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STANDING COMMITTEE ON FINANCE

(2009-10)

FIFTEENTH LOK SABHA

**Ministry of Finance
(Department of Economic Affairs)**

THE COINAGE BILL, 2009

TWENTY SECOND REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

August, 2010/ Bhadra, 1932 (Saka)

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(2009-2010)
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(Department of Economic Affairs)

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Presented to Lok Sabha on 31 August, 2010
Laid in Rajya Sabha on 31 August, 2010



LOK SABHA SECRETARIAT
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COMPOSITION OF STANDING COMMITTEE ON FINANCE – 2009-2010

Shri Yashwant Sinha - Chairman

MEMBERS

LOK SABHA

2. Dr. Baliram (Lalganj)
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4. Shri C.M. Chang
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12. Shri Mangani Lal Mandal
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19. Dr. M. Thambidurai
20. Shri Anjankumar M. Yadav
21. Shri G.M. Siddeshwara*

RAJYA SABHA

22. Shri Raashid Alvi
23. Dr. K.V.P. Ramachandra Rao
24. Vacant**
25. Shri S.S. Ahluwalia
26. Shri Moinul Hassan
27. Shri Mahendra Mohan
28. Vacant***
29. Dr. Mahendra Prasad
30. Shri Y.P. Trivedi
31. Shri Rajeev Chandrasekhar

SECRETARIAT

- | | | |
|----------------------------|---|----------------------------|
| 1. Shri A.K. Singh | - | Joint Secretary |
| 2. Shri T.G. Chandrasekhar | - | Additional Director |
| 3. Smt. B. Visala | - | Deputy Secretary |
| 4. Shri T. Mathivanan | - | Senior Executive Assistant |

* Nominated to this Committee w.e.f. 09.03.2010 vice Shri Gopinath Munde, MP

**Shri Vijay Jawaharlal Darda, MP retired on. 4 July, 2010

***Shri S. Anbalagan, MP retired on 29 June, 2010

INTRODUCTION

I, the Chairman of the Standing Committee on Finance, having been authorized by the Committee, present this Twenty-Second Report on "The Coinage Bill, 2009."

2. The Coinage Bill, 2009 introduced in Lok Sabha on 17 December, 2009, was referred to the Committee on 29 December, 2009 for examination and report thereon, by the Speaker, Lok Sabha under Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha.

3. The Committee obtained background note and written information on various provisions contained in the aforesaid Bill from the Ministry of Finance (Department of Economic Affairs).

4. Written views/memoranda were received from the State Bank of India and Banking Codes and Standards Board of India.

5. The Committee took evidence of the representatives of the Ministry of Finance (Department of Economic Affairs) on 15 April, 2010.

6. The Committee considered and adopted the Report at their sitting held on 26 August, 2010.

7. The Committee wish to express their thanks to the representatives of the Ministry of Finance (Department of Economic Affairs) for appearing before the Committee and furnishing the material and information which were desired in connection with the examination of the Bill. The Committee also wish to express their thanks to the State Bank of India and Banking Codes and Standards Board of India for furnishing memoranda.

8. For facility of reference, the observations/recommendations of the Committee have been printed in bold letters in the body of the Report.

New Delhi :
26 August, 2010
4 Bhadra, 1932 (Saka)

(YASHWANT SINHA)
Chairman
Standing Committee on Finance

Report

I. Background

(i) The Coinage Act, 1906

1. The Act defines the area of its applicability, denominations, dimensions, designs and composition of coins, standard weight of coins as well as the limit up to which the coins will be a legal tender. The Act includes provisions for establishing and abolishing Mints and empowers the Central Government to call in coins and authorise persons to cut diminished or counterfeit or defaced coins. It prescribes the procedure in regard to cut coins or coins liable to be cut. The Act also includes a saving provision for making of coins for issue as money by the Governments of territories beyond the limits of India.

(ii) The Metal Tokens Act, 1889

2. The Act aims at protection of coinage as it was felt expedient to prohibit the making or the possession for issue or the issue by private person(s) of pieces of metal for use as money. It also prohibits the Railway administration and the local authorities to receive or introduce any piece of metal token as money. The Act also prescribes the penalty for unlawful making, issue or possession of metal tokens used as money. Further, the Act also empowers the Central Government to place a restriction, whenever, it feels fit, on import of such pieces of metals as may be used as money.

(iii) The Bronze Coin (Legal Tender) Act, 1918

3. The Act provides that where bronze coins of any of the denominations specified in terms of the Coinage Act, 1906 are coined in the specified States at the request of the Central Government and if it is satisfied that such coins are in accordance with the requirements of the Coinage Act, 1906 and of any notification for the time being in force under the said Act, it may, by notification in the Official Gazette, direct the issue of any such coins, and thereafter any such coins shall be legal tender

in payment or on account in the same way and to the same extent as if they were coins referred to in the Coinage Act, 1906 and the provisions shall apply accordingly.

(iv) The Small Coins (Offences) Act, 1971

4. The Act was enacted to take steps to avoid acute shortage of small coins in the interest of the general public in the country. The Act provides for prevention of melting or destruction of small coins or hoarding of small coins for the purpose of melting and destruction. Offences under the Act are cognizable, bailable and non compoundable. It also provides for a summary trial of the offences.

(v) Proposed Amalgamation of all the above four Acts relating to Coinage

5. As per the information furnished to the Committee by the Ministry of Finance (Department of Economic Affairs), since all the said four Acts basically deal with coins or usage of metal tokens as money and protection of coins and prevention of other unlawful actions in respect of coins, it was considered expedient by the expert committee formed by the Ministry of Finance (Department of Economic Affairs) in 1997 to simplify, rationalise, strengthen and consolidate the relevant provisions of the Coinage Act, 1906, the Metal Tokens Act, 1889, Bronze Coin (Legal Tender) Act, 1918 and the Small Coins (Offences) Act, 1971 into one comprehensive Act. The Law Commission, in its 159th Report submitted in 1998 had also recommended for amalgamation of all Acts relating to coinage. The management of all the India Government Mints was transferred to a Corporation, namely, the Security Printing and Minting Corporation of India Limited (SPMCIL) formed in 2006 to reorganise Mints as per their operational requirements.

