Ltd., Isle of Man'. For 'Fiasco Investment Ltd., U.K.' now you say, 'Fiasco Overseas Ltd. Isle of Man'. This is what you said for these three companies.

Now, the question I put was :

Please specifically state as to which were the names mentioned in the original applications regarding these three and whether the RBI/Government received fresh applications or mere correction slips ; if so, whether fresh certificates in forms RPC and OAC were also received. Please

further state whether these companies were incorporated in Isle of Man ; if so, give particulars of names of shareholders of Indian origin, paid up value of shares held and percentage share-holding.

(H) Please give names of persons who were holding 60 per cent of the equity for each of these 11 companies. It is not a fact that the same set of Individuals are holding controlling shares in each of these 11 companies and all of them are inter-connected with the family members of the group controlling Reliance Textile Industries and its inter-connected companies under the MRTTP Act. I shall be too happy to have a clarification from you.

1(I) How does the Government rule out the possibility of the inference that all these companies are benami companies and have been floated by the group-controlling Reliance Industries and its inter-connected companies under the MRTTP Act ?

1(J) What is the issued and paid up capital of each of these 11 companies as mentioned in the Auditor's Certificate ?

I think this information you can give.

1(K) Please mention the names and addresses of the bank's branches who remitted this money to Indian Banks for this purpose.

1(L) Is it not a fact that all the shares were sold to the 11 companies as originally named and transfer of shares was effected accordingly.

In the earlier eleven names that you mentioned whether the shares were transferred in the names of eleven companies that you originally mentioned in the House or the shares had been sold and transferred in the stock exchange of the companies which you are now mentioning ? In whose names-whether in the original names or in the names as corrected by you ?

1(M) When the Government can give names of individuals like S.L. Sharda, U.S.A. ; in reply to your question you have given names like S.L. Sharda, U.S.A., P.J. Devi Abu Dhabi in reply to unstarred Q. No. 1152 dated 29.7.1983, how is it that

the Government is with holding the names of individuals controlling these 11 companies? When you can mention individual names that Mr. Sharda has invested so much money where is the question of secrecy now in this case? Is it not to cover up fraudulent, immoral and illegal investment by this particular group?

1(N) Will the Government hold an inquiry into the heavy over-invoicing of imports by Reliance Group of companies during the last four years thereby generating funds abroad in violation of FERA including the imports by this group from South Africa as per daily list of imports maintained at the Customs House dated 31.3.1983.

That must have come to your notice that this is a particular group and you must be looking into that aspect. If you like I can give you a certified copy of the daily imports whereby this Reliance Textiles imported goods from South Africa on 31.3.1983. This is about polyester filament. I can give copy to you. You can satisfy yourself. It is an import from South Africa and it is the photostat copy of daily list of imports. Its number is DLI 286, Bombay Customs House, Tuesday the 31st March, 1983. In this it has been mentioned Polyester Filament imports Kg 118803. Another item is 3072679 kg from South Africa by Reliance Textiles India Limited. The name of the ship is P. Roosevelt Hellenic Pearl. This is for you to clarify.

I had put the question on this aspect. This created certain doubts in my mind and that is why I was also one of the signatories to Call Attention Notice Motion. That is why I drafted all these questions which occurred to my mind without any malice towards anybody either, you or Reliance. I do not know anybody. This particular thing has to be looked into. Is the Government prepared to place all the connected records pertaining to this investment by these eleven companies—Reliance Textiles—before a committee of the House either existing or to be newly constituted?

I sincerely feel that this issue would not have arisen had these various things not appeared in the Telegraph. Naturally we drew the attention of the Government and

you checked up with RBI and this naturally came out with the correction three months later on. That is the position. So, there is no sense blaming any particular paper on the basis of particular news item with regard to a particular Deputy Governor taking place in Bombay. This is not fair. It is as unfair as I say that Shri Pranab Mukherjee is in the habit of giving wrong replies. No. There may be a *bona fide* mistake. So, please do not do that. Any way. If the Telegraph is absolutely incorrect, misleading the House, somebody is misleading the House, somebody is misleading the nation, either the Telegraph is misleading or you are misleading. If I accept your version, then the Telegraph is misleading. We shall move a privilege motion against the Telegraph. No problem about that. After all the whole nation has to be taken into confidence. Please for God's sake, Mr. Mukherjee, we have seen you with respect. Do you want to say that we want to sabotage this scheme? None has said so that this non-Resident Investment scheme should be done away with, should be given up or this is a bad scheme. We are simply cautious. If there is some ill-gotten money coming through certain source, then it is our duty as Members of Parliament of the Opposition to draw attention to all those facts.

Now, you yourself said in your reply yesterday, "D.C.M. group is a well-reputed house and I do not know how this slip has taken place." This has come to our notice. Similar things might have happened. You have got powers under the FERA. The basic question and the thrust of all these questions is, whether a particular set of companies taking advantage of the NRI scheme were eligible and, for eligibility, your condition is that the non-resident Indians must have 60 per cent holding in that particular overseas corporation or a firm. So, here a doubt is that these 11 companies do not have that much equity, that much share-holding. Somebody had 100 pounds. Naturally, a doubt has arisen that holding 100 pounds as equity or share capital, how is that they could invest more than Rs. 22 crores like that.

