

12.03 hrs.

CALLING ATTENTION TO MATTER OF URGENT PUBLIC IMPORTANCE

REPORTED ILLEGAL TRANSMISSION OF FOREIGN EXCHANGE WITH FAKE RESERVE BANK PERMITS

SHRI YAMUNA PRASAD MANDAL (Samastipur): I call the attention of the Minister of Finance to the following matter of urgent public importance and I request that he may make a statement thereon:—

The reported involvement of an American bank and a leading nationalised bank in illegal transmission of foreign exchange with fake Reserve Bank permits.

THE MINISTER OF FINANCE (SHRI YESHWANTRAO CHAVAN):

Mr. Speaker, Sir, on 11th July, 1974 Vijaya Bank Ltd. remitted a sum of US \$30,000 to Hongkong on the basis of a permit purported to have been issued by the Reserve Bank of India. This permit was presented to Vijaya Bank Ltd. by one Shri Deepak Shantilal Jain. On the 19th July, 1974, Shri Deepak Shantilal Jain approached Vijaya Bank Ltd. for remitting a sum of US \$1,30,000 to Hongkong on the basis of two similar permits amounting to US \$ 80,000 and \$ 50,000 respectively. As fairly large amounts were involved, the Manager of Vijaya Bank Ltd. approached the Reserve Bank of India on 19th July, 1974 for purposes of checking the authenticity of these permits as also the permit on the basis of which remittance of US \$ 30,000 had already been remitted. On finding the permits to be spurious, the case was handed over to the Enforcement Directorate for investigation. Naturally, the remittance to the extent of US \$ 1,30,000 was not permitted.

Preliminary investigations reveal that similar remittance based on spurious permits may have been made through more than one bank. On the

basis of investigations undertaken so far, permits involving a sum of Rs. 2.34 crores have been segregated for scrutinising their authenticity. Remittances in relation to these permits were made through Vijaya Bank Ltd., the Bank of America and the Bank of India. As the investigations are in the preliminary stage, it is not possible to quantify the exact magnitude of the remittances which have been effected through spurious permits or indicate the number of banks through whom these remittances have been made.

Shri Deepak Shantilal Jain and one of his accomplices have been apprehended. Furthermore, an amount of about Rs. 42 lakhs in the accounts in the name of Deepak Shantilal Jain and his accomplices with the Vijaya Bank Ltd. has been frozen.

Two officers of the Reserve Bank of India have been placed under suspension and criminal cases are being registered against them, as prima facie, they appear to be involved in this fraud.

SHRI YAMUNA PRASAD MANDAL: Mr. Speaker, Sir, All India Radio today gave this news to the country that this sort of shady thing has been happening to the great loss of the country to the tune of crores of rupees. I do not know how many crores of rupees it would amount to. We have come to know about black money and about other black things and every day, every month and every year, the people like Shri Shantilal Jain have been carrying on these nefarious activities in this country to the loss of, if I maximise it or if I exaggerate it, several hundred crores of rupees. Only the Finance Minister can say how they do this business.

Especially there are some traders in the country who carry on over-invoicing and under-invoicing only for this purpose. It is good that the Ministry has apprehended Deepak Shantilal

Jain and his other accomplices and their accounts have been frozen within a month. But only two junior officers of the Reserve Bank of India have been brought to book whereas the really responsible big people have been left out. Criminal cases should also be started against Deepak Shantilal Jain and his accomplices. I am glad to know that the Government have acted very promptly. The statement of the hon. Minister is very carefully worded but the way of the Government should be to put all these things in such a manner so that the truth comes out. I ask the Finance Minister, is it the first case or there have been several similar cases in the past also? Even in the streets of Bombay and Calcutta people have been talking of shady business of some of the officers of the Reserve Bank of India. The Finance Ministry should be equally vigilant and careful to see that these things do not recur. To root out this evil for all time to come I would be very glad to know if there is any cell in the Finance Ministry and if the Government is thinking on these lines so that there is more coordination and the Reserve Bank of India may work more efficiently in future.

SHRI YESHWANTRAO CHAVAN
Sir, I am grateful to the hon. Member for expressing his sense of appreciation for what the Enforcement Directorate has done in this matter. There is some deficiency in the procedure. Fortunately this is the first time this thing has been revealed. I do not think any offence of this type was revealed before. RBI has promptly acted and taken many steps to prevent this. Particularly, certain procedures had to be changed and certain powers of delegation which had been given to take a final view in such matters have been corrected. I think there will be much more vigilance in this matter.

