

PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA

**CUSTODIAN ALLOWED BY THE SPECIAL COURT TO RELEASE RS.650
CRORES TO INCOME TAX DEPARTMENT, BANKS AND FINANCIAL
INSTITUTIONS FROM THE LIQUIDATED ASSETS OF THE HARSHAD
MEHTA GROUP OF ENTITIES TO SETTLE PENDING CLAIMS**

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The Custodian (Trial of Offences Relating to Transactions in Securities), Ministry of Finance, appointed by the Central Government to deal with the Securities Scam of 1992 has secured another order from the Special Court, Mumbai, allowing him to release a total amount of Rs.650 crores to the Income Tax Department, banks and financial institutions from the liquidated assets of the Harshad Mehta Group of entities, against pending claims. Based on a distribution proposal submitted by the Custodian, Justice D.K. Deshmukh of the Special Court, Mumbai, on 9th September, 2011, ordered for payment of Rs.28.34 crores to the Income Tax Department, Rs.259.65 crores to the State Bank of India, Rs.16.25 crores to SBI Caps and Rs.345.76 crores to the Standard Chartered Bank, aggregating Rs.650 crores, from the attached accounts of the Harshad Mehta Group. The payments are to be released on an interim basis on undertakings to be provided by the receiving entities that the amounts will be brought back to the Custodian if so ordered by the Special Court. In the case of Standard Chartered Bank, the court has ordered for the submission of a board resolution along with an undertaking from the Bank, to be given to the Custodian, who will further place it before the Special Court for final examination and orders. The Custodian has been asked to release the amount to the Standard Chartered Bank only after final court clearance.

This release, to be made against the outstanding dues of the Harshad Mehta Group will be the second of its kind. It may be recalled that in March this year, Satish Loomba, the present Custodian had released Rs.2,200 crores out of which Rs.2,000 crores went to the Income Tax Department and the rest to the State Bank of India.

The Special Court (Trial of Offences Relating to Transactions in Securities) Act was legislated by the parliament in 1992 to deal with the extraordinary situation arising out of the securities scam with the objective of recovering huge amounts of money lost by the banks and for restoration of public confidence in the financial system. The Custodian is the principal administrative officer under the Act for the attachment, management and liquidation of assets of the notified entities who functions under a system of concurrent judicial review by a Special Court, comprising of sitting high court judges at Mumbai. The appeal against the orders of the Special Court lies with the Supreme Court alone. In ordering these releases, the Special Court has strictly followed the priorities of claims laid down under Section 11 of the Act, placing primary income tax liabilities above the claims of banks and financial institutions.

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