That is why an investigation either by a Parliamentary Committee or under the

provisions of the FERA should bother. You must have something on that score to find out how these companies had sufficient assets to purchase all these shares. This is an investment of Rs. 22 crores. You have been able to attract investment from non-resident Indians through other ventures also, through joint ventures, etc. You have been able to have about Rs. 100 crores through remittances also. Nobody has attacked the Government on that score. We criticised you for taking a 5 billion dollars loan from the I.M.F. You can tap other sources also. But you don't be uncharitable that on that score anybody is trying to sabotage the whole NRI scheme. Some doubts have arisen, both genuine and *bona fide*. That is why these issues are being raised and that is why I thought it fit to give you an advance copy of whatever points I could make. Whatever points you can answer now, you may do that and, if you cannot answer some of the points, you can do so at a later date.

SHRI PRANAB MUKHERJEE : I received a copy of the letter which the hon. Member wrote to the Speaker at 10.66 hrs. Some of the issues which he has raised in his letter have already been replied to, particularly, with reference to the date of application, the date of investment and the names of the companies. In regard to the names of banks which he wanted to know, they are, the European Asian Bank, Bombay, the Syndicate Bank, Nariman Point Branch, Bombay and the State Bank, Main Branch. These are the three banks which were involved in the sense that they passed on the applications to the Reserve Bank of India.

One more basic point which he raised about the names and there too, I am afraid, perhaps, he has also made a little mistake; everyone of us is making mistakes...

SHRI SATISH AGARWAL : We are not infallible.

SHRI PRANAB MUKHERJEE : But I am subject to privilege.

SHRI SATISH AGARWAL : To err is human. But to persist in that is inhuman.

PROF. MADHU DANDAVATE : "Error" is a community product.

SHRI PRANAB MUKHERJEE : I agree with you that if it was not brought out in the newspapers, at least I would not have taken care to look into these things. I must give credit to them for that, that they have brought out all these things. But just to come to a certain conclusion is not proper. My point is that I did not object at any time to have a discussion and to share whatever information I have with the hon. Members. Though I own whole responsibility for each and every piece of information supplied to Parliament, everybody understands that I myself cannot collect all the information and give it. That is a part of the system. Whenever this question came up, I wanted to have a discussion. But before the privilege issue could be disposed of—it was in both the Houses—we could not have a discussion. There was no point in hiding anything.

PROF. MADHU DANDAVATE : Even the discussion was possible because I gave a privilege motion.

SHRI PRANAB MUKHERJEE : That is not so. My contention is that even before we discuss it, before the discussion itself, somebody is coming to a conclusion to which I object. You should not come to a conclusion that I have misled. You are debating this point up till now. You have yet to come to a conclusion, but the newspaper has come out with banner headlines that I have misled the House; they have come to the conclusion...

PROF. MADHU DANDAVATE : Whether the shares were purchased at the ruling price, that issue you have not touched at all. I gave the figures.

SHRI PRANAB MUKHERJEE : They have come to the conclusion already that I have misled the House, I am not the Minister for Finance, but I am Minister for Reliance...

SHRI SATISH AGARWAL : Bring a privileged motion against them.

SHRI PRANAB MUKHERJEE : I do not believe in these things.

SHRI SATISH AGARWAL : You can ask Prof. Tewari.

SHRI PRANAB MUKHERJEE : You may be interested in that.

They themselves are becoming the prosecutor and also the judge ; they are giving some information and at the same time they are coming to the conclusion, before Parliament comes to conclusion, that I have misled the House. This is my point. This is, of course, beside the point, not relevant.

About the names which you mentioned, there are differences. In reply to the question which you have referred to, Qn. No. 1152 dated 29th July, I have given the names and these are the names of the investors. Here you will have to make a distinction. An individual can also invest. An individual, when he invests, is an investor. That individual's name, I have no objection to give. But when a company is investing, then the company as a corporate body becomes an investor...

SHRI SATISH AGARWAL : Provided it has 60 per cent shares.

SHRI PRANAB MUKHERJEE : Provided it has 60 per cent shares. Here we give the name of the company. That is why I have given the names of all the eleven companies. Whether they are having 60 per cent shares or not, they have to satisfy the Reserve Bank, and the Reserve Bank is getting the necessary certificate from the chartered accountant. How they are having the 60 per cent share, that break-up I am not giving because that part of the information is between the bank and its clients. I have no objection to giving the name of the investor : if the investor is an individual, I will give you the name of the individual as I have given earlier, and if the investor is a corporate body, I will give you the name of the corporate body. But what I have objected to, in Prof. Dandavate's first question, is on break-up of the holding of the individual company. That is where the question of relation between the bank and its customers or clients comes.

SHRI SATISH AGARWAL : Do not give the shareholding. But you can give

the names of the persons who are in that particular company, the non-resident Indians.

SHRI PRANAB MUKHERJEE : You will appreciate that it will not be possible.

The second point is that, as I mentioned, suppose somebody wants to misuse it and wants to take advantage of this scheme, even if you do not have some sort of a roving inquiry under scheme itself, that does not prevent us from taking action under other laws; FERA and other laws are there. Therefore, the question of having a Parliamentary Committee or this thing or that thing is not necessary. The existing laws are there. Particularly about the point you have referred to, about importing from South Africa where we have no diplomatic relations, I would like to have those details if you can pass them on to me...

SHRI SATISH AGARWAL : I have got a photostat copy.

SHRI PRANAB MUKHERJEE : You please pass it on to me. I will definitely look into it and see what is possible to do there.