(vi) Coinage Bill, 2009

6. The Coinage Bill, 2009 was introduced in the Lok Sabha on 17 December, 2009 and referred to the Standing Committee on Finance by the Speaker, Lok Sabha on 29 December, 2009 for examination and report thereon. The Bill inter-alia provides for:-

- (i) amalgamation of four Acts, namely, the Metal Tokens Act, 1889, the Coinage Act, 1906, the Bronze Coin (Legal Tender) Act, 1918 and the Small Coins (Offences) Act, 1971 into one Act;
- (ii) punishment with imprisonment which may extend to seven years and with fine if a person is found to be making or melting or destructing the coins and for deletion of the provisions of above mentioned four Acts which have since become redundant; and
- (iii) repeal of the four aforesaid Acts which have since become obsolete.

7. The Committee received memoranda/suggestions regarding the Coinage Bill, 2009 from the State Bank of India, Banking Codes and Standards Board of India and Reserve Bank of India. The Committee also took oral evidence of the representatives of the Ministry of Finance (Department of Economic Affairs) in connection with the examination of the Bill.

8. By way of highlighting the nature of simplification, rationalisation and strengthening of the existing provisions that has been brought about in the Coinage Bill, 2009, the Ministry of Finance (Department of Economic Affairs) in a written note *inter-alia* submitted as under:

“By amalgamating the four Acts into one, all the redundant provisions as well as duplications have been removed. The provision for punishment for offences for melting or destruction of coins below Rupee one denomination has been extended to cover coins of all denominations to remove the anomalous situation. Further, the existing provision of maximum punishment has been increased from five years to seven years and with fine. Further, the offences have been made cognizable but bailable and also subject to summary trial.”

9. The Committee took note of the fact that while the Expert Committee constituted by the Ministry had, way back in 1997 recommended amalgamating the four Acts on Coins and Coinage, the Coinage Bill was introduced in Parliament only in late 2009. Asked to cite the reasons for taking a very long time in acting on the recommendations of the Expert Committee, the Finance Secretary agreed that an unduly long time was taken in introducing the Bill.

(vii) Shortage of coins

10. Questioned on instances when shortage of coins was faced in the country, and measures taken for addressing the problem, the Ministry of Finance (Department of Economic Affairs), in a written reply, informed:

“In 1997-98 when the order for import of coins was given, the mints could supply only 1540 million pieces of coins against the indent of 6639 million pieces placed by RBI. In contrast during 2009-10, the mints supplied 6285 million pieces of coins against the indent of 6100 million pieces. Presently the coins are available in the market in most of the regions of the country. However, there may be some occasional shortage at certain places. To eliminate shortage from all the regions, since the last two years, mints are producing at their optimum capacity and will continue to do so for the next five years, for which firm indent has already been placed by the RBI.”

11. In response to a related query on instances when coins were imported, the Ministry, in a written reply informed:

“... the last time coins were imported was in the year 1997-98. After that, for the last ten to twelve years, there has been no import of coins from outside. They have all been minted within the country.”

(viii) Melting and counterfeiting of coins

12. The Committee, in the course of their deliberations, pointed out that there have been serious instances of misuse of coins by way of melting etc. for conversion into artificial jewellery. In this regard, the Finance Secretary stated as under:-

“...the shortage of coins, whenever it has occurred in the past, is essentially and mainly due to the fact that the intrinsic value of the metal is higher than the face value. So, those coins are melted...and therefore, there is a shortage of coins. That is why, this situation has arisen in the past. Therefore, the effort that we tried to have is that if the value of the metal is roughly and this being a rule of the thumb, sixty to seventy percent of the face value of the coin, then there will be no commercial interest or no great desire to counterfeit because in any case, similar kind of metal will cost him sixty to seventy percent of the face value. If it goes beyond that or beyond 100 percent, there will be a tendency to melt.”

13. Questioned also on the mechanism for detecting counterfeit coins, the Ministry, in a written reply stated as under:

“Counterfeit coin is not likely to have sharp relief features as the genuine coin and therefore can be recognized. In case the similarity is of high degree then counterfeit coin can be detected through chemical analysis. Presently there is no detecting machine available for segregating counterfeit coins.”

(ix) Penal provisions

14. Asked to highlight the differences in the penal provisions proposed in the Coinage Bill, 2009 for melting or destruction of coins vis-à-vis the provisions applicable for offences relating to counterfeiting of currency notes, the Ministry, in a written reply stated as under:-

“ The maximum punishment of seven years proposed in the Bill is less than the maximum ten years punishment for counterfeiting of bank notes prescribed under sections 489A to 489 E of the Indian Penal Code (IPC), 1860. It may also be mentioned that maximum punishment for counterfeiting of coins under section 232 of the IPC is also ten years.”

15. Section 232 of the Indian Penal Code, 1860 relating to counterfeiting coins reads as under:

“Whoever counterfeits, or knowingly performs any part of the process of counterfeiting Indian coin, shall be punished with imprisonment for life, or with imprisonment of either description for a term which may extend to ten years and shall also be liable to fine.”

16. Asked whether the punishment for melting or destruction of coins proposed in the Bill could be made on par with the punishment applicable for counterfeiting currency notes, the Ministry, in reply, stated:

“The melting or destruction of coins creates shortage of coins in the market but there is no motive to defraud anyone or to destabilise the economy as in the case of counterfeiting and hence there is a case for maintaining a distinction in the punishment for melting or destruction of coins to seven years.”

(x) Design of coins

17. Questioned on the criteria followed for selecting the design of coins, the Ministry informed the Committee, *interalia*:

“The designs of the coins are not changed very often. Usually the coin designs are taken for review when the intrinsic metal value is more than the face value of the coin and sometimes on the representations regarding difficulty in distinguishing the coins of different denominations. However, the Govt. decided in the year 2005 to introduce some thematic designs in the coins in addition to the lion capital (asoka Pillar). These thematic designs were got prepared from the National Institute of Design, Ahmedabad.”

18. In the course of taking evidence of the representatives of the Ministry, the Committee pointed out that there have been contentious or debatable issues on the shape and design of coins particularly in the recent years. Asked about the measures taken, or proposed to address such issues, the Ministry in their post-evidence reply stated as under:-

“The Govt. had constituted a Committee for rationalizing of shapes, size, design and weight of coins in June, 2009 under the chairmanship of the Deputy Governor, RBI. The recommendations of the Committee are under examination in the Ministry....”

