

TEJKUMAR BALAKRISHNA RUIA

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v.

A.K. MENON AND ANOTHER

SEPTEMBER 9, 1996

[S.P. BHARUCHA AND K. VENKATASWAMI, JJ.]

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*Special Court (Trial of Offences Relating to Transactions in Securities) Act 1992—Section 3(3)—"Property" of notified person to be attached "on and from the date of the notification"—Meaning of—Held, does not include income generated by notified person by his own labour after date of notification—The provision does not lead to the conclusion that what is attached is also all such property that he might acquire at any time after the date of the notification—However, Income or usufruct of attached property is, also attached property.*

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*Interpretation of Statutes—Purposive interpretation—Courts must interpret the law as it reads—Where two interpretations are possible, the purposive interpretation must be such as preserves constitutionality of the provision—Special Court (Trial of Offences Relating to Transactions in Securities) Act 1992—Section 3(3).*

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The appellant became a notified person under Section 3(2) of the Special Court (Trial of Offences Relating to Transactions in Securities) Act 1992 in July 1992. Under Section 3(3), on and from the date of the notification, any property belonging to any notified person shall stand attached simultaneously with the issue of the notification. In 1994, the appellant, appointed as advisor to a company, became entitled to a monthly consultancy fee. When the appellant applied to open an account with a bank, he was informed that the matter had been referred to the Custodian appointed under the Act. The appellant filed a petition in the Special Court seeking a declaration that the income so earned was not liable to attachment, and that he be permitted to open and operate a bank account in the normal course.

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The Special Court, while acknowledging that the appellant was genuinely seeking release of income which he was earning for his services, dismissed his petition. Suggesting that this could be one way one siphoning off monies which stood unrecovered in proceedings under the Act, it held

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A that Section 3(3) meant that all assets which became available from and after the date of the notification became attached, and that the term "property" included present and future property. It gave him liberty to file for a subsistence allowance, which the appellant declined to avail, and preferred the present appeal.

B Allowing the appeal, this Court

C Held : 1. Section 3(3) of the Act is clear that the property that belongs to a notified person stands attached simultaneously with the issue of the notification that makes him a notified party. Neither the words "on and from the date of the notification" nor the word "property" lead to the conclusion that what is attached is not only that property which the notified person owned or was possessed of on the date of the notification but also all such property as he might acquire at any time thereafter. [627-C-E]

D 2. However, the income or usufruct of attached property is also attached property. It is only income generated by a notified person by dint of his own labour which falls outside the net of Section 3(3). [628-C]

E 3. If what a notified person obtains by way of purported income or gift or inheritance is really his own money, such money would, upon establishment of the fact, stand attached automatically under the provisions of Section 3(3). In any event, it is for Parliament to enact a law that meets all contingencies. The courts must interpret the law as it reads. While a purposive interpretation is permissible where two interpretations are possible, the purposive interpretation must be such as preserves the constitutionality of the provision. [628-B]

F 4. The income which the appellant is earning from his services is not subject to attachment under Section 3(3) and he is entitled to open a bank account for the purpose of depositing such income alone. [628-E]

G CIVIL APPELLATE JURISDICTION : Civil Appeal Nos. 7143-44 of 1996.

From the Judgment and Order dated 14/21.2.96 of the Special Court, Bombay in Misc.P. No. 278 of 1995.

H S.D. Parekh, N.H. Seervai, S.V. Mehta, B.V. Desai and P.J. Mehta for the Appellant.

A. Subba Rao for the Respondents. A

The Judgment of the Court was delivered by

**BHARUCHA, J.** These are appeals against the judgment and orders of the Special Court constituted under the provisions of The Special Court (Trial of Offences Relating To Transactions In Securities) Act, 1992, ("the Act"), and they relate to the sweep of Section 3(3) thereof. The principal Judgment and order gave the appellant liberty to file an application for a subsistence allowance. When the appellant declined to avail of the liberty the final order was passed. B

The appellant became a notified person under the provisions of Section 3(2) of the Act on 2nd July, 1992. On 9th October, 1994, he was appointed an advisor by Killick Nixon Ltd. with effect from 8th October, 1994. By reason of such appointment he is entitled to be paid consultancy fees in the sum of Rs. 5,000 per month by the said company. By a letter dated 7th August, 1995, to the Manager, Dena Bank, the appellant applied to open a new Current Account in his name to be operated by him. On 6th September, 1995, the appellant's advocates were informed that the matter had been referred to the Head Office of the bank and by a letter dated 27th October, 1995, that the matter had been referred to the Custodian appointed under the Act. The petitioner filed a petition on 23rd November, 1995, in the Special Court and sought a declaration that the income "earned by way of the aforesaid employment is not liable for attachment" and permission "to open a new bank account and operate the same in the normal course". C

The petition was dismissed by the order under appeal. The Special Court proceeded upon the basis that appellant was "genuinely seeking release of an income which he is earning from his services. However, the Special Court said that if the interpretation which the appellant wanted it to give was accepted, it could result in a very clever method of siphoning off assets which could and must stand attached. The Special Court noted that even after 3 years monies which had been siphoned off had not been traced. It was thus evident that the notified parties or some of them had monies or assets which were lying in some undisclosed place. One of the simplest methods to bring such moneys into the open and start using them was to ostensibly render service to somebody else who then paid the notified party the purported income or for somebody to give to the notified D

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A party a gift or for a notified party to suddenly inherit some assets. This would become a method to defeat the object of the Act and could not be permitted. The Special Court then dealt with the provisions of Section 3(3) and held that the words therein "on and from the date of the Notification" meant that all assets which were available on the date of the Notification and all assets which became available from and after that date stood attached. The terms "property" had a wide connotation and included present and future property. Thus, if some notified party inherited or was gifted some property or earned some income subsequent to being notified, such property or income would stand attached and be available for distribution under the Act.