The question of names is coming. There names I corrected and I gave you the explanation—the last three which you mentioned. The correct names are given in the certificates. As I replied to Prof. Dandavate's question, in the forwarding letter written by one bank, that is, the Syndicate Bank, they forwarded the applications of seven investing companies. Of these, four investing companies had this suffix, and three did not have this suffix—Iota Ltd., Fiasco Overseas and Crecodile. There also, in the forwarding letter...

PROF. MADHU DANDAVATE : Why are they selecting such names ?

SHRI PRANAB MUKHERJEE : Ask them. How can I answer that ?

PROF. MADHU DANDAVATE : Such a beautiful name like Pranab Mukherjee is there.

SHRI PRANAB MUKHERJEE : And Prof. Madhu Dandavate. They could have any one of these.

Well, Sir, I cannot answer that question. You will have to ask them Why. After all, the question which you raised earlier was this. How is it that all the companies were registered? How am I concerned with them? Everyday hundreds and thousands of companies are registered in different registration offices under the sun. Who am I to take care of them? or to keep track of them?

I am concerned with only those companies which are investing in India in a limited way. About whether the particular companies were registered in U.K. on 27th of August after Parliament got the Question and information what is relevance in it? These companies have not applied for registration; no approval has been given to them. Simply some companies have been registered in London after a particular name, that is why, I have to give explanation. How am I concerned with? The newspaper may be interested in some companies who are registered in London. So far as this particular scheme is concerned, if they would have received the permission for investment, then you could have asked that. I do not know actually as to how I could come into the picture. Hundreds and thousands of companies are registered in different parts of the world in different names. Some names may look funny like the Crocodile or Fiasco. So far as this scheme is concerned, the information which I have got is from the Reserve Bank of India. According to that these companies are registered in U.K. on that particular date to which you referred. (*Interruptions*)

SHRI SATISH AGARWAL : You gave the explanation that there was a clerical mistake because in four the word used was 'Investment'. That was also carried on with IOTA. What about the Fiasco? The word used there is 'Fiasco Overseas Limited'. Here it is not 'Investment'.

SHRI PRANAB MUKHERJEE : The word used originally was the correct one namely 'Fiasco Overseas'. In the individual application also it was mentioned as

'Fiasco Overseas'. But, in the forwarding letters it was referred to in the stereotyped way as 'Investment Limited'.

SHRI SATISH AGARWAL : The forwarding letter of the Bank was forwarded with the application earlier. If that is so then the R.B.I. should have noticed it.

SHRI PRANAB MUKHERJEE : I am just telling you that it is a genuine mistake. If somebody had checked it up from the certificate, then this mistake could have been detected at that stage itself.

SHRI SATISH AGARWAL : Was it at the earlier stage?

SHRI PRANAB MUKHERJEE : At the earlier stage, at the bank stage, when they are forwarding 10 letters, even if a mistake is made in the original letters, the names were put down correctly; if each individual letter was verified, the mistake could have been detected.

SHRI SATISH AGARWAL : At this stage itself, the scrutiny of the applications should have been at the lower or higher level.

SHRI PRANAB MUKHERJEE : You are not taking my point. They are seeing that while forwarding applications of the following companies along with the certificates, the names are written in the main forwarding letters. They put in the words 'Investment Limited'. They have used this word 'Investment Limited' in the certificates which they are sending. There the correct names are given.

SHRI SATISH AGARWAL : The RBI should not have gone by the letters but they should have scrutinised each and every application.

SHRI PRANAB MUKHERJEE : That is different issue.

SHRI SATISH AGARWAL : That is why the RBI should have scrutinised each and every application, the certificate, the A.C. form etc., etc.

SHRI PRANAB MUKHERJEE : Let us not enter into exchanges as to what would have happened. I am telling you

the reasons why it has happened and what explanation they gave. I am only sharing with you the information. That is the reason why it has happened like that. Prof. Dandavate reminded about one thing. It is true that there was a difference between the negotiated purchase price and the floor price. You are aware of the share market operations.

PROF. MADHU DANDAVATE : You cannot negotiate a deal as far as purchase of share is concerned under this scheme.

SHRI PRANAB MUKHERJEE : You can't do it. But this was done at an earlier stage. I checked this up with RBI. In the normal course, negotiated sale is permissible with approval of the stock exchange. In this case the permission was granted by the Bombay Stock Exchange. But under the scheme, when it was found that there could be some loopholes, the Reserve Bank itself instructed that there cannot be any negotiated sale under this scheme and they will have to purchase on the floor price, on the ruling price. So, they have made it quite clear. But before this decision was taken by the Reserve Bank of India, it was stipulated...

PROF. MADHU DANDAVATE : They are not purchased at ruling price. Therefore, violation is there. That is what I told you.

SHRI PRANAB MUKHERJEE : You can't technically call it violation in that sense because of this instruction. I am told by RBI that this stipulation came later on. Previously it was negotiated sale with the approval of the stock exchange. But subsequently in all transactions we have decided that under this scheme you will not be permitted to have negotiated sale. You will have to purchase it on the floor. I think I have answered all the points raised by Mr. Satish Agarwal.

SHRI SATISH AGARWAL : If there are any points left, you may send me a letter ; I don't mind it ; you may send it to me later on...

SHRI PRANAB MUKHERJEE : If I have left any point, I will do...

PROF. MADHU DANDAVATE : You send him the letter. I don't demand that it has to be laid on the Table of the House.

SHRI PRANAB MUKHERJEE : In confidence I am prepared to share it with you ; I don't mind.