19. A summarised account of the observations/recommendations made by the above mentioned Committee constituted by the Government is given below :-

(i) The Committee emphasised the need for making the currency, both notes and coins, visually impaired friendly. The size and colour in case of notes and shape/ serrations in case of coins were considered as important distinguishing features by the visually impaired.

(ii) Material for Coins: Considering prices, volatility in prices, indigenous availability of metal used/to be used in minting of coins, ease/speed of coinage and appearance of coins minted using different metals, the mints may continue to use Ferritic Stainless Steel (FSS) for lower denomination coins (50 paise, Re.1 and Rs.2). For Rs 5 coin Nickel Brass and for Rs 10 coin Aluminium Bronze (outer ring) and Cupro Nickel (CN) (centrepiece) may be used.

(iii) Shapes of Coins: Considering trend world over, time and cost implication in importing tools and dies, and speed of coinage, the Committee recommended to continue with circular coins presently/in medium term.

(iv) Sizes of coins: In view of increase in prices of FSS and Nickel Brass (NB), used in production of coins of various denominations, no demand for 25 paise coin, the Committee recommended that 50 paise coin should be stamped on 25 paise blank size, Re.1 should be stamped on 50 paise blank size and Rs.2 FSS should be stamped on Re.1 blank size. Clearly distinguishable, appropriate serrations on the edges of the coin blank should be provided to differentiate them from earlier coin blanks of same sizes, due to change in denomination. The possibility of developing plating technology (single/multi ply) may be looked into by the mints themselves or in collaboration with industry indigenously as coated coins were getting fashionable world over.

(v) Motifs/relief design: Considering difficulty in creating good relief designs/motifs over a small area on a hard surface in case of FSS coins, the Committee recommended reverting to earlier designs. As regards Rs.10/- coins, size of Lion Capitol be increased to balance coining pressure and number of petals be made as 10 Nos. on the obverse side as well as lines be deleted.

(vi) Demand for coins: The RBI may work out demand for the coins by linking it to either population growth or an economic indicator directly influencing the same like total no. of passenger ferried by /BEST/Railways. The total demand for coins be broken down into two components one representing core/threshold demand and another variable demand. RBI should give assurance to lift the coins up to core/threshold limit each year so as to enable SPMCIL build capacity on long term basis. Variable demand could be met by SPMCIL by working in extended hours/two-three shifts.

(vii) Denomination wise production/demand/supply:

- Minting of 50 paise may be continued for next few years as it still commands value /fetches goods in rural areas /certain parts of the country.
- In respect of printing/minting of Rs. 5 denomination notes and coins, the two i.e notes and coin may be continued to co exist in the short run, considering capacity constraints with SPMCIL for Rs.5 coins. However, considering long term cost considerations either indigenous capacity for Rs.5 coins is built up or elongation of the life of Rs.5 notes is actively considered like use of varnish coating.
- Also in view of logistics involved and to economise on transportation of notes and coins throughout the length and breadth of the country, it could be considered to saturate one area with coin and another area with notes.
- Considering proportion of notes of Rs. 10(25%) in total bank notes in circulation, there is a need to progressively coinize Rs. 10. Though people

always prefer notes over coins for ease of carrying/ storage, there is a strong case for its(Rs 10 coin) pushing, in view of costs involved in production, distribution, processing and disposal of Rs. 10 banknote. With use of coin vending machines being egged by large utilities like Metro, the demand for coins in general and Rs 10 in particular may get further boost.

- GOI may consider formally recalling/withdrawal of 25 paise coin.
- GOI may also consider giving an incentive to the public to surrender small coins below 25 paise for certain minimum amount per entity through bank branches/chests, or even directly to RBI/Mints so as to remove non-current and unused coins from the system.

20. The Coinage Bill, 2009 amalgamates the existing four Acts namely the Metal Tokens Act, 1889, the Coinage Act, 1906, the Bronze Coin (Legal Tender) Act, 1918 and the Small Coins (Offences) Act, 1971 into one comprehensive act and repeals the said four Acts. The Committee observe in this regard that it has taken an unduly long time for introducing the proposed Bill since the making of the recommendations to this effect by the Expert Group of the Ministry of Finance (Department of Economic Affairs) way back in 1997. Moreover, serious infirmities have remained in the provisions of the Bill as introduced, that came to light in the course of the Committee's deliberations. These have been dealt with in detail in the later sections of this report.

21. An issue of serious concern that was deliberated upon by the Committee relates to unauthorised melting of coins for purposes such as making artificial jewellery, etc., which could result in shortage of coins. As pointed out by the Finance Secretary, the intrinsic value of the metal is to be comparatively lesser than the face value of the coin. The Committee expect that this thumb rule is scrupulously maintained so as to serve as a deterrent against melting and

destructing coins for unlawful gains. The Committee would also emphasise on ensuring strict enforcement of the relevant penal provisions in cases of unauthorised making, melting or destructing coins so as to severely punish the offenders.

22. In view of the fact that coins do not have serial numbers unlike currency notes, and with the present advanced metallurgical technology, it may not be difficult to analyse the coining material and mint counterfeit coins. The Committee, therefore, feel it to be appropriate on the part of the Government to develop an effective mechanism for taking care of such eventualities inter-alia by putting in place a proper mechanism including by way of usage of appropriate identification features for ascertaining and verifying the genuineness of coins and segregating counterfeit coins.

23. As regards punishment for making or melting or destructing coins, the maximum punishment of imprisonment of seven years as proposed in the Bill is less than the maximum punishment of imprisonment of ten years under the relevant provisions of the Indian Penal Code (IPC), 1860, which is also the punishment applicable for offences relating to counterfeiting currency notes. In view of the seriousness of the offences, the Committee feel that the punishment for melting or making or destructing coins should also be increased to ten years as applicable under the IPC.

24. There have also been contentious and debatable issues in regard to shapes and designs of coins particularly in the recent years. In this regard, the Committee would expect the Ministry of Finance to expedite the examination of the recommendations of the Committee constituted for rationalizing of shapes, size,

design and weight of coins under the chairmanship of the Deputy Governor, RBI, for early and effective implementation, which would be in the larger public interest.

25. Specific issues relating to certain provisions that emerged in the course of the Committee's examination of the Coinage Bill, 2009 are dealt with in the subsequent sections of this report. The Committee recommend consideration of the Bill subject to the observations made/modifications suggested in this report.

