

"ANZ Grindlays Bank replied to letter of HSM dated 18.06.1992 stating that it had no outstanding transactions and yet the letter was deliberately and mischievously addressed to the Finance Minister. It stated that as one of the largest dealers and brokers in money market in May 1992 the bank had in good faith and regarding HSM as its valued customer granted routing facility which was as per the prevailing market practice. That NHB had sought recovery from it through RBI of Rs.506 Crores in respect of some cheques credited by the bank and therefore called upon HSM to present full facts before the authorities."

Grindlays Bank plc



Grindlays Bank

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18th June, 1992

General Manager South Asia

Mr Harshad S Mehta

1205-6/1518 Maker Chamber V,
221 Nariman Point,
Bombay 400 021



Dear Sir,

RE: YOUR LETTER DATED 2.6.1992

It is indeed surprising to receive your letter under reply in which you have offered to "square up and settle all the outstanding transactions". Whilst we appreciate your desire to settle and square up all "your outstanding transactions," we are unable to understand why it is necessary to inform us of the same, or to address the letter under reply to us, especially, when you are fully aware that there are no "outstanding transactions" between yourself and the Bank.

We would firstly like to categorically deny the suggestion or allegation of "outstanding transactions" with the Bank which you have made not only in your letter under reply, but deliberately and mischievously also made in your letter of the same date, addressed to the Hon'ble Finance Minister of India. Needless to state that we shall be forwarding a copy of this letter also to the Hon'ble Finance Minister of India in order that he is fully aware of the facts according to our records and not only formed by your mischievous statement that there are "outstanding transactions" allegedly between the bank and yourself.

We would also like to place on record our extreme displeasure at the studied silence which you have maintained since the end of April 1992 in refusing to either reply to or comply with our requests contained in our previous letters dated May 7th and May 12th, 1992 copies whereof are enclosed herewith for your ready reference.

As one of the largest dealers and brokers in money market securities till May 1992, the bank had in good faith regarded you as one of its valued customers. As you are aware, during the course of your business you regularly brought cheques and

instruments drawn in favour of the Bank alongwith the express and/or implied instruction of the drawer Bank or institution to credit your account with the Bank, and deposited the same into your account with the Bank. In doing so the Bank has also acted bona fide and in accordance with the prevailing market practice whereby cheques drawn on RBI or inter bank pay orders were regularly being deposited by almost every bank into the accounts of their constituents, especially in cases where same day value for the instruments in question was a sine-qua-non of the business of the concerned constituent. You have taken full advantage of the said market practice not only by bringing and depositing into your account interbank pay orders and cheques drawn on RBI of extremely high value in order to obtain same day clearance., but have also issued instructions to the Bank to debit your account with the value of inter bank pay orders and/or cheques drawn on RBI, either in favour of the counter party or the banker of the counter party with whom you have had dealings on your own account.

We, however, find to our dismay that, of the several cheques and instruments drawn in favour of the Bank that were brought and deposited by you into your account, in the course of your business, it is being alleged by the "National Housing Bank" (NHB) that seven cheques of the aggregate value of Rs.506 crores approximately, drawn by NHB on the RBI in favour of the Bank and brought by you from NHB and deposited by you into your account with us, were in respect of the underlying transactions which allegedly took place between NHB and the Bank, which, you are fully aware, is not the case.

On account of the aforesaid claims made by NHB and apparently on the basis of the representations made by the NHB to the Reserve Bank, the Chief Officer, Reserve Bank formed a tentative view that our Bank is liable to pay the aforesaid sum of Rs.506 crores to NHB and called upon our Bank to make a provision in the meantime by bringing the said sum from our Head Office in order to meet the alleged liability. Needless to state we have addressed a suitable letter to the Chief Officer setting out the true and correct facts therein. This, in fact is the reason, why we could not reply to your letter earlier.

We are certain that you never intended the aforesaid consequence to follow. In your letter to the Hon'ble Finance Minister, you have stated that you consider it your "duty to the nation, to the economy of the country and the international reputation of the country" that the transactions undertaken by you be resolved in a satisfactory manner. We are certain that you will also consider it your duty to the Bank to own up your transactions and ensure that the name of the Bank is cleared beyond all doubts of the unnecessary controversy in which you have caused it to be dragged. We are, therefore, proceeding upon the basis that in addressing the letter under reply to us as well as in addressing the letter to the Hon'ble Finance Minister, you are intending to "Tell the Truth" and exonerate the Bank from the unfounded, baseless and false



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claims which have been made by the NHB and which have resulted in the RBI forming the aforesaid tentative view.

Needless to state that, your aforesaid actions as well as your subsequent inaction in not taking the requisite steps expected of you in clearing the name of the Bank, have resulted in the image of the Bank being damaged, not only in this country but all over the world, where the ANZ Grindlays group enjoys one of the best reputations in the Banking Industry.

As you are aware the aforesaid letter addressed by the RBI was given the widest publicity not only in the national press but also in the international press especially in the financial newspapers and the same also received a brief mention on the evening news broadcast on the National Television Network.

Whilst we are not concerned with the transactions which may have brought about the situation in which you are placed today, we are certainly concerned with upholding the reputation of the Bank and ensuring that the damage caused as a result of your conduct is rectified as soon as possible.

The least, therefore, we expect cut of you is to desist from writing such mischievous letters and to once and for all place all relevant facts and material with regard to your transactions with NHB before the Bank, RBI, as well as before the Hon'ble Finance Minister so that the honourable intentions expressed by you in your letter can be believed.

We hope, therefore, that you will, at the earliest, write a suitable letter to us and to the RBI as well as to the Hon'ble Finance Minister clearing our name from the alleged transactions with NHB so that your bonafides can be established once and for all.

Yours faithfully,



R.J. EDGAR



Compared with the Original and certified to be true copy
S. D. Chaugule
(S. D. Chaugule) 30/1/92
(Notary Greater Bombay)

cc : Hon'ble Finance Minister

Encl : Our letter of May 7th and May 12th, 1992