SHRI SOMNATH CHATTERJEE (Jadavpur) : Sir, the questions that is relevant in this matter, I submit, is not just a question of giving an opportunity to the hon. Minister to show how a mistake was made. He is always very fair-minded. He has said, he has made a mistake. But Sir, it is also clear that the *Telegraph* has played some role in it. I also very recently was made a target of this newspaper on the basis of some wrong information. However, there is nothing personal in it. What I am more worried and concerned is the way the Reserve Bank functions. Sir, it is the Central Bank of the country. It has to oversee and all the banking operations in the country : the entire foreign exchange law is to be administered through them only. Any when they make so many mistakes. I am really very much concerned on that. Sir, during the budget discussion is this House we had raised several objections regarding the facilities given under the Income tax Act to non-resident investments. We said that this may be utilised or likely to be utilised for siphoning black money into this country and therefore this scheme is for the benefit of some people who will be mis-utilising the scheme. Now, at that time, what the Minister said, he has again reiterated today in this House. He said, this is not for income-tax people. There are other important laws like FERA and so on. He said such laws are there to oversee all these things and to ensure that no undesirable transactions take place. Now which is that authority ? Under this scheme of FERA it is the Reserve Bank of India—the topmost bank in this country, the Central Bank of this country—which is the authority. And regarding this wrong information, I have no doubt in my mind that this wrong information was given to the Minister by somebody ; he did not give it himself. Therefore, it is the Reserve Bank of India which has given him wrong

information, either willingly or unwillingly. But my point is, their system of functioning is such that it is possible that such mistakes can creep in into the functioning of the Reserve Bank of India. The hon. Minister shall excuse me, if I say that he was not fair to Prof. Madhu Dandavate when he said that this written answer came in reply to Prof. Dandavate's question and he said that, because in the question, he had said UK companies. But I have got here, the first reference to UK company was made by the hon. Minister on the floor of Rajya Sabha as early as 10th May, 1983, when he did not give the names, but referred to these eleven UK companies. You started it; therefore, do not blame Prof. Dandavate now. It was repeated by you again before Prof. Dandavate put his question on the 26th August; you repeated that on 26th July, in answer to three questions in the Rajya Sabha. You repeated that subsequently also. Therefore, long long before, Prof. Dandavate mentioned UK companies in his question, which was answered on 26th August, it was given by the hon. Minister. But that is a minor point. But what I am worried about sincerely is that when you are relying on the Reserve Bank to see that the foreign exchange operations in this country are properly checked and scrutinised, and if necessary, very strictly supervised, why such mistakes have crept in. On 16th of September, the mistakes are pointed out. Hon. Minister agrees that at least the Telegraph was right; he has said that, it was admittedly right, then I would like to know from the hon. Minister with all the seriousness and sincerity, from 16th of September, what steps the Ministry or the Reserve Bank have taken to ascertain the truth, or otherwise of the allegations, the charges and the information given in the Telegraph. Why should it take so long for you to file the correction in the Rajya Sabha on the 22nd November, and in the Lok Sabha on the 2nd December? Why should you wait so long?

This is a very vital matter: in the process of functioning, is there an inbuilt scope for errors creeping in?

Then, there is one thing that I would like to point out. Portfolio investment is not being thought for the first time.

The Income-tax Act has not provided for portfolio investment, it was provided there in the Foreign Exchange Regulations Act. 1973 Foreign Exchange Regulations Act provides for what is known as the portfolio investment, that is foreign companies purchasing shares in Indian companies. That has not been so far touched. Even before the benefit is given under the new Income-tax Act, the Reserve Bank had to scrutinise everything whenever there is a proposal for such an investment, and it is admitted by everybody because that is the law passed by the Parliament; 60% investment has to be held by what is called, non-resident Indians. If the non-resident interest is more than that, it cannot qualify. Therefore, such a scrutiny had to be made.

The hon. Minister himself in his statement today has said, what has to be done and I am reading it:

"As regards the question of registration of the eleven overseas companies, the RBI has confirmed that the investments by these eleven companies incorporated in the Isle of Man in M/s Reliance Textile Industries Ltd. were approved only after scrutinising documentary evidence regarding incorporation of these companies and the extent of ownership by non-resident of Indian nationality/origin on the basis of statements furnished by these companies and certificates obtained from overseas chartered accountants/auditors.

The certificate from the chartered accountants/auditors is only one piece of evidence, and it cannot be the only piece of evidence. And in this case, according to your Statement, it was prepared by the Reserve Bank on the information given by them and they scrutinised the documentary evidence with regard to the two things—about the incorporation and about the extent of ownership of the non-residents. Now, these inquiries must have been made long before the permission to purchase was given, which was on 15th October, as you have said in your statement today. If everything was scrutinised, then how could this mistake possibly occur and repeated time and again? And even on 16th of September, when the TELEGRAPH came out with

these, again twice similar mistakes were made. Therefore Madam, I am very very worried about the way the Reserve Bank is functioning in such cases.