II. Clause 2(a): Definition of Coin

26. Clause 2 of the Bill provides for definitions of the terms used in the Bill.

27. Clause 2(a) of the Bill which defines the term “coin” reads as under :

“coin” means any coin which is made of any metal stamped by the Government or any other authority empowered by the Government in this behalf and which is a legal tender including commemorative coin but does not include various types of credit card or e-money issued by any bank or financial institution from time to time.”

28. On the definition of ‘coin’ as proposed under Clause 2 (a), the Banking Codes and Standards Board of India, in their memorandum submitted to the Committee suggested as under:

“The definition of clause 2(a) needs to be amended to include the GOI One Rupee Note as it is not to be treated as a bank note but as a ‘rupee coin’ for all the purposes of the RBI Act, 1934, as per the Currency Ordinance, 1940. It will be useful and appropriate to seize this opportunity to also repeal The Currency Ordinance 1940 which provides for the issue and putting into circulation of GOI One Rupee Notes and which provides that the GOI One Rupee note shall be deemed to be included in the expression “rupee coin” for all the purposes of the RBI Act, 1934.”

The Currency Ordinance, 1940

29. The Ordinance provides for the issue and putting into circulation of Government of India One Rupee Notes and also provides that the GOI One Rupee note shall be deemed to be included in the expression “rupee coin” for all the purposes of the RBI Act, 1934 and shall not be treated as currency note.

30. Questioned whether the Currency Ordinance promulgated in 1940 was subsequently enacted as law, the Ministry, in a written reply informed as under:

“No. The Currency Ordinance, 1940 was promulgated after passing of the India and Burma (Emergency provisions) Act, 1940 which provided that Ordinances made during the period of the emergency beginning 27.6.40 would not lapse within six months. This made the Currency Ordinance, 1940 of permanent nature like an Act of competent Legislature and continued to be in force. The Ordinance was continued and adopted by a Presidential promulgation, “Adoption of Laws Order,

1950” issued under powers conferred by clause (2) of Article 372 of the Constitution.”

31. As per the information furnished to the Committee, the said Expert Group constituted in 1997 by the Ministry of Finance as well as the Law Commission had inter-alia recommended repealing the Currency Ordinance 1940.

32. Asked as to why the Ministry had not acted upon the recommendation for repealing the Ordinance by including a provision to this effect in the Coinage Bill, 2009, the Ministry stated as under:-

“The Expert Group and the Law Commission had recommended repeal of the Currency Ordinance, 1940 on the ground that printing of one rupee denomination notes has been discontinued. The Ministry, however, felt that this Ordinance may not be repealed as one rupee notes continue to be in circulation though not being printed any more.”

33. On the suggestion made by Banking Codes and Standards Board of India for including ‘one rupee note’ in the definition of coin proposed under Clause 2 (a) and repealing the Currency Ordinance, 1940, the Ministry stated as under :

“The one rupee note is issued under Currency Ordinance, 1940 and is not to be treated as a bank note but as a rupee coin as per the Ordinance. Therefore, the suggestion may be agreed to.”

34. Clause 27 of the Bill provides for repeal of the Metal Tokens Act, 1889 (1 of 1889), the Coinage Act, 1906 (3 of 2006), the Bronze Coin (Legal Tender) Act, 1918 (22 of 1918) and the Small Coins (Offences) Act, 1971 (52 of 1971) and also provides that repeal of these enactments is not to affect the validity, invalidity, effect or consequences of anything done or suffered, any right acquired, accrued or liability incurred, etc., from the enactments repealed.

35. Questioned whether the repealment of Currency Ordinance, 1940 as proposed by the Ministry, needs to be included as (e) under Clause 27 of the Bill, the Ministry, in their reply expressed agreement with the same.

36. Further, the State Bank of India, in their Memorandum emphasised on clearly stipulating the forms of legal tender that would not be covered under the definition of ‘coin’ as proposed. The suggestion received from the Bank reads inter alia:

“debit card may also be added with credit card i.e. “Credit card or debit card or e-money issued by any bank

37. The term ‘currency’ as defined under the Foreign Exchange Management Act, 1999 reads as under:

“currency includes all currency notes, postal notes, postal orders, money orders, cheques, drafts, travellers cheques, letters of credit, bills of exchange and promissory notes, credit cards or such other similar instruments, as may be notified by the Reserve Bank.”

38. Questioned whether the intention of the Government was to stipulate that forms of legal tender including credit/debit cards, postal orders etc. would not be covered under the definition of ‘coin’ and if so, this aspect could be stipulated in cleared terms in the definition of ‘coin’, the Ministry in reply, stated inter-alia:

“The definition of ‘coin’ as stipulated in the Coinage Bill is not intended to cover other legal tender.”

39. The Committee note that the definition of coin in clause 2(a) of the Bill does not include the Government of India One Rupee note, which, as per the Currency Ordinance, 1940 is not to be treated as a bank note but as a rupee coin. The One Rupee currency note continuing to be in circulation, as agreed to by the Ministry, the Committee expect that the proposed definition of ‘Coin’ is suitably modified for including and enabling the currency note to be a legal tender, once the Currency Ordinance, 1940 is repealed. The Committee note in this regard that the Expert Group of the Ministry (1997) as well as the Law Commission, in their 159th Report (1998) recommended repealing the Currency Ordinance of 1940.

40. As pointed out by the State Bank of India, there appears to be a need to bring in clarity in stipulating that forms of legal tender other than coins would be outside the purview of the definition of the term ‘coin’. Instead of including this aspect in the definition, as proposed, the Committee feel it to be preferable to add

an explanation or a clarificatory proviso under clause 2 (a) specifying that forms of legal tender such as credit and debit cards, postal orders, etc. would be outside the purview of the definition. The Committee expect that the definition of the term coin, as proposed is, accordingly, re-looked into.

III. Clause 2(e) and Clause 4 : Definition of issue and Denominations, dimensions, designs and composition of coins

41. Clause 2(e) of the Bill regarding definition of issue reads as under :

“issue” means to put a piece of metal into circulation for use as money”.

42. Clause 4 of the Bill relating to denominations, dimensions, designs and composition of coins provides as under:

“Coins may be minted at the Mints or at any other place authorised under the proviso to section 3 of such denominations not higher than one thousand rupees and of such dimensions and designs and containing such metals or mixed metals of such compositions as may be prescribed by the Government”.