श्री सतपाल कपूर (पटियाला) मिनिस्टर साहब ने कहा है कि इस से पहले ऐसा कोई

बाक्या नहीं हुआ है। लेकिन 31 जनवरी, का फिनागल एकमप्रेम लिखता है कि तीन साल पहले इनी प्रमराकन बैंक ने दस लाख रुपए का इसी तरह का एक परमिट केश करवाया। मिनिस्टर साहब बताये कि क्या यह फँकचुअल बात है या नहीं। यह बड़े अफसोस और दुख की बात है कि इनना प्रच्छा और बहिया इन्तजाम आर इननी सिक्युरिटी और कगन इने 2 बावजद रिजर्व बैंक से एक वान्स्पीग्भी 7 जारिए इस तरह दाने बड़े एमाउट के फँक परमिट इश्ये हा, और स्टेटमेट मे यह भी नहीं बनाया गया कि यह दो जिनियर आफिसर न नस्पेड किए गये उनके नाम क्या है इसमे और कौन कौन से आफिसर आने है। श्री दीपक शातीलाल जन के अलावा और कौन-कौन मो पार्टियर इमम इन्वाल्ड है—एमा कुछ नहीं बताया गया। सिर्फ जैन के बारे मे कहा गया कि दो एकाउन्टस है—एक एकाउन्ट 28 लाख रुपए का और एक एकाउन्ट पेपर के मुनादिक 14 लाख रुपए का है लेकिन आया यह जो 42 लाख स्टेटमेट मे बनाया गया वह व्हाइट मनी था या ब्लैक मनी था, क्या बिजनेस करते थे, उससे पहले उनका क्या कान्डक्ट था, उससे पहले कब से बैंक के साथ इन्वाल्ड हैं, बैंक के एकाउन्ट्स कब से खूले हुए हैं—इन सभी बातों की ओर कोई ध्यान नहीं दिलाया गया है इसपर कोई रोशनी नहीं डाली गई है। इसलिए मैं आपकी माफत फाइनेंस मिनिस्टर से यह प्रार्थना करता हू कि यह स्टेटमेट जो उन्होंने दिया है वह बहुत नाकाफी है, पूरे डिटेल्स हाउस के सामने आने चाहिए। स्पीकर साहब, यह बात भी गैरमुनासिब नहीं होगी कि आप कोई टाइम मुकरर करे और रिजर्व बैंक तथा बैंक आफ अमेरिका ने हम किस्म की जो गडवड की है उस पर इस हाउस मे चर्चा करने का मौका देताकि मेम्बरों के प्वाइन्ट आफ व्यू और गवर्नमेन्ट का व्हाइन्ट आफ व्यू सामने आ सके और फँकटस पर मेम्बरों अपनी राय दे सकें क्योंकि यह इन्फार्मेशन पूरी तौर से इस स्टेटमेट से नहीं मिलती है।

SHRI YESHWANTRAO CHAVAN: The hon. Member is entitled to have his own views about the statement that I have made and I do not want to comment on that. But I can only say that I have tried to give as much information as possible. Of course, he is entitled to know the names of the officers who are involved in this. The names of the officers are: Y. R. Mantri, Staff Officer, Grade II, and Shri B. S. Pradhan, Exchange Controller. These are the two officers who have been placed under suspension and the cases are being registered against them.

As I have said already, the name of the main person involved in this has been given already. His other accomplice is called Pratap Singh. Investigation are going on. They have also revealed the name of a third person but who is absconding, and therefore, in the interest of the investigation, I do not propose to reveal his name.

The number of permits which are under scrutiny reveal an amount of more than Rs. 2 crores. But I cannot say yet that the entire money can be treated as spurious amount; some of it might possibly be due to some genuine transactions. I do not know what more information I can give. As for the discussion in the House, I do not stand between the hon. Member and the Speaker.

SHRI SAT PAL KAPUR: What about the Rs. 28 lakhs and Rs. 14 lakhs accounts?

SHRI YESHWANTRAO CHAVAN: I have already said in my statement that furthermore, an amount of about Rs. 42 lakhs has been frozen.

SHRI JAGANNATH RAO (Chattrapur): What about his antecedents?

SHRI SAT PAL KAPUR: What was their *modus operandi*?

SHRI YESHWANTRAO CHAVAN: The *modus operandi* in this matter appears to be like this, that these

officers concerned have been alleged to have signed blank papers or blank forms which are treated as permits and handed over to some persons. It is on that basis that the whole thing has been found out.

SHRI SAT PAL KAPUR: Such a simple thing?

SHRI YESHWANTRAO CHAVAN: It is complicated.

SHRI BHOGENDRA JHA (Jainagar): It is a very serious incident and we were apprehending this all along. The statement of the hon. Finance Minister does not go to the depth of the matter. We were apprehending this even at the time of nationalisation of banks because the foreign banks had been left out. One cannot be sure whether only this particular American bank is involved in this.

AN HON. MEMBER: Most of them.

SHRI BHOGENDRA JHA: I do not know; most of them may be involved because it is Watergate democracy and Watergate finance and therefore, there may be nothing surprising about it.

Two days ago news appeared of the arrest of one important US citizen who is a Vice-President of the Westinghouse Corporation which is a subsidiary of some Swiss firm which is a subsidiary of an American firm which is multinational. There in India itself the payment has been made. The *Times of India* news of 4th August says:

"According to official sources, the scrutiny of the seized materials revealed that the expenses of the company in India were met out of the funds of the American company. Only a portion of the expenses was sent from abroad through legal banking channels. The balance was met through undisclosed sources

and by unauthorised deals in foreign exchange".

This is another thing, for the information of Shri Piloo Mody

SHRI PILOO MODY (Godhra)
What did he say?

