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UNION OF INDIA

v.

HASSAN ALI KHAN AND ANR.
(Criminal Appeal No. 1883 of 2011)

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SEPTEMBER 30, 2011

[ALTAMAS KABIR AND
SURINDER SINGH NIJJAR, JJ.]

BAIL: Allegations against respondent no.1 that he had huge amount of unaccounted money, that documents recovered from his premises contained instructions issued by him for transfer of various amounts to different persons from the bank accounts held by him outside India and the said monies were the proceeds of crime and by depositing the same in his bank accounts, respondent no.1 had attempted to project the same as untainted money – Further allegation that the said amount ran into billions of dollars; that respondent no.1 had obtained at least three passports in his name by submitting false documents, making false statements and by suppressing the fact that he already had a passport; that Income Tax Department had for the Assessment Years 2001-02 to 2007-08 assessed his total income as Rs.110,412,68,85303/- – Investigations also revealed that he sold a diamond from the collection of Nizam of Hyderabad and routed the proceeds through his account in Bank in Switzerland to a Bank in United Kingdom – High Court allowed bail application of respondent no.1 – On appeal, held: There was no attempt on part of respondent no.1 to disclose the source of the large sums of money handled by him – The allegations may not ultimately be established, but the burden of proof that the said monies were not the proceeds of crime and were not tainted shifted to respondent no.1 u/s.24 of PML Act – The amount lying in the Swiss bank was not explained by respondent no.1 – He was also not able to

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establish that the sum of Rs.110,412,68,85303/- were neither proceeds of crime nor tainted property – Manner in which he procured three different passports in his name after his original passport was directed to be deposited in court also lend support to apprehension that if released on bail, he may abscond – Bail granted to Respondent no.1 cancelled – Prevention of Money Laundering Act, 2002 – s.4 – FEMA – Code of Criminal Procedure, 1973 – s.439.

Bail – Application for cancellation of bail, and appeal against order granting bail – Distinction between.

State of U.P. v. Amarmani Tripathi (2005) 8 SCC 21: 2005 (3) Suppl. SCR 454 – relied on.

Sanjay Dutt v. State through CBI, Bombay (II) (1994) 5 SCC 410: 1994 (3) Suppl. SCR 263; Uday Mohanlal Acharya v. State of Maharashtra (2001) 5 SCC 453: 2001 (2) SCR 878 – referred to.

Case Law Reference:

1994 (3) Suppl. SCR 263 referred to	Para 17	E
2001 (2) SCR 878 referred to	Para 17	
2005 (3) Suppl. SCR 454 relied on	Para 27	

CRIMINAL APPELLATE JURISDICTION : Criminal Appeal No. 1883 of 2011.

From the Judgment & Order dated 12.8.2011 of the High Court of Bombay i Criminal Bail Application No. 994 of 2011.

A. Mariarputham, Rajiv Nanda, Revati Mohite, T.A. Khan, Anirudh Sharma, Anando Mukherjee, Harsh Parekh and B. Krishna Prasad for the Appellant.

Ishwari Prasad A. Bagaria, Vijay Bhaskar Reddy, Santosh Paul, Uma Ishwari Bagaria, Arti Singh, Arvind Gupta, Mohita

A Bagati, Kamal Nijhawan and Asha Gopalan Nair for the Respondents.

The Order of the Court was delivered by

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ALTAMAS KABIR, J. 1. Leave granted.

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2. The Special Leave Petition out of which this Appeal arises has been filed against the judgment and final order dated 12th August, 2011, passed by the Bombay High Court in Crl. Bail Application No.994 of 2011, whereby the High Court granted bail to the Respondent No.1, Hassan Ali Khan, in connection with Special Case No.1 of 2011, wherein the Respondent No.1 is the Accused No.1.

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3. The allegation against the Respondent No.1 and the other accused is that they have committed an offence punishable under Section 4 of the Prevention of Money Laundering Act, 2002, hereinafter referred to as 'the PML Act'. The said case has been registered on the basis of a complaint filed by the Deputy Director, Directorate of Enforcement, Ministry of Finance, Department of Revenue, Government of India, on 8th January, 2007, on the basis of Enforcement Case Information Report No.02/MZO/07 based on certain information and documents received from the Income Tax Department. On the said date, the Income Tax Department carried out a search in the premises owned and/or possessed by the Respondent No.1 and a sum of Rs.88,05,000/- in cash was found in his residence at Peddar Road, Mumbai, and was seized. A number of imported watches and some jewellery were also found and seized during the search.