Madam, I would like to know from the Hon. Minister whether it is correct, as is reported in the Press that the Reserve Bank of India has, after the new scheme had been announced, refused transfer of shares of nearly Rs. 60 crores from potential non-resident investors between April 1982 & May 1983 ? If it is so, on what grounds ? There must be some good ground. Either they were not qualified to be investors or they had doubts about their viability or their standing or their assets or their sources. I would like to know about this from the hon. Minister. I know everybody welcomes foreign exchange. Although I don't share that view, still the Government seems not to mind even if black-money comes in the form of foreign exchange in this country. And the government may not be able to discover its source also. Then on what basis these investments were rejected ? Did the Reserve Bank of India apply its mind and try to find out the reasons for this ? In the present case, how was it permitted and what was the scrutiny made ? How were some permitted and some not permitted ? Mr. Minister, I hope you will agree with me that the Reserve Bank is not just a post office or a rubber-stamp affixing organisation. The whole Foreign Exchange Regulation Act puts the Reserve Bank in the commanding position as it has to. Now, this Reserve Bank gives a permission to some, does not give permission to others. Although the names are funny and anything can happen in this world and you can choose any name and somebody may say what is there in the name, but the point is almost on the same day eleven companies are making applications for investment almost for an identical amount—Rs. 2 crores 34 lakhs. And suddenly they are newly constituted. Even if they were not aware of the Isle of Man incorporation and the setting up of these companies a few months back, certainly making investment of almost identical amount in a company, I would like to ask the hon. Minister does he not feel in his own heart or mind that there should have arisen some question or some doubt about this matter ? Sir, the TELEGRAPH has come out on a number of issues in this regard and I don't know

the truth. That is why I want to know it from the Minister is it true that somebody called Patel, and John Cummings and Company or something like that have said that they are operating for only one client ? All these companies have been registered for only one client. Whoever he is, I don't want to take that name. It has been mentioned in the newspapers. Of course, the name of the client has not been mentioned.

14.00 hrs.

So, I would like to know from the hon. Minister : if the Reserve Bank is to act as a mere rubber stamp, i.e. whenever the banks send some applications it puts its seal of approval; and investments are allowed to be made, then the Reserve Bank has not function to perform.

My friends have not referred to another aspect. Applications for permission have to be made by the foreign investor to the Reserve Bank under section 29 of the Foreign Exchange (Regulation) Act. Similarly, the company or the person who wants to sell shares will have to make an application under section 19 of the FERA.

Mr. Mukherjee, you are in charge of a very important Ministry. We wish you well, sincerely. So, I don't want you to further get into these things which rouse suspicions in mind. Why should you, if you have a laudable objective of getting foreign exchange for the country ? Under section 19, an application has to be made by those who are selling shares to the foreigners. The definition of non-residents under FERA is different from what you have provided in the Income Tax Act. So, whether he is an Indian staying in England without renouncing his country i.e. Swraj Paul variety, or not, Reserve Bank is permission has to be taken by Indian shareholders who wish to sell shares to a foreigner under that section of FERA, for which a procedure has been prescribed. He has to get Reserve Bank's permission. What are the particulars of Section 19 here i.e. with regard to the application ? We don't know.

Another thing is very surprising. The

hon. Minister has said in his to-day's statement that after necessary scrutiny is made, a general permission is given by the Reserve Bank. This is very peculiar. This cannot be a case of general permission. It has to be a special permission—it cannot be a general permission applicable to everybody, for which no application will be necessary. A special permission arises in individual cases where, after scrutiny, the Reserve Bank gives its approval. But your statement says that a general permission is given.

So, I would like to know what happened in these cases. What type of scrutiny was made; what type of documents were there? How can U.K., the Isle of Man and different places get exchanged? How could such an error creep in; and what are the guidelines with regard to such applications?

SHRI SANTOSH MOHAN DEV : I know Mr. Somnath Chatterjee. I am glad he is quoting 'The Telegraph'.

SHRI SOMNATH CHATTERJEE : I do not want to reply to what the hon. Member is saying. We are good friends. I hope he treats me so.

The hon. Minister's whole answer to-day is based on one premise. The premise is that the Reserve Bank should not be permitted to disclose the particulars of its clients. I believe that is the basis of his numerous points. More than once the hon. Minister has said the Reserve Bank cannot disclose information received from its clients. May I inform the hon. Minister in all humility that the foreign investor is not a client of Reserve Bank? Reserve Bank cannot have its clients. Reserve Bank is discharging its statutory duty, not a contractual duty between a client and its principal, or banker. Reserve Bank is a statutory organization, it has statutory obligations under the Statute. No foreign investor applies for permission to Reserve Bank, ever be a client of the Reserve Bank. It is an impossible proposition which he is making. He can be a client of the Syndicate Bank; he may be a client of the European or African body which he mentioned. He cannot be client of the Reserve Bank. No. So, the Reserve Bank has got the particulars.

The Reserve Bank of India is the statutory authority; and the statutory authority cannot possible have a client and if that is explanation that the Reserve Bank has told you that foreign investors are clients of RBI, therefore RBI cannot give any intimation to this House, however, supreme and sovereign this House may be, I am sorry to say, that you have not, in my opinion, appreciated the correct position. Therefore, that plea cannot be given. If the RBI is doing its statutory duty in an improper manner or is not doing its statutory duty, certainly a citizen in this country can go to a court of law and bring the RBI there; and there is no authority for the RBI to refuse to disclose every bit of paper and information to the court, unless privilege under section 123 of the Evidence Act is claimed and sustained by court. Where only security of the country is involved, where serious damages will be caused to the integrity and the security of the country or to the governance of the country, then it can be refused. Otherwise, no authority can refuse to produce documents before the court unless claim of privilege is sustained. Therefore, I do not understand repeatedly which the hon. Minister is saying, well, how can a client's documents be disclosed, if you don't want a scheme. That is not the point. The point is here whether the RBI is discharging his duty for FIASCO which is its client for Crocodile which is supposed to be its client. Is it the theory which the Finance Minister of India propounded on the floor of this House? It cannot be there.