43. The Banking Codes and Standards Board of India and the State Bank of India have made the following suggestions in regard to the proposed amendments in Clause 2(e) and Clause 4 :-

“(i) Keeping in view the scarcity of metal resources, the manufacturing cost thereof and the historical record of repeated debasements of small denominations and coin shortages, it would be necessary to have a futuristic vision. It may be therefore appropriate not to limit the Government of India’s powers to use of only metal for the purposes of coinage. Instead, it may be useful to enable the GOI to use metal or any other material as may be determined by the GOI, in public interest. Accordingly Section 2(e) and Section 4 may be suitably amended to indicate that a coin means any coin which is made of any metal or any other material determined by the Government, in public interest.

(ii) the word ‘mixed metals’ used may be replaced with ‘alloys’ ”.

44. Asked to furnish the Government’s views on the suggestions made, the Ministry informed as under:

“(i) The suggestion to use metal or any other material as may be determined by the GOI, in public interest, for minting of coins may be accepted.

(ii) The words “mixed metals” and ‘alloys’ have different connotations. While the alloy refers to mixture of two or more metals in a fixed percentage and have definite name, such as, brass and bronze, the

mixed metals can contain two or more metals in any proportion and do not have a definite name like alloys. Therefore, it would not be appropriate to replace the words “mixed metals” with ‘alloys’.”

45. Clause 2(e) which defines the term “issue” and clause 4, relating to dimensions and designs of coins provide for usage of only metal for minting coins. In view of scarcity of metal resources, manufacturing cost thereof and coin shortages, the Banking Codes and Standards Board of India has felt it to be not desirable for the Government to depend on the use of only metal for the purpose of coinage and instead have a futuristic vision by enabling use of any other material as well, as may be determined by the Government in public interest for coinage. This has been agreed to by the Government. The Committee, therefore, expect that the relevant provisions of the Bill are suitably amended to indicate that a coin means any coin which is made of any metal or any other material determined by the Government in public interest.

V. Clause 3 : Power to establish and abolish Mints

46. Clause 3 of the Bill empowers the Government to establish and abolish Mints and also provides that the Mints may be managed by other persons authorised in this behalf by the Central Government. It further provides that the Mints established before the commencement of this Act shall be deemed to have been established by the Government.

47. Clause 3(a) reads as under :

“The Government may, by notification, establish a Mint at any place, which may be managed by the Government of India in the Ministry of Finance, Department of Economic Affairs or by any other person, which may be authorized for this purpose.”

48. The State Bank of India pointed out the following issue in regard to the proposed provisions of Clause 3(a) of the Bill:-

“ The words “Government of India in the Ministry of Finance” may be substituted by “Government, Ministry of Finance” and the words “of India” and “in the” may be deleted as the term “Government” is already defined under Clause 2(d). Further, the word ‘entity’ may be added after ‘person’ i.e. ‘by any other person or entity’.”

49. Questioned in this regard, the Ministry in response informed as under:

“ The spirit of the suggestion for substituting the words “Government of India in the Ministry of Finance” by “Government, Ministry of Finance” and deletion of the words “of India” and “in the” as the term “Government” is already defined under Clause 2(d) is well taken. To further simplify the matters, the words, “the government of India in the Ministry of Finance, Department of Economic Affairs” may be replaced by a single word “it”. Regarding the other suggestion of adding the words, “or entity” it is submitted that the Ministry of Law had opined that the word “person” as defined under the General Clauses Act also covers an organisation/ corporation/ entity. Therefore, the addition of the words “or entity” is not required. .”

50. The General Clauses Act, 1897 defines the term ‘person’ as under:

“person” shall include any company or association or body of individuals, whether incorporated or not.”

51. As agreed to by the Government, the Committee desire that for simplifying the text of clause 3(a), the words “Government of India in the Ministry of Finance, Department of Economic Affairs” as occurring in the said clause may be substituted by a single word “it” and clause 3(a) of the Bill may be accordingly modified.

V. Clause 6 : Coin when a legal tender

52. Clause 6 of the Bill provides for the sum for which certain specified coins will be a legal tender and the silver coins issued under the Coinage Act, 1906 (3 of 1906), after the 10th day of March, 1940 and all nickel, copper and bronze coins which may have been issued before the 24th day January, 1942 shall continue as before to be a legal tender.

53. Clause 6(1) provides as under:

“The coins issued under the authority of section 4 shall be a legal tender in payment or on account, in case of— :

- (a) a coin of any denomination not lower than one rupee, for any sum;
- (b) a half rupee coin, for any sum not exceeding ten rupees;
- (c) any other coin, for any sum not exceeding one rupee

54. Asked to explain the provisions of clause 6(1)(a) with reference to the word ‘for any sum’, the Ministry stated as under:

“This clause implies that if a person has to make a payment of any sum of rupees even in thousands of rupees or more, he/she can do so by tendering coins of Re.1 or higher denominations. For example, for a payment of Rs.1500/-, he/she can tender 80 coins of Rs.10 denomination, 70 coins of Rs.5 denomination, 125 coins of Rs.2 denomination and 100 coins of Re.1 denomination i.e. total of 375 coins of different denominations or 150 coins of Rs.10 denomination or 300 coins of Rs.5 denomination or 750 coins of Rs.2 denomination or 1500 coins of Rs. 1 denomination or in a different combination of coins of different denominations.”

55. Pointing out that coins of the face value of Rupee 2,5 and 10 are currently in circulation and the Coinage Bill provides for the issue of coins upto the denomination of 1000 rupees, the Banking Codes and Standards Board of India suggested that Clause 6(1) (a) and the subsequent sub-sections could be amended as follows:

- “(a) a coin of any denomination higher than one rupee for any sum;
- (b) a one rupee coin, for any sum not exceeding 100 rupees;
- (c) a half-rupee coin for any sum not exceeding ten rupees; and
- (d) any other coin, for any sum not exceeding one rupee.”

56. Questioned on the suggestion made, the Ministry in reply, informed as under:

“The Department agrees to the suggestion. However, the Reserve Bank of India is of the view that ‘a coin of any denomination higher than one rupee may be made legal tender for any sum not exceeding 1000 rupees’ for the reason that accepting such coins for any sum may entail practical difficulties in terms of counting and authenticating for both tenderer and acceptor. Some countries, such as New Zealand, Republic of Ireland and Switzerland have such restrictions.”