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4. The search also revealed that the Respondent No.1 had purchased an expensive car, worth about Rs.60 lakhs, from one Anil Shankar of Bangalore through one Sheshadari and that he had paid till then a sum of Rs.46 lakhs towards purchase

of the said car. It also appears that the documents which were recovered by the Income Tax Department contained several transfer instructions said to have been issued by the Respondent No.1 for transfer of various amounts to different persons from the bank accounts held by him outside India. The said amounts forming the subject matter of the instructions issued by the Respondent No.1 ran into billions of dollars. The Income Tax Department assessed the total income of the Respondent No.1 for the Assessment Years 2001-02, 2006-07 and 2007-08 as Rs.110,412,68,85,303/-. Furthermore, during the investigation, the Directorate of Enforcement also obtained a document said to have been signed by the Respondent No.1 on 29th June, 2003, which was notarized by one Mr. Nicolas Ronald Rathbone Smith, Notary Public of London, on 30th June, 2003.

5. Further, an investigation was conducted under the Foreign Exchange Management Act, 1999, hereafter referred to as 'FEMA'. Show-cause notices were issued to the Respondent No.1 for alleged violation of Sections 3A and 4 of FEMA for dealing in and acquiring and holding foreign exchange to the extent of US\$ 80,004,53,000, equivalent to Rs.36,000 crores approximately in Indian currency, in his account with the Union Bank of Switzerland, AG, Zurich, Switzerland.

6. Inquiries also revealed that Shri Hassan Ali Khan had obtained at least three Passports in his name by submitting false documents, making false statements and by suppressing the fact that he already had a Passport. In addition to the above, it was also indicated that investigations had revealed that he had sold a diamond from the collection of the Nizam of Hyderabad and had routed the sale proceeds through his account in Sarasin Bank in Basel, Switzerland, to the Barclays Bank in the United Kingdom.

7. Based on the aforesaid material, the Directorate of Enforcement, Mumbai Zonal Office, arrested the Respondent

A No.1 on 7th March, 2011, and, thereafter, he was produced
before the Special Judge, PMLA, Mumbai, on 8th March, 2011,
and was remanded in custody. Subsequently, by an order dated
11th March, 2011, the Special Judge, PMLA, rejected the
B prayer made on behalf of the Directorate of Enforcement for
remand of the Respondent No.1 to its custody and released
him on bail. However, since a Public Interest Litigation was
pending in this Court in which the Directorate of Enforcement
was required to file a status report in respect of the
C investigations carried out in connection with the case, the fact
that the Respondent No.1 had been released on bail was
brought to the notice of this Court and this Court stayed the
operation of the bail order and authorized the detention of the
Respondent No.1 in custody, initially for a period of four days.
D The Union of India thereupon filed Special Leave Petition (Cri.)
No.2455 of 2011 and upon observing that the material made
available on record prima facie discloses the commission of
an offence by the Respondent No.1 punishable under the
provisions of the PML Act, this Court vide order dated 29th
E March, 2011, disposed of the appeal as well as the Special
Leave Petition and set aside the order dated 11th March, 2011,
of the Special Judge, PMLA, Mumbai, and directed that the
Respondent No.1 be taken into custody. Thereafter, the
Respondent No.1 was remanded into custody from time to time
and the complaint came to be filed on 6th May, 2011. A further
F prayer for bail was thereafter made on behalf of the Respondent
No.1 on 1st July, 2011, but the same was dismissed by the
Special Judge, PMLA, Mumbai, on the same day.

8. The said order of the Special Judge, PMLA, Mumbai,
rejecting the Respondent No.1's prayer for bail was challenged
G before the Bombay High Court in Bail Application No.994 dated
2nd July, 2011. After a contested hearing, the Bombay High
Court by its order dated 12th August, 2011, granted bail to the
Respondent No.1 and the said order is the subject matter of
the present proceedings before this Court.

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9. Learned Additional Solicitor General, Mr. Haren P. Raval, appearing for the Union of India, submitted that the High Court failed to appreciate the astronomical amounts of foreign exchange dealt with by the Respondent No.1, for which there was no accounting and in respect whereof the Income Tax Department had for the Assessment years 2001-02 to 2007-08 assessed the total income as Rs.110,412,68,85,303/-. The learned ASG also submitted that transfer of the huge sums from one bank to another was one of the methods adopted by persons involved in money-laundering to cover the trail of the monies which were the proceeds of crime. The learned ASG contended that the large sums of unaccounted money, with which the Respondent No.1 had been dealing, attracted the attention of the Revenue Department and on investigation conducted under the Foreign Exchange Management Act, 1959, (FEMA), show cause notices were issued to the Respondent No.1 for alleged violation of Sections 3A and 4 thereof for acquiring and holding foreign exchange and dealing with the same to the extent of US\$ 80,004,53,000, equivalent to Rs.36,000/- crores, approximately, in Indian currency, in his account with the Union Bank of Switzerland, AG, Zurich, Switzerland.