SHRI BHOGENDRA JHA I said this is another scandal. Here an American firm dealing in India which is a subsidiary of the Swiss firm Westinghouse, which is again a subsidiary of an American firm, has been meeting its expenses in India partly through legal channels and partly through unknown illegal channels, unauthorised channels. This is another instance in Delhi itself.

PROF MADHU DANDAVATE (Rajapur) How is Piloo Mody involved in it?

MR SPEAKER He is adding new dimensions to his question. Confine yourself only to this issue.

SHRI BHOGENDRA JHA Here again foreign exchange is involved.

MR SPEAKER Yes. This deals with one issue. You are generalising. It is not very fair.

SHRI BHOGENDRA JHA I stressing one point. In this case the officer in charge the Vice-President of the firm, a US citizen, was trying to escape. He was detected and not allowed to escape. He was arrested. But then he has been bailed out. I do not know what are the sureties. Here Rs 10 lakhs are involved by way of evasion of income-tax. With a bail of Rs 50,000 naturally he can go out.

MR SPEAKER: Please come to this issue.

SHRI BHOGENDRA JHA Here is Rs. 12 crores are involved in the exchange racket. It is now proved that fake permits were issued. It is also admitted in the statement that this

is not last thing. Many such fake permits have been issued. At least 200 fake permits are utilised. The amount involved can only be conjectured, it cannot be exactly stated.

In such a situation, I would like to know whether for the present at least Government propose to take over the management of the Bank of America because that bank is involved. The second thing is that some junior officers have been penalised. But the Reserve Bank officers must be involved when blank permits were issued which have been misused in this way. I want to know whether some senior officers have been or are going to be penalised or not. Thirdly—this is a basic thing—in the light of the lessons learnt do Government propose to nationalise all the remaining banks including all the foreign banks or not?

SHRI YESHWANTRAO CHAVAN: As far as the preliminary remarks are concerned I do not think I can go into them. In the last part a specific question has been put to me why is it that only small officers have been penalised? Nobody has been penalised. Investigations are being made and only those against whom some *prima facie* case had been found had been suspended. Cases have been registered. If any other officer is also found to be involved, action would be taken against him also, nobody would be spared. As far as the American and other banks are concerned, I will have to be fair to the banks as such. It is quite possible that some individual officers might have been negligent or might have involved themselves even consciously. Whatever the investigations reveal, action would be taken accordingly. But I cannot say that those banks themselves are responsible for these things because they seem to have acted on *bona fide* belief (Interruptions). That is also a matter of further investigations. If something else is revealed, certainly action will be taken against the persons concerned. But I cannot be un-

fair to the banks as such; they have done nothing deliberately in this matter. I find it is not only the Bank of America but also one of the nationalised banks, which is involved... (Interruptions). I do not know. If you let loose your imagination many things can be said but I have to make a statement on the basis of facts as they were revealed. There is no question of taking over any bank as such.

SHRI BHOGENDRA JHA: Against this particular bank. American Bank.

SHRI YESHWANTRAO CHAVAN: There is nothing against the bank as such.

12.22 hrs.

STATEMENT RE. ALLEGED ASSAULT BY BRITF PERSONNEL ON SOME PEOPLE OF JOWAI IN MEGHALAYA

THE MINISTER OF DEFENCE (SHRI JAGJIVAN RAM): Mr. Speaker, Sir. Hon'ble Shri Jyotirmoy Bosu mentioned in the Lok Sabha on the 29th July about an incident which took place near Jowai village on the 11th July involving the personnel of the Border Roads Organisation and local civilians resulting in an unspecified number of deaths and injuries to both sides. The Hon'ble Deputy Speaker, who was in the Chair, observed that it is in the interest of the country that the Defence Minister should come forward at the earliest opportunity to make a statement as to what the facts of the case are, what action has been taken and what is proposed to be done.

The facts of the case as gathered upto now are as follows:

- (i) On 17th July, 1974, a signal was received by the Headquarters of the Border Roads Organisation from the Chief

Engineer Project PUSHPAK situated in another State about 200 miles away that on 11th July the camp of 408 Road Maintenance Platoon was attacked by local civilians between 4 P.M. and 6.15 P.M. by throwing stones and intrusion through barbed wire fencing as a result of which a number of Border Roads personnel were injured—three of them sustained serious injuries and were hospitalised in the Mission Hospital in Jowai. The signal further stated that the local police were contacted and protection for the camp was arranged.

- (ii) Subsequent report from the Directorate General of Border Roads indicated that on 11th July 1974 a local fair was held near the Border Roads camp on the Jowai-Badarpur road near Jowai. This fair was organised by the local civilians. In the afternoon, some of the local civilians taking part in the fair got drunk and entered the Border Roads camp forcibly by cutting the wire fence and attacking the Border Roads personnel and their families who were in the camp. As a result of this attack, three camp members were seriously injured. All this happened while the men of the unit were away at work. On their return, the men found the injured persons and removed them to the hospital as well as made a search for the culprits who could not be found. A report was lodged with the Police who have since provided a Police Guard as the unit does not keep an armed guard itself.
- (iii) The Meghalaya State Government was contacted over the telephone on 30th July 1974