57. Clause 6(2) which provides for continuation of silver coins issued under the Coinage Act, 1906 after the 10th day of March, 1940 as legal tender reads as under:-

“All silver coins issued under the Coinage Act, 1906 after the 10th day of March, 1940 shall continue as before to be a legal tender in payment or on account, in case of—

- (a) a rupee coin, for any sum;
- (b) a half-rupee coin, for any sum not exceeding ten rupees;
- (c) a quarter-rupee, for any sum not exceeding one rupee:

Provided that the coin has not been defaced and has not lost weight so as to be less than—

- (i) 176.4 grains Troy in the case of a rupee coin, or
- (ii) 88.2 grains Troy in the case of a half-rupee coin, or
- (iii) such weight as may be prescribed in the case of a quarter-rupee coin.”

58. Further, Clause 6 (3) regarding nickel, copper and bronze coins, which may have been issued under the Coinage Act, 1906 before the 24th day of January, 1942 provides as under:

“All nickel, copper and bronze coins which may have been issued under the Coinage Act, 1906 before the 24th day of January, 1942 shall continue as before to be a legal tender in payment or on account for any sum not exceeding one rupee.”

59. On the amendment proposals of Clause 6 (2) and 6(3), the Ministry of Finance (Department of Economic Affairs), in a written note informed the Committee inter-alia as under:

“As the silver, nickel, copper and bronze coins have been recalled long back by the RBI, this Ministry had recommended deletion of this provision in the Bill and Ministry of Law had agreed in principle.

However, due to oversight, it has not been removed in the final draft. This may be done now.”

60. Asked to clarify as to when the Reserve Bank recalled the silver coins issued after 10 March, 1940 and nickel, copper and bronze coins which may have been issued prior to 24 January, 1942, and also whether the Government proposes to move official amendments for dropping Clause 6(2) and Clause 6(3) of the Bill, the Ministry in reply, stated as under:

“Despite all out efforts, the relevant records could not be found either in the Department of Economic Affairs or in the Reserve Bank of India as this might have been done long ago. Since the intrinsic metal value of such coins is much more than the face value, it is also not in the interest of those possessing such coins to exchange those at face value as legal tender. As regards moving official amendments for dropping these two sub-clauses, the Government would abide by the advice of the Committee.”

61. The Committee find credence in the view expressed by the Reserve Bank on stipulating an upper limit of the amount or sum upto which a coin of any denomination higher than one rupee may be made legal tender so as to avoid practical difficulties in counting and authenticating. However, while the Reserve Bank has proposed that a coin of any denomination higher than one rupee may be made legal tender for any sum not exceeding Rs. 1000, the Committee are of the view that the outer limit of the sums upto which coins of different denominational value can be construed as legal tender in payment etc. needs to be stipulated by considering the fact that the Bill enables for minting and circulating coins upto the value of Rs. 1000. The Committee, therefore, desire that the sub-sections of clause 6(1), which specify the sums upto which coins of different denominations can be a legal tender for payment etc. be reviewed by taking this aspect into consideration.

62. Although silver, nickel, copper and bronze coins have been recalled long back by the Reserve Bank, provisions have been inadvertently incorporated under Clause 6(2) and Clause 6(3) for enabling their continuance as legal tender. What the Committee find to be even more surprising to note in this regard is the fact that records relating to recalling these coins are not traceable either in the Department of Economic Affairs or in the Reserve Bank of India. The Committee expect that efforts would be made to ensure that such oversights in formulating legislative provisions and tardiness in maintenance of records are avoided. The Government, having proposed to delete these provisions which are of no relevance now, the Committee expect that appropriate action would be taken for moving amendments to this effect.

VI. Clause 9: Power to certain persons to cut, diminished or defaced Coins

63. Clause 9 of the Bill empowers certain persons to cut, diminish or deface coins which have been diminished in weight by such percent below the provided standard weight. It also provides for payment of face value of the coin when there is reason to believe that the coin has not been defaced fraudulently. The person cutting or breaking the coin has to observe the procedure as specified.

64. Explanation given under Clause 9 (3) states as under:

“For the purpose of this section, a coin which, there is reason to believe, has been defaced by sweating shall be deemed to have been fraudulently defaced”.

65. The State Bank of India has made the following suggestion in this regard:-

“India being a tropical country, most part of the country is hot and humid and sweat is a common experience. The possibility of coins getting defaced due to excessive sweat is not uncommon and such instances cannot be deemed to have been a fraudulent defacement under the Act. Hence, removal/modification of the explanation may be considered.”

66. Asked to furnish comments on the above suggestion, the Ministry stated as follows:

“The Department agrees with the view.”

67. In terms of the explanation given under clause 9(3), a coin, which is believed to have been defaced by sweating shall be deemed to have been fraudulently defaced. As pointed out by the State Bank, India being a tropical country, most parts of the country are hot and humid due to which the possibility of coins getting defaced due to excessive sweat is common and it may not be appropriate to treat such cases as fraudulent defacement under the Act. As agreed to by the Government, the Committee desire that the explanation given under Clause 9(3) may be omitted from the Bill.

VII. Clause 11 : Power of Mint to delegate its Functions

68. Clause 11 reads: “Any officer of the Mint duly empowered by the Government may in writing authorize any other organization of the Government to melt withdrawn coins or take any help of such organization for the said purpose”.

69. In their written memorandum, the Banking Codes and Standards Board of India made the following suggestion:

“Since the Mints are owned by SPMCIL, Clause 11 may be amended to read as follows:

Government may empower SPMCIL to authorize any other organization of the Government, in writing, to melt withdrawn coins or take any help of such organization for the said purpose”.

70. In this regard, the Ministry submitted as follows:

“In accordance with the present provision of Clause 11, the Government have retained its authority to empower any officer of the Mint in the matter of melting of withdrawn coins whereas, in accordance with the suggestion of the Committee, the empowerment should be conferred on SPMCIL rather than the Mint officer. In view of the rationale given by the Committee, the Department may have no objection.”

71. Since the management of Mints has been transferred to the Security Printing and Minting Corporation of India Limited (SPMCIL), the Committee find merit in the suggestion made by the Banking Codes and Standards Board of India for empowering SPMCIL to authorise any other organisation of the government, in writing, to melt withdrawn coins or take help of such organisation for the said purpose, instead of empowering any officer of the Mint in the matter as proposed under Clause 11. The Government having agreed with this suggestion, the Committee expect that clause 11 of the Bill will be accordingly amended.