Then here nobody has asked about the source of the money. I am entitled, as a member of this House, to know who were the share-holders because the great importance of this question is that if the particulars of the share-holders are not known or scrutinised or verified, then there is violation of Section 29 of the Act; and the RBI is to see that Act is maintained and not violated. How can they proceed on the basis of Chartered Accountant's Certificate only? So, the hon. Minister will naturally try to say, I have been informed by the RBI, and the RBI will say, I have been misled by the certificate of the CA; and if that is proved wrong, then who will be responsible? Therefore, please don't say those things.

I do not know; everybody in this country is having some suspicion. If you are able to remove that, so much the better. It is too much of coincidence—on 26th July question is put; on 27th applications are made by the identical names of the concerns before London authority for registration; 'Isle of Man' company's mentioned as UK company. Then the mistake is not rectified for months. Even 'Isle of Man' company name is not correctly given. Then 'Isle of Man' company registered a few months back making application almost at the same time, almost for identical amount, but there was no enquiry, no investigation. All sorts of things are happening in the precincts of the RBI. Then I am sorry to say that somebody in the RBI, if some one not higher up, must be involved. Either it is a callous negligence or it is a calculated disregard of the provisions of law or it is an attitude of plant submission to somebody; I cannot think of any fourth explanation. It has to be a callous negligence or a calculated disregard of the provisions of law or knowing everything one is committing a breach of law but cannot help it. Therefore, these are the points on which I request the hon. Minister to tell us—as regards shareholders; forget about the source of money. The RBI may not ask about the source of money.

Then how these mistakes would have been committed in the Reserve Bank of India, whether the Reserve Bank refused certain investment in some cases, and why they permitted in this case and whether Section 19 applications have been made or not, these are the particulars I would like to know.

SHRI PRANAB MUKHERJEE : With regard to the first part of the question, as I explained the scheme, I have never said that they are the clients of the Reserve Bank. They are the clients of the banks, who are authorised dealers. And here what is the mode of the scheme? The general purpose, or the general permission scheme which you referred to that was also explained when the scheme was introduced, and what was the objective of the scheme. The general permission is that we wanted to have an attractive provision for investment. So far has the existing provision of the FERA is concerned, for each and every individual

case permission is to be sought from the Reserve Bank of India. And procedurally, it was thought that it would be too cumbersome. Therefore, the authorised dealers were granted general permission to scrutinise the eligible applications and determine the eligibility without referring each and every case to Reserve Bank. That is the objective of the general permission. It is not that—otherwise, what was the need of having this system itself? There was no need of introducing this scheme. As per Section 29 of FERA if each and every case individually is to be examined by the Reserve Bank of India, then there was no need of improving the present innovation.

SHRI SOMNATH CHATEERJEE : May I seek a clarification, as the hon. Minister is so kind enough to respond to my request? He may kindly see his own statement, I am quoting :

“...The authorised dealers refer such applications to the Reserve Bank of India and the Reserve Bank of India accords general permission after scrutinising these documents.”

There is no general permission given to these banks. Therefore, every case has to come before the Reserve Bank and then the permission is given.

SHRI PRANAB MUKHERJEE : Permission is given for the investment for individual, but the question is who are the authorised dealers. The nationalised banks are the authorised dealers and they certify two things. If you look at the form—I hope you have looked at those forms—there also you will find that the Reserve Bank accepts two certificates from the banks. They are to certify that these investing companies or the applicant here is a *bona fide* constituent, that is the exact word in the form, that they are the *bona fide* constituent of the bank, who is forwarding the application. Then, they are also to certify, because here is an important aspect that 60 per cent ownership should be refined by the non-resident. So, whether 60 per cent outlay on the date of investment there may be 60 per cent, after some time there may be less than that. So, they have also to keep the Reserve Bank of India informed, whether the 60 per cent ownership

is being maintained or not and in the forms you will find that.

SHRI CHITTA BASU : You will see that all eleven companies are created bogus people.

SHRI PRANAB MUKHERJEE : I cannot pass on judgment but I am explaining the position that each bank has to certify that he is a bona fide constituent of that bank and that they are opening an account in it. The bank is expected to satisfy themselves where is a corporate body definitely they would ask for the incorporation certificate. So, the Reserve Bank of India has to address somebody; because you cannot have a document otherwise and when they are given to the Reserve Bank of India, the Reserve Bank definitely will examine those documents. What are these documents? The documents are the certificates of the banks and chartered accountants. What I tried to impress upon Prof. Dandavate is that unless otherwise proved, normally the tendency would be to accept them. If it is established that it is not correct, then that is a different story. But I cannot start with the assumption that whatever information is coming either being certified by the bank or by the chartered accountants and both the information are coming simultaneously, *ab initio* I will start disbelieving that and I will have some sort of a probing enquiry. Therefore, banks have to certify about the genuineness of companies and they have to certify to the extent that they are the bonafide constituents of that bank. They are to determine the eligibility. General permission in respect of each individual investor would be necessary.

When I referred to the scrutiny of documents by the Reserve Bank, I referred to these two documents which they receive—certificate from the bank...

SHRI SOMNATH CHATTERJEE : It is very unsatisfactory.

SHRI PRANAB MUKHERJEE : That is a different story.

