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केंद्र - 1, विश्व व्यापार केंद्र,
कफ़े पारेड, कोलाबा, बम्बई 400 005

पोस्ट नं. } 0080
बॉक्स नं. }

RESERVE BANK OF INDIA

वेक हिन्दी में भी पत्राचार का स्वागत करता है।

CENTRAL OFFICE

DEPARTMENT OF BANKING OPERATIONS & DEVELOPMENT

CENTRE - 1, WORLD TRADE CENTRE,

CUFFE PARADE, COLABA, BOMBAY 400 005.

No. FMC(Spl.Cell) 10/27.01.008-93/4

September 3, 1993

at/6/4

The Custodian
Office of the Custodian - Special Court
(Trial of Offences relating to
transactions in Securities) Act 1992
3rd floor
Bank of Baroda Bhawan
16, Parliament Street
New Delhi 110 001

Office of the Custodian
Set up Under Special
Court Act No 27 of 1992
New Delhi
09 SEP 1993
Dy. No.

Dear Sir,

Securities transactions

During the course of the reconciliation of the
Investment Accounts of banks, certain outstanding
transactions have come to notice where the banks
are holding securities which are yet to be
delivered. A note indicating the details of the
transactions is enclosed. The manner in which the
transactions have been entered into seem to indicate
that it is possible that the securities may ultimately
belong to notified persons. You may like to write to
the banks concerned. We shall also be glad to furnish
any further information you may require in the matter.

Yours faithfully,

S. Swaminathan

(S. Swaminathan)
Joint Chief Officer
Encls. 1

ANZ Grindlays Bank and the BR issued by ANZ Grindlays

Syndicate Bank

Syndicate Bank had sold on 27 March 1992 to State Bank of India, 9% IRE bonds of the face value of Rs.30 crores and 17% WPC bonds for Rs.20 crores. On 29 May 1992 SBI reported to Syndicate Bank that the relevant BRs have been misplaced and asked for duplicate BRs. However, the Syndicate Bank did not issue duplicate BRs as SBI did not confirm the transactions. (As per the report of the special auditor of Syndicate Bank these BRs were never issued by the Syndicate Bank in the first place). Subsequently, the bank has been advised by CBI not to deliver the bonds covered by the BRs, pending their investigation of the transaction.

The bonds in question were in the first instance sold by SBI to Syndicate Bank through NHB on 24 March 1992. The amount, paid to SBI by NHB was credited to the account of Harshad S. Mehta and the transaction was involved in a dispute. The deal was reversed when SBI refunded the disputed amount to NHB who in turn refunded the same to Syndicate Bank. Syndicate Bank has purchased the bonds from the market to meet its obligations to SBI under the above two BRs. Apparently, these securities, therefore, belong to Harshad S. Mehta.

*(b) ANZ Grindlays Bank

(1) ANZ Grindlays Bank had sold units of face value of Rs.20.00 crores to NHB on 29 January 1992 and issued its BR for the purpose. As per NHB's books the units purchased from ANZ Grindlays Bank were sold (to SBI) on 10 February 1992. NHB had not received any units from ANZ Grindlays Bank and the BR issued by ANZ Grindlays Bank

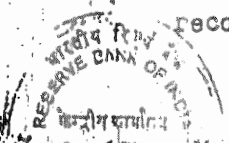
is still in the possession of NHB. NHB has not made any claim on ANZ Grindlays Bank so far. ANZ Grindlays Bank has reported that the units are ready for delivery.

Apparently the amount received from SBI by NHB for its sale has been debited to the account of Harshad S. Mehta. These units therefore may belong to Harshad S. Mehta.

✓ (ii) ANZ Grindlays Bank sold 9% PFC bonds of the face value of Rs.30 crores on 17 February 1992 to Standard Chartered Bank and issued its BR for the purpose. As per the books of Standard Chartered Bank the purchase was undertaken by the bank on behalf of Growmore Research and Asset Management Co. (GRAM) and the same was reversed on receipt of payment from SBI. (The relative BR was among the documents/bonds etc. found in NHB and the Custodian is already aware of this case). The details of the BR have already been furnished to the Custodian vide our letter DBOD.No.FMC.1383/27.01.008/92-93 dated 25 June 1993.

(c) Standard Chartered Bank (SCB)

As per records of SCB it has issued a BR No. 1889 dated 18 February 1992 in favour of A.B. Financial Services Ltd (ABFSL) covering sale of 13% MPCL bonds for the face value of Rs.4 crores. ABFSL has not reported this transaction as outstanding. On taking up the matter with SCB, they have advised that the above BR is linked to their transaction with ANZ Grindlays Bank on 20 November 1991. According to ANZ Grindlays this transaction was reversed by it in a tripartite liquidation by receiving back its BR from Hongkong Bank duly discharged. Hongkong Bank has also not indicated any outstanding deal in this regard in its reconciliation statement.



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(d) Citibank

Citibank had sold Cantripie units of the face value of Rs. 2.25 crores and Canstar Units of the face value of Rs. 7.00 ^{crores} on 29 April 1992 to Andhra Bank Financial Services Ltd. (ABFSL) and issued its BRs for the purpose. There was no such transactions in the records of ABFSL. CBI in February, 1993 have attached the securities covered by the two bank receipts. Whereas Canstar Certificates of the face value of Rs. 7.00 crores have been delivered to CBI by Citibank, Cantripie units of Rs. 1.00 crore only have been delivered to CBI so far. Citibank holds a BR from Canfina for balance Cantripie units of face value of Rs. 1.25 crores, which will be delivered to CBI on receipt from Canfina. The payment for the sale by Citibank has come from the current account of Shri H.P. Dalal at Andhra Bank. (On 29 April 1992, Citibank had certain sale and purchase deals with Andhra Bank ~~xxxxxxx~~ and Citibank received a net amount of Rs. 5.74 crores from Andhra Bank in respect of these deals. This amount of Rs. 5.74 crores has been debited to ^{the} account of Shri H.P. Dalal. The amount payable to Citibank in respect of the above mentioned deals was adjusted in the said payment of Rs. 5.74 crores).

(e) Canfina

Canfina has issued a BR No. 1397 dated 13 December 1992 in favour of SBI Capital Markets Ltd. covering sale of 13% RINL bonds of the face value of Rs. 6.00 crores. The relevant transaction does not appear in the books of SBI Caps, nor SBI Caps has shown it outstanding. It is possible that

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the amount has been paid by debit to HSM's account with SBI. This has to be verified. This case has also been reported to Custodian vide our letter dated 25.6.93 referred to above.

(f) PNB Capital Services Ltd

PNB Caps had reported that they have yet to deliver units of the face value of Rs.5.00 lakhs out of their total sale of units of the face value of Rs.10.00 crores to Standard Chartered Bank, vide their BR No.374 on 28 August 1991. SCB has however, reported that according to their records there is no indication of receipt of physicals for this transaction. However, since there is no shortfall detected in their holdings they presume that the same has been squared off for good value. Although the purchase was made on behalf of a CCDS client by SCB they are not able to identify the name of the client.



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