VIII. Clauses 12 and 14: Prohibition and Penalty

72. Clause 12 of the Bill inter-alia provides for prohibition of making or melting or destruction of coins or having possession, custody or control of melted coins or coins in mutilated or destroyed state.

73. Clause 12(1) (i) and Clause 12(3)(i) of the Bill read as follows:-

Clause 12(1) (i): “No person shall use any metal piece as coin whether stamped or unstamped, intended to be used as money except by the authority of the Government.”

74. Clause 12(3)(i) states that:

“Nothing in this section shall apply to any person who is found in possession of any metal or scraps or scissel, etc. of non-recyclable coinage metal, which he may so possess as a result of valid disposal by auctions by a Mint.”

75. Clause 14 of the Bill provides for the prohibition of unlawful making, issue or possession, custody or control of pieces of any metal to be used as money and also punishment for contravention of this provision with imprisonment upto one year or fine or with both.

76. Clause 14(1) (a) of the Bill reads as under:

“No person shall make or issue or attempt to issue any metal piece except as provided under section 4 for the purpose of coins.”

77. The Banking Codes and Standards Board of India in their written memorandum, have suggested as under:

“(i) It is common knowledge that use of paper token etc. is rampant when there is shortage of coins and nobody really uses metal for this purpose. Therefore, Section 12(1)(i) as also Section 14(1) (a) should be suitably amended to reflect the ground reality as follows: -

Section 12(1)(i): “use any material or metal as coins whether stamped or unstamped, intended to be used as money except by the authority of the Government, or”

Section 14(1)(a): “make or issue or attempt to issue any metal or any other material as a token for money or as purporting that the holder is entitled to demand any value denoted on it”.

- (ii) As regards Clause 12(3)(i), the Banking Codes and Standards Board of India have suggested as under:-

“This section is restrictive as it empowers disposal only by auctions and does not reflect a futuristic vision of porous borders and transaction modes via internet or other telecommunications. Removing the word “by auctions” would obviate the constraint and yet serve the purpose”.

78. Asked about their views on the above suggestions, the Ministry stated as under:

- (i) The suggestion regarding amendment of Clause 12(1)(i) may be accepted. The suggested formulation for section 14(1)(a) is going beyond the ambit of the Coinage Act as such an omnibus clause will make it difficult to use and/or issue negotiable instruments such as cheques, promissory notes etc. Therefore, accepting the suggestion of the Committee in principle, the clause 14(1)(a) may be redrafted as under:

14(1)(a) ‘make or issue or attempt to issue any metal piece or any other material except as provided under section 4 for the purpose of coins.’

- (ii) The word ‘auction’ includes “e-auction” which is done through the use of internet and, therefore, no change in the relevant clause is required.”

79. The Government has accepted the suggestion made by the Banking Codes and Standards Board of India for enabling use of “any other material” as well for minting coins by proposing appropriate changes to this effect in the provisions under Clause 2 (issue) and Clause 4 (denominations and dimensions of coins) which has been dealt with in the earlier section of the report. As pointed out by the Banking Codes and Standards Board of India, the words “or any other material” also need to be included in clause 12(1)(i) and clause 14(1)(a), which inter-alia prohibit unauthorised making or issue or attempt to issue coins. As agreed to by the Government, the Committee expect that the relevant provisions of the Clause 12 (1)(i) and clause 14(1)(a) would be suitably amended.

IX. Clause 23: Power to remove difficulties

80. Clause 23 empowers the Government to remove difficulties that may arise in giving effect to the provisions of the Bill.

81. The proviso to Clause 23(1) limits the power of the Government which reads: "Provided that no such order shall be made under this section after the expiry of two years from the commencement of this Act".

82. The Banking Codes and standards Board of India have made the following suggestion on the above provision:

"Since Clause 23(1) is expressly for the purpose of removing difficulties in giving effect to the provisions of the Act there should be no time restriction for issue of orders to remove the difficulties if it is considered necessary or expedient in public interest, especially as Clause 23(2) provides for such orders being laid as soon as may be after it is made, before each House of Parliament. In fact, the UK Coinage Act expressly empowers the Government to regulate any matter relating to coinage, which is not provided for under the Act. The Proviso, therefore, needs to be removed".

83. Asked to give their comments on the above suggestion, the Ministry in reply, stated as under:

"The Government considered the period of two years sufficient for removal of difficulties. However, in view of the comparison drawn by the Committee with the U.K. Coinage Act, the suggestion to delete the proviso may be accepted."

84. Regarding the proviso to clause 23(1) of the Bill, the Committee feel that there should be no time restriction for issue of orders to remove difficulties, which may arise while giving effect to the provisions of the Bill, particularly in public interest. The Banking Codes and Standards Board of India have also pointed out that the UK Coinage Act expressly empowers the government to regulate any matter relating to coinage which is not provided for under the Act. As agreed to by the Government, the Committee recommend that the proviso to clause 23(1) should be deleted in the Bill.

X. Clause 24: Power to make rules

85. Clause 24 of the Bill empowers the Government to make rules to carry out the provisions of the proposed legislation.

86. Clause 24(2) (f) reads as follows:

“In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:-

(f) “the coin of any denomination which has not been defaced and has not lost weight as to be less than such weight issued under Section 6”.

87. Asked to clarify the purport of Clause 24(2)(f), the Ministry of Finance, in reply stated as under:

“This sub-clause refers to the proviso to sub-clause 2 of clause 6 relating to Silver Coins. Since that sub-clause is proposed for deletion, sub-clause 24(2)(f) may also be deleted.”

88. Proviso to Clause 6 (2) relating to silver coins issued under the coinage Act, 1906 after the 10th day of March, 1940 reads as under:

“Provided that the coin has not been defaced and has not lost weight so as to be less than—

- (i) 176.4 grains Troy in the case of a rupee coin, or
- (ii) 88.2 grains Troy in the case of a half-rupee coin, or
- (iii) such weight as may be prescribed in the case of a quarter-rupee coin.”

89. As clarified by the Ministry, clause 24(2)(f) seeks to empower the Government to frame rules relating to silver coins referred to in Clause 6(2) of the Bill, which has been proposed for deletion as the coins have been recalled long back. As proposed by the Ministry, the Committee expect that clause 24 (2)(f), which is redundant is also deleted.