C The Act was preceded by an Ordinance which established the Special Court for trial of offences relating to transactions in securities that had been entered into between 1st April, 1991 and 6th June, 1992. Section 3, sub-section (1) empowered the Central Government to appoint one or more Custodians under the Act. By reason of sub-section (2), the Custodian could, on being satisfied on information received that any person had been involved in any offence relating to transaction in securities between the stated dates, notify the name of such person in the Official Gazette, Sub-section (3) reads thus :

E "(3) Notwithstanding anything contained in the code and any other law for the time being in force, on and from the date of notification under sub-section (2), any property, movable or immovable, or both, belonging to any person notified under that sub-section shall stand attached simultaneously with the issue of the notification."

F The Custodian could, by reason of sub-section (4), deal with property attached under sub-section (3) in such manner as the Special Court directed. Section 4(1) empowered the Custodian, if he was satisfied, after such inquiry as he thought fit, that any contract or agreement entered into at any time between the stated dates in relation to any property of the notified person had been entered into fraudulently or to defeat the provisions of the Act, to cancel such contract or agreement, whereupon such property stood attached under the Act. Sections 7, 8 & 9 deal with the jurisdiction of the Special Court in criminal proceedings. Section 9A deals with the jurisdiction of the Special Court in civil proceedings relating to property that stands attached and arising out of transactions in securities

between the stated dates in which a notified person was involved as a party, broker, intermediary or in any other manner. Section 11 deals with the discharge of liabilities and sub-section (1) states that the Special Court may make such order as it may deem fit directing the Custodian in the matter of disposal of attached properties; sub-section (2) sets out the order in which liabilities are to be paid or discharged. Section 13 states that the Act has effect notwithstanding anything inconsistent therewith contained in any other law for the time being in force or in any instrument having effect by virtue of any law or in any decree or order of any court, tribunal or other authority.

In our view, the terms of sub-section (3) of Section 3 are clear. By reason thereof, the property that belongs to a notified person stands attached simultaneously with the issue of the notification that makes him a notified party. The words "on and from the date of notification" indicate the point of time at which the attachment taken effect; this is reiterated by the words "shall stand attached simultaneously with the issue of the notification". This also indicates that no separate notification or order in regard to the attachment is necessary.

Neither the words "on and from the date of notification" nor the word "property" lead to the conclusion that what is attached is not only that property which the notified person owned or was possessed of on the date of the notification but also all such property as he might acquire at any time thereafter. The intention to attach property which did not belong to the notified person on the date of the notification but which he might acquire later would, had it been there, have been clearly expressed and sub-section (3) would have stated that such property would stand attached the moment it was acquired by the notified person. The Act would also have made provision for a subsistence allowance or the like for the notified person.

It seems to us that to give to Section 3(3) the wide meaning that has been ascribed to it in the judgment and order under appeal would render it perilously close to being held unconstitutional, for it would deprive the notified person, so long as he remained a notified person, from earning a livelihood. Even to say that such interpretation would reduce a notified person to beggary would not be accurate because the alms that he received, being his property, would stand attached.

A The apprehension expressed by the Special Court does not appear to be well founded : if what a notified person obtains by way of purported income or gift or inheritance is really his own money, such money would, upon establishment of the fact, stand attached automatically under the provisions of Section 3(3). In any event, it is for Parliament to enact a law that meets all contingencies. The courts must interpret the law as it reads.

B While a purposive interpretation is permissible where two interpretations are possible, the purposive interpretation must be such as preserves the constitutionality of the provision.

C It is perhaps necessary to make clear that the income or usufruct of attached property is also attached property. Thus, if the property be shares, dividends and bonus and rights shares thereon would also be attached property. It is only income generated by the notified person by dint of his own labour which falls outside the net of Section 3(3). In respect of such income, the attachment under Section 3(3) does not operate.

D We must, therefore, hold, particularly since the Special Court has proceeded upon the basis that the appellant is "genuinely seeking release of an income which he is earning from his services", that the same is not subject to attachment under Section 3(3) and that he is entitled to open a bank account for the purpose of depositing such income (and such income alone). The Custodian shall be entitled to inspect this bank account and take action in such manner as he deems fit against the appellant if it be found that other monies have been deposited in the bank account.

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The appellant may now draw the arrears of his remuneration from the company.

F It was sought to be argued on behalf of the appellant that the provisions of section 3(3) attached only such property as had a nexus to transactions in securities between the stated dates. For the purposes of this appeal, we have found it unnecessary to entertain the argument.

G The appeals are allowed. The judgment and orders under appeal are set aside. The petition filed by the appellant in the Special Court is allowed to the extent aforestated.

There shall be on order as to costs.

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Appeals allowed.