What I mentioned in my statement I am just explaining that because you referred to that. They examine the documents which they receive as certificates from the

chartered accountants and from the banks and on the basis of that...

SHRI SOMNATH CHATTERJEE : What about incorporation?

SHRI PRANAB MUKHERJEE : That I have given. If in a hurry you did not note down the dates, I may tell you that some of the companies were incorporated on the same date. But the date of incorporation is varying from 1981 in respect of these companies. Out of 11 companies three were incorporated on 10th of February. One was incorporated on 18th September. Another was incorporated on 25th February, 1981. Four were incorporated on 10th February, 1982. One was incorporated on 12th July, 1982. These are the matters on which you can come to the judgment.

SHRI SOMNATH CHATTERJEE : Because of too much closeness and inter-connection, the Reserve Bank should have been more conscious than what it was.

PROF. MADHU DANDAVATE : They are absurd names and there are identical investments. I think, there is sufficient scope for having a *prima facie* doubt about those companies. I do not know why enquiries are not being made.

SHRI SOMNATH CHATTERJEE : They are obviously inter-connected.

SHRI PRANAB MUKHERJEE : Whether they are inter-connected or not, we are not examining that. The issue before us is that I gave you the wrong information.

SHRI SATISH AGARWAL : That is not the issue. The issue is with regard to the eligibility of these 11 companies under the non-resident Indian investment in Reliance.

SHRI PRANAB MUKHERJEE : I accept that—irregularity of non-resident investment in Reliance. How am I to determine these irregularities? One irregularity I have to determine is whether they are eligible or not. What is the

criteria ? As per the circular of 14 April, 1982 issued by the Reserve Bank...

PROF. MADHU DANDAVATE : You are again quoting the same circular.

SHRI PRANAB MUKHERJEE : You have to understand it. You are saying that these irregularities are there in investment is Reliance.

SHRI SATISH AGARWAL : Not Reliance but any company.

SHRI PRANAB MUKHERJEE : How are you to determine these irregularities ? Where has the procedure to find out irregularities and about investment been prescribed ? It has been prescribed in the circular issued by the Reserve Bank on 14th April, 1982. What eligibility criteria has been determined there for investment ? The eligibility criteria determined there is that they must be owned to the extent of 60 per cent by the non-residents. What is the eligibility ? They cannot invest more than 1 per cent of the paid up capital of the company in which they are investing. What was the eligibility. The aggregate ceiling in that company should not exceed five per cent. Would you find anywhere in the circular of the 14th April, 1982 which is the general restriction for non-resident investment that if four companies are of funny names, they cannot invest ? Are you saying that if they are incorporated on same day, they are in eligible to invest. So, when I am examining the eligibility of a company with certain guidelines prescribed in the circular itself, you are bringing that there may be something funny. There may be something funny, I am not going into that aspect...(Interruptions)

SHRI SATISH AGARWAL : Nobody is blaming you. The question is if the Reserve Bank which is the ultimate authority to examine the eligibility, not the Government, if they are going by the forwarding letter of the bank so far as the names are concerned, some in depth enquiry they must have held. They are simply believing the forwarding letter and are making you believe that these are the names. You are facing all the situation because the Reserve Bank has not discharged its function in scrutinising each and

every case in depth. They simply believed the forwarding letter.

SHRI PRANAB MUKHERJEE : Madam, this way I cannot reply. He simply cannot start a fresh. The point which has been raised is that they have been incorporated on the same day and the names are funny, therefore, there should have some suspicion. Whether there should have been suspicion or not that is another question. The question is in the circular I never mentioned or the Reserve Bank never mentioned that if ten companies are incorporated on one day, they will be ineligible so invest, if the companies have funny names, they would not be permitted to invest. Secondly, the question you raised is that...(Interruptions)

PROF. MADHU DANDAVATE : If you do not suspect them, all right, We will get you all the information...(Interruptions)

SHRI PRANAB MUKHERJEE : I do not know from where did you get the information but the information that I have got is...(Interruptions)

SHRI SOMNATH CHATTERJEE : I saile that I have got it from the newspapers.

SHRI PRANAB MUKHERJEE : May be, they are not eligible but the information that I got is that no eligible investment has been refused by the Reserve Bank of India.

SHRI SOMNATH CHATTERJEE : The point is on what basis they were found ineligible ?

SHRI PRANAB MUKHERJEE : That I am telling you how they are found ineligible. The guidelines would be prescribed in the circular and the Reserve Bank is to go by that circular. When Reserve Bank is framing a rule, they ought to go by that and again and again you are talking of the names. You are saying why these companies are registered. How am I concerned with that ?

SHRI SOMNATH CHATTERJEE : I never said that...(Interruptions).

SHRI PRANAB MUKHERJEE : You said if you check the record, it is causing a suspicion. I do not know how I am concerned with this. Everyday hundreds of companies are registered. Have the London companies applied to Reserve Bank for investment? Is it the contention? Have you got that information? Simply because a company of the same name has been registered in London...*(Interruption)*.

PROF. MADHU DANDAVATE : Give us one month's time, we will get you all the skeletons from the cup-board of the relevant company.

SHRI PRANAB MUKHERJEE : You can have so many skeletons, I do not bother about that. We are not discussing the skeletons and I am not interested whether somebody has got the skeleton or not. I am least interested in it.