XI. Clause 28: Continuance of the existing coins

90. Clause 28 of the Bill which provides for continuance of existing coins as legal tender in payment or on account reads as under :

“Notwithstanding the repeal of the enactments specified in Section 27, all coins which were issued as legal tender under the said enactments immediately preceding the date on which the Coinage Act, 2009 receives the assent of the President shall continue to be legal tender in payment or on account.”

91. In this regard, it has been suggested by the State Bank of India that:

“As per Clause 1(3), the Coinage Act, 2009 shall come into force on such date as the Central Government, may, by notification in the Official Gazette, appoint. The repeal of the Acts mentioned in Clause 27(1) will also come into force from the date appointed as per the notification made under Clause 1(3). Hence, the protection, i.e. the continuance of the existing coins, mentioned in Clause 28 may be extended upto the date of commencement of this Act. It is suggested to replace the words “the date on which the Coinage Act, 2009 received the assent of the President” with the words “the date of commencement of this Act”. Alternatively, the coming into force of the Act should be made effective from the date of assent of the President is received, to achieve the object.”

92. In their comments on the above-mentioned suggestion, the Ministry stated as under:

“The suggestion is a valid one and is agreed to. The continuance of the existing coins may continue till the commencement of this Act rather than till when the bill receives assent of the President. Article 28 can be amended accordingly.”

93. Clause 28 of the Bill provides that the existing coins issued immediately preceding the date on which the Coinage Act, 2009 receives the assent of the President shall continue to be a legal tender in payment or on account. The Committee, however, note that as per Clause 1(3), the Coinage Act, 2009 shall come into force on such date as the Central Government, may, by notification in the Official Gazette, appoint. The repeal of the Acts mentioned in Clause 27(1) will also come into

force from the date appointed as per the notification made under Clause 1(3). Hence, as also suggested by the State Bank of India, the Committee feel that it would be appropriate to extend the continuance of existing coins mentioned in the said clause issued upto the date of commencement of the Coinage Act, 2009. As agreed to by the Government, the Committee expect that Clause 28 of the Bill would be suitably modified so as to provide that the existing coins issued till the commencement of the Coinage Act, 2009 instead of the date on which the Coinage Act, 2009 receives the assent of the President, shall continue to be legal tender in payment or on account.

New Delhi :
26 August, 2010
4 Bhadra, 1932 (Saka)

YASHWANT SINHA
Chairman
Standing Committee on Finance

Minutes of the Seventeenth sitting of the Standing Committee on Finance

The Committee sat on Thursday, the 15th April, 2010 from 1530 hrs. to 1700 hrs.

PRESENT

Dr. Murli Manohar Joshi - Chairman

MEMBERS

LOK SABHA

2. Shri Harischandra Chavan
3. Shri Khagen Das
4. Shri Nishikant Dubey
5. Shri Bhartruhari Mahtab
6. Shri Rayapati Sambasiva Rao
7. Dr. M. Thambidurai

RAJYA SABHA

8. Shri S.S. Ahluwalia
9. Shri Mahendra Mohan
10. Dr. Mahendra Prasad
11. Shri Rajeev Chandrasekhar

SECRETARIAT

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|-----------------------------|---|---------------------|
| 1. Shri A.K. Singh | - | Joint Secretary |
| 2. Shri T.G. Chandrasekhar | - | Additional Director |
| 3. Shri R.K. Suryanarayanan | - | Deputy Secretary |
| 4. Smt. B. Visala | - | Deputy Secretary |

Part I

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Part II

WITNESSES

Ministry of Finance (Department of Economic Affairs)

1. Shri Ashok Chawla, Finance Secretary
2. Smt. L.M. Vas, Additional Secretary
3. Shri Govind Mohan, Joint Secretary
4. Shri M.S. Rana, CMD, Security Printing and Minting Corp. of India Ltd. (SPMCIL)
5. Shri R. Gandhi, CGM, Reserve Bank of India (RBI)

The Committee heard the representatives of the Ministry of Finance (Department of Economic Affairs) in connection with the examination of the Coinage Bill, 2009. The issues discussed related to the major provisions of the Coinage Bill, 2009, inordinate delay in formulating the Bill for introduction in Parliament, provisions pertaining to enabling issue of coins of higher denomination for circulation and commemorative use, infirmities contained in the Bill in regard to silver, nickel, bronze and copper coins, which have been called back by the Reserve Bank, requirement and production of coins, quality and design of coins, measures for preventing counterfeiting and black-marketing of coins etc. The Chairman directed the representatives to furnish written replies to the queries raised by Members at an early date.

The Committee adjourned at 1700 hours.

A verbatim record of the proceedings was kept.

Minutes of the Twenty fifth sitting of the Standing Committee on Finance

The Committee sat on Thursday, the 26th August, 2010 from 1500 hrs. to 1600 hrs.

PRESENT

Shri Yashwant Sinha - Chairman

MEMBERS

LOK SABHA

2. Shri C.M. Chang
3. Shri Harishchandra Chavan
4. Shri Khagen Das
5. Shri Bhartruhari Mahtab
6. Shri G. M. Siddeshwara
7. Shri Rayapati Sambasiva Rao
8. Shri Magunta Sreenivasulu Reddy
9. Shri Y.S. Jagan Mohan Reddy
10. Shri N. Dharam Singh

RAJYA SABHA

11. Shri Moinul Hassan
12. Shri S. S. Ahluwalia

SECRETARIAT

1. Shri A.K. Singh - Joint Secretary
2. Shri T.G. Chandrasekhar - Additional Director
3. Shri R.K. Suryanarayanan - Deputy Secretary
4. Smt. B. Visala - Deputy Secretary

2. The Committee took up the following draft Reports for consideration and adoption:-
 - (i) Draft Report on the Companies Bill, 2009;
 - (ii) Draft Report on the Coinage Bill, 2009;
 - (iii) Draft Report on the Company Secretaries (Amendment) Bill, 2010;
 - (iv) Draft Report on the Chartered Accountants (Amendment) Bill, 2010; and
 - (iv) Draft Report on the Cost and Works Accountants (Amendment) Bill, 2010.

3. The Committee adopted the draft reports at (i) with the modifications/amendments as shown in Annexure and (ii) and (iv) above with minor modifications. The Committee adopted the remaining draft reports without any change.

4. The Committee authorized the Chairman to finalise the Reports in the light of the modifications suggested and present all the reports to Parliament in the current session.

The Committee adjourned at 1600 hours.