10. Mr. Raval submitted that the Respondent No.1, Shri Hassan Ali Khan, used the different passports which he had acquired by submitting false documents, to open bank accounts in foreign countries to engage in the laundering of tainted money which brought such transactions squarely within the scope and ambit of Section 3 of the PML Act, 2002. Mr. Raval submitted that Section 3 of the aforesaid Act by itself was an offence since it provides that any person directly or indirectly attempting to indulge in or knowingly assisting or knowingly being a party or actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property, would be guilty of the offence of money-laundering. The learned ASG submitted that the key expressions used in Section 3 are "proceeds of crime" and "projecting it as an untainted property".

- A In other words, in order to prove an offence of money-laundering, it has to be established that the monies involved are the proceeds of crime and having full knowledge of the same, the person concerned projects it as untainted property. The process undertaken in doing so, amounts to be offence of
- B money-laundering.

- C 11. In this connection, the learned ASG referred to Section 2(u) of the PML Act, which describes "proceeds of crime" to mean any property derived or obtained, directly or indirectly by any person as a result of criminal activity relating to a scheduled offence or the value of any such property. He, thereafter, referred to the definition of "scheduled offence" in Section 2(y) of the above Act to mean (i) the offences specified under Part A of the Schedule; or (ii) the offences specified under Part B of the Schedule if the total value involved in such offences
- D amounted to Rs.30 lakhs or more.

- E 12. The learned ASG submitted that the enormous sums of money held by Shri Hassan Ali Khan in foreign accounts in Switzerland, United Kingdom and Indonesia and the transactions in respect thereof, prima facie indicated the involvement of the Respondent No.1 in dealing with proceeds of crime and projecting the same as untainted property, which was sufficient to attract the provisions of Section 3 of the PML Act, 2002. The learned ASG submitted that under Section 24
- F of the aforesaid Act, when a person is accused of having committed an offence under Section 3, the burden of proving that the monies involved were neither proceeds of crime nor untainted property, is on the accused. It was urged that once a definite allegation had been made against Shri Hassan Ali Khan on the basis of documents seized, that the monies in his
- G various accounts were the proceeds of crime, the burden of proving that the money involved was neither the proceeds of crime nor untainted, shifted to him and it was upto him to prove the contrary. The learned ASG submitted that Shri Hassan Ali Khan had failed to discharge the said burden and hence the
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large sums of money in the several accounts of the Respondent No.1 would have to be treated as tainted property, until proved otherwise. The learned ASG submitted that the Respondent No.1 had himself made certain statements which were recorded under Section 50 of the PML Act, parts whereof were not hit by the provisions of Section 27 of the Indian Evidence Act.

13. The learned ASG also referred to the provisions of Section 45 of the aforesaid Act which make offences under the said Act cognizable and non-bailable and also provides that notwithstanding the provisions of the Code of Criminal Procedure, no person accused of an offence punishable for a term of imprisonment of more than three years under Part A of the Schedule to the Act, is to be released on bail or on his own bond, unless the Public Prosecutor has been given an opportunity to oppose the application for such release and where the Public Prosecutor opposes the application, the Court is satisfied that there are reasonable grounds for believing that the accused is not guilty of such offence and that he is not likely to commit any offence while on bail. The learned ASG submitted that an exception had been made for persons under the age of 16 years or a woman or a person who is sick or infirm.

14. Referring to Part A of the Schedule to the PML Act, the learned ASG submitted that the same had been divided into paragraphs 1 and 2. While paragraph 1 deals with offences under the Indian Penal Code under Sections 121 and 121-A thereof, paragraph 2 deals with offences under the Narcotic Drugs & Psychotropic Substances Act, 1985. The learned ASG submitted that, on the other hand, Para B is divided into five paragraphs. Paragraph 1 deals with offences under the Indian Penal Code, while paragraph 2 deals with offences under the Arms Act, 1959. Paragraph 3 deals with offences under the Wild Life (Protection) Act, 1972, paragraph 4 deals with offences under the Immoral Traffic (Prevention) Act, 1956, and paragraph 5 deals with offences under the Prevention of