PROF. K.K. TEWARY : This was favoured in your regime, in Janata Party's regime...*(Interruptions)*

SHRI PRANAB MUKHERJEE : Whether Reliance or non-Reliance is absolutely irrelevant to me. To me the point which has been raised is whether these investments are regular or irregular. So far as the information which I have received from the Reserve Bank of India is concerned, I do not find that there is any irregularity in it. If you can prove it you show it to me, I will accept it...*(Interruptions)*.

SHRI SOMNATH CHATTERJEE : One clarification, Sir. Now you admit that those companies are not Reserve Bank clients. Then the documents which the Reserve Bank have in their possession, why cannot they look at...*(Interruptions)*

SHRI PRANAB MUKHERJEE : I am not a distinguished lawyer like you but they are the clients of these banks through which the Reserve Bank is getting this information. There, the client customer relationship existed between Syndicate Bank, between Europe and Asian Banks and between the State Bank, and your contention is, the moment it is passed on to the Reserve Bank, therefore, the relationship has ceased. I am not a lawyer to pass a

judgment on it, but what I am told is that the client and bank relationship continued.

PROF. MADHU DANDAVATE : The information is available from the Isle of Man.

SHRI PRANAB MUKHERJEE : Any information you can have, but how am I interested in it? If you just ask that information should be obtained as to how many lions are in Kenya Zoo, definitely somebody can go and count the lions and give the information or give the information from the report. But how the Indian Parliament is interested in it?

PROF. MADHU DANDAVATE : If the lions were in the jurisdiction of the Finance Minister, I would have asked that.

SHRI PRANAB MUKHERJEE : How one can be interested in it? Information may be available from the Registry office in London, information may be available in the Registry office of Isle of Man, and information about the number of lions may be available from the zoological garden of Kenya. But how is it relevant to the Indian Parliament unless they come to some such subject? Therefore, you are to think of the consequences. You are saying that I am making a preposterous proposition or disastrous proposition, as Mr. Chatterjee said.

SHRI SOMNATH CHATTERJEE : I said, dangerous proposition...*(Interruptions)*.

SHRI PRANAB MUKHERJEE : What would be the consequence of all these? I mentioned it on a number of times that as there is an apprehension of its misused, similarly there is another apprehension that too much scrutiny and too much discussion will not do, and it is for the Indian Parliament—because I am to manage it so long as I am the Finance Minister, your job is only to make the speech; I am to allocate foreign exchange and I am to earn foreign exchange; when I look at the balance of payments position. I am to feel concerned and you have placed me here to feel concerned and for that, not to make merely a speech.

PROF. MADHU DANDAVATE : Do n't quote that you are in charge of development and we are in charge of destroying the country.

SHRI PRANAB MUKHERJEE : I am not saying it, but everybody says that I obsessed with foreign exchange. I say that I am obsessed with foreign exchange because the country badly needs it. I have to go to IMF and after a few years we shall have to pay through the nose. This is the situation. Therefore, we cannot take an extreme view in either cases. And I will not allow this scheme to be misused for earning black-money ; similarly we should not do anything which will create an atmosphere where there will be total stoppage of the flow particularly from non-residents. Even I went to the extent of saying that we are getting crores of rupees in remittances, but there may be misuse of the remittances. Money will be lent here and some relation may be sent here. You cannot rule out that possibility, but from that you cannot come to the conclusion that we will stop all remittances. Similarly we shall have to be careful, we shall have to be guarding, and I have no hesitation in saying that if there be anything wrong, definitely I shall look into it provided I get specific information with reference to that.

14.29 hrs.

BUSINESS ADVISORY COMMITTEE

FIFTY-FORTH REPORT

THE MINISTER OF STATE IN THE MINISTRY OF INFORMATION AND BROADCASTING AND IN THE DEPARTMENT OF PARLIAMENTARY AFFAIRS (SHRI H.K.L. BHAGAT) : Sir, I beg to move :

"That this House do agree with the Fifty-fourth Report of the Business Advisory Committee presented to the House on the 13th December, 1983."

MR. CHAIRMAN : The question is :

"That this House do agree with the

Fifty-fourth Report of the Business Advisory Committee presented to the House on the 13th December, 1983."

The motion was adopted.

14.30 hrs.

[SHRI R. S. SPARROW in the Chair]

MATTER UNDER RULE 377

- (i) CENTRALLY FINANCED SCHEMETO CONTROL FLOODS IN RIVERS MAHANADI, BRAHMANI ETC.

SHRIMATI JAYANTI PATNAIK (Cuttack) : Sir, Orissa is one of the riverine States through which four inter-State major rivers, namely the Mahanadi, the Brahmani, the Subarnarekha and the Machhkund flow. Of the various natural calamities that the State faces, flood is one such recurring feature which occurs once in every two years resulting in heavy loss of crops, domestic animals and human lives. Since "flood control" is a national problem and the main rivers normally cover more than one State, large scale catchment protection on watershed basin has to taken up with the coordinated efforts of concerned States. It is, therefore, necessary that comprehensive soil conservation measures should be taken up in the catchment areas of all the main rivers to reduce the peak floods as well as the silt load.

Recently, the Government of India have approved a Centrally sponsored scheme for "Integrated watershed Management in the catchment of the flood prone rivers of Indo-Gangetic basin". A similar scheme should be sponsored by the Central Government where in the catchment areas of the Mahanadi, the Brahmani, the Subarnarekha and the Machhkund of Orissa should be included. Orissa, being a poor State, cannot bear the cost of such a project. Therefore, I request that the Government of India should fully finance the scheme for the purpose in view of the national character of the problem.