

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

RAJYA SABHA

QUESTION NO 08.08.1995

ANSWERED ON

REPORT OF LIMAYA COMMITTEE ON M.S. SHOES SCANDAL .

965

SHRI SANJAY SINGH

Will the Minister of FINANCE be pleased to state :-

- (a) whether the Limaya Committee which was set up to probe in the wake of M.S. Shoes scandal at the instance of Security and Exchange Board of India, has submitted its report;
- (b) if so, what are the salient features of the report; and
- (c) the action taken thereon?

ANSWER

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH):

(a) Yes, Sir.

(b) The main conclusions and suggestions made by the Committee are given in the enclosed statement (See below)

(c) Shri A.N. Kolhatkar, the Executive Director of the Bombay Stock Exchange submitted his resignation on 19th June, 1995 and it was accepted by the Governing Board of the Exchange in the meeting held on that day. SEBI is pursuing with the Bombay Stock Exchange to introduce required reforms in the light of the suggestions made by the Committee. Statement Main conclusions and suggestions referred to in reply to part (b) of the Rajya Sabha unstarred Question No. 965 for 8th August, 1995.

(a) Main conclusions:

(i) M/s. R.S. Jhaveri, a member of the Bombay Stock Exchange, was building up a large position in the shares of M/s. M.S. Shoes East Limited for six to seven months prior to his being declared a defaulter on 18th March, 1995;

(ii) The default of M/s. R.S. Jhaveri is a consequence of several factors such as the failure of Shri A.N. Kolhatkar, the Executive Director of the Bombay Stock Exchange, in the area of gathering market intelligence, and the failure of the Bombay Stock Exchange in collection of adhoc margins and functioning as an efficient and effective self-regulatory organisation.

(b) Main suggestions:

(i) The margin system should be clearly spelt out and enforced in an objective manner. The surveillance Department of the Bombay Stock Exchange for monitoring business positions of stock-brokers should be geared up.

(ii) Member-brokers who are unable to meet the capital adequacy norms should not be allowed to trade in the Exchange;

(iii) The entire work of the Exchange should be clearly defined, organised and allocated so that there is no possibility of overlapping of functions. The role of the Executive Director should be clearly defined with proper delegation of powers/functions.