

Aggressive PNB accuses Nirav of money laundering

Bank asks billionaire jeweller to come up with a concrete repayment plan

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NEW DELHI

Punjab National Bank (PNB) went on the offensive on Thursday and accused jeweller Nirav Modi of money laundering and violating foreign exchange regulations.

The bank has also asked Modi, accused in a \$1.8 billion fraud case, to come up with a concrete repayment plan.

The beleaguered bank, fighting off charges of negligence and criminal conspiracy by some staffers, has also, for the first time, hit back at Modi.

Investigative agencies are probing the scam in which bank officials are accused of colluding with group firms of Modi and Mehul Choksi to fraudulently issue letters of undertaking (LoUs), or guarantees, which were then used by the firms to borrow from overseas branches of other banks.

Further, it was found that the amounts borrowed were



PNB MD & CEO Sunil Mehta

not used to meet the import payments but were diverted.

PNB's Thursday communique was in response to a letter written by Modi on Monday in which he had accused the bank of jeopardizing his ability to repay dues.

"You were getting LoUs issued illegally and in an unauthorized way through few bank officials. At no stage such facilities were extended by our bank to the three partner firms. When these illegal activities surfaced, they pointed out towards apparent violation of

Fema and money laundering," said the letter written by general manager Ashwini Vats.

"As required by law, the bank was compelled to bring these activities to the notice of law and enforcement agencies," the letter added.

The letter also rejected the repayment plan presented by Modi, saying it was not backed by upfront amounts and timelines. "However, should you have any concrete and implementable plan, do revert," the letter said.

Modi, in his letter to the bank, said that the money he owed banks was less than Rs5,000 crore and not what was publicized. He also blamed PNB of destroying his brand and business and closing all options for a possible repayment of dues in its "anxiety to recover dues immediately".

Modi had proposed that he be given time to sell his flagship company Firestar Group or its assets to repay the dues not only of Firestar Group, but also of the three firms—Diamonds R Us, Solar Exports and Stellar Diamonds—named in

the Central Bureau of Investigation (CBI) complaint.

He had pegged the valuation of the business at Rs6,500 crore and claimed that this "could have helped reduce/discharge the debt to the banking system".

He blamed PNB's erroneous reporting for seizure of the operations, leading to these firms' closure.

Emails sent to representatives of the Modi group bounced back. Modi's lawyer could not be contacted.

Last week, in a press conference, PNB managing director and chief executive Sunil Mehta had dismissed the earlier repayment plans offered by Modi as vague.

Investigation agencies continued their searches on Thursday, with the Enforcement Directorate seizing nine luxury cars belonging to Modi and Choksi. The agency also froze mutual funds and shares worth Rs94.5 crore belonging to the Nirav Modi group and Choksi's Gitanjali Gems.

Gireesh Chandra Prasad & Elizabeth Roche contributed to this story.