

# Delhi High Court stays trial court proceedings against bank execs

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## Directs RBI to respond in 2 weeks

The Delhi High Court has stayed the trial court proceedings against Punjab National Bank (PNB), its former Managing Director & CEO Usha Ananthasubramanian and 11 other senior PNB officials in a case triggered by the multi-crore Nirav Modi and Mehul Choksi perpetrated scam that came to light in January 2018.

It may be recalled that the Reserve Bank of India (RBI) had filed the complaint in the Court of Metropolitan Magistrate, Delhi against the bank, its MD & CEO and the other officials, including former Executive Director RS Sangapure and former General Manager Rakesh Kumar, for alleged violation of Section 46 of the Banking Regulation Act.

The Metropolitan Magistrate had in March 2019 had summoned them including the PNB (through its current Managing Director & CEO Sunil Mehta) on May 24.

However, the Delhi High Court on May 20 — based on a petition filed by Punjab National Bank — stayed the proceedings of the trial court and posted the next hearing on the matter on July 17, sources said.

Single Judge Bench of Justice RK Gauba had, in the order passed on May 20, recorded: “The counsel for the second respondent (complainant) on being asked was unable to give an explanation as to why a general reference was made in the complaint leading to similar general mention in the summoning order to Section 46 of the Banking Regulation Act, 1949, without the specific penal clause being indicated.”

## False information

The Delhi High Court then directed the RBI to file its response within two weeks.

The RBI, in the complaint to the trial court, had alleged that the officials had connived with each other to deliberately provide false and misleading information to the central bank on PNB’s integration of SWIFT fund transfer system with its core banking solution (CBS).

The central bank had claimed that this conduct of the PNB top brass was in violation of Section 46 of Banking Regulation Act and Section 120B of the Indian Penal Code. It said that it discovered “the falsity of information” while scrutinising PNB’s Brady House Branch (in Mumbai), where the scam had its roots.

It was found that PNB’s Core Banking System was not integrated with many critical applications. There was no online integration of SWIFT with CBS.

RBI had submitted that the accused persons “wilfully made false statements despite being aware of the risks and repercussions of failing to integrate SWIFT with CBS and introducing STP between SWIFT messaging and CBS”.

Mails sent to PNB went unanswered.

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