A Corruption Act, 1988. The learned ASG submitted that the facts of the case attracted the provisions of paragraph 1 of Part A of the Schedule, since the money acquired by Shri Hassan Ali Khan, besides being the proceeds of crime, is also connected with transactions involving the international arms dealer, Adnan B Khashoggi. The learned ASG submitted that the same became evident from the notarized document which had been obtained by the Directorate of Enforcement during the course of investigation which had been signed by the Respondent No.1 on 29th June, 2003, at London and notarized by Mr. Nicolas C Ronald Rathbone Smith, Notary Public of London, England, on 30th June, 2003. It was also submitted that the said document certified the genuineness of the signature of the Respondent No.1 and also mentioned his Indian Passport No. Z-1069986. The learned ASG further contended that the said notarized D document also referred to Dr. Peter Wielly, who was a link between Mr. Adnan Khashoggi, and one Mr. Retro Hartmann on whose introduction the Respondent No.1 opened an account at UBS, Singapore, and was also linked with Mr. Kashinath E Tapuriah. The learned ASG submitted that there were other materials to show the involvement of Dr. Wielly in the various transactions of the Respondent No.1, Hassan Ali Khan.

15. Further submissions on behalf of the Appellant were advanced by Mr. A. Mariarputham, learned Senior Advocate, who referred to the purported theft of the jewellery of the Nizam F of Hyderabad and the sale of the same by the Respondent No.1, on account whereof US\$ 700,000 had been deposited by the Respondent No.1 in the Barclays Bank in London.

16. Mr. Mariarputham then submitted that although the G High Court had relied on the provisions of Section 167(2) Cr.P.C. in granting bail to the Respondent No.1, the said provisions were not attracted to the facts of this case since charge sheet had already been filed within the statutory period and the High Court could not, therefore, have granted statutory H bail to the Respondent No.1 on the ground that it had been

submitted on behalf of the Appellant that it would still take some time for the Appellant to commence the trial. Mr. Mariarputham submitted that while the Respondent No.1 had been arrested on 7th March, 2011 and had been produced before the Special Judge and remanded to custody on 8th March, 2011, the charge sheet had been filed on 6th May, 2011 within the prescribed period of 60 days. It was submitted that the High Court had wrongly interpreted the provisions of Section 167(2) Cr.P.C. in granting bail to the Respondent No.1.

17. In support of his submissions, the learned counsel referred to the Constitution Bench decision of this Court in *Sanjay Dutt Vs. State through CBI, Bombay (II)* [(1994) 5 SCC 410], wherein it was held that the indefeasible right of an accused to be released on bail by virtue of Section 20(4)(bb) of the Terrorist and Disruptive Activities (Prevention) Act, 1987, was enforceable only prior to the filing of the challan and it did not survive or remain enforceable on the challan being filed, if not already availed of. Their Lordships held further that if the right to grant of statutory bail had not been enforced till the filing of the challan, then there was no question of its enforcement thereafter, since it stood extinguished the moment the challan was filed because Section 167(2) Cr.P.C. ceased to have any application. Reference was also made to the decision of a Three Judge Bench of this Court in *Uday Mohanlal Acharya Vs. State of Maharashtra* [(2001) 5 SCC 453], wherein the scope of Section 167(2) Cr.P.C. and the proviso thereto fell for consideration and it was the majority view that an accused had an indefeasible right to be released on bail when investigation is not completed within the specified period and that for availing of such right the accused was only required to file an application before the Magistrate seeking release on bail alleging that no challan had been filed within the period prescribed and if he was prepared to offer bail on being directed by the Magistrate, the Magistrate was under an obligation to dispose of the said application and even if in the meantime a charge-sheet had been filed, the right to statutory bail would not be affected. It

A was, however, clarified that if despite the direction to furnish bail, the accused failed to do so, his right to be released on bail would stand extinguished.

B 18. It was, therefore, submitted that the Bombay High Court had granted bail to the Respondent No.1 on an incorrect interpretation of the law and the said order granting bail was, therefore, liable to be set aside.

C 19. Appearing for the Respondent No.1, Hassan Ali Khan, learned counsel, Shri Ishwari Prasad A. Bagaria, firstly contended that an offence which did not form part of the scheduled offences referred to in Section 45 of the PML Act would not attract the provisions of Section 3 of the said Act. It was submitted that whatever be the amounts involved and even if the same had been unlawfully procured, the same might D attract the provisions of the Income Tax Act or FEMA, but that would not satisfy the two ingredients of Section 3 which entails that not only should the money in question be the proceeds of crime, but the same had also to be projected as untainted property. Mr. Bagaria submitted that in the instant case all that E has been disclosed against the Respondent No.1 is that he dealt with large sums of money, even in foreign exchange and operated bank accounts from different countries, which in itself would not indicate that the monies in question were the proceeds of crime