

## **Official liquidator to take over CRB assets**

In response to a winding up filed by the Reserve Bank of India, the Delhi high court has asked the official liquidator to take over the assets of CRB Capital Markets Ltd. Issuing the notice, Justice M K Sharma also asked company officials not to dispose of company assets.

Justice Sharma also said the official liquidator could take police assistance while taking charge of the company assets. The next hearing of the petition will be on July 22.

The RBI counsel claimed the company had taken unsecured loans from various banks and tried to dispose of assets worth Rs 600 million.

Arun Jaitley, appearing for the RBI, said the central bank had received complaints from various sources about the company, with even Gujarat Finance Minister Atmaram Patel writing in about loans worth Rs 500 million made by the state's co-operatives banks to CRB. The Central Bureau of Investigation too was investigating how the State Bank of India advanced an unsecured loan of Rs 581 million to CRB Capital Markets. He claimed the company had a total market liability of over Rs 4 billion while its deposits, as on March 31, amounted to Rs 1.86 billion.

Besides SBI, other banks affected were the Bank of Tokyo Ltd (Rs 74.2 million), Bank of Rajasthan (Rs 45 million), Bank of Baroda (Rs 41.2 million) Bank of India (Rs 41.1 million). The RBI petition said the bank's continuance was detrimental to depositors.

Justice Sharma asked how a company having assets worth just Rs 1.33 billion manage so many loans.

The RBI received complaints from many sources, including depositors, and was dissatisfied with responses when the CRB approached it for non-banking finance company status. On April 9, the RBI banned the company from accepting deposits. Thereafter the company shut shop with chairman C R Bhansali reportedly fleeing to Canada. The CBI has reportedly sought Interpol's assistance to nab him.

The company, incorporated on May 16, 1985 in the name of CRB Consultants Pvt Ltd, went public on March 3, 1991.

Meanwhile, there is confusion about how to act against the CRB, considering its NBFC status. Loopholes in the law ensure the Securities and Exchanges Board of India, the RBI and the Department of Company Affairs have a limited role to play in NBFCs. It was only two years ago that the RBI began monitoring activities of NBFCs.

After the CRB crash, the RBI may move to establish norms covering NBFCs better, sources said, with the market regulator favouring a system through which mutual funds can be monitored better.

SEBI is also considering more open disclosure norms for mutual funds and fixed deposits. A report examining the possibility of bringing the fixed deposits in NBFCs under the Deposit Insurance Act will be handed over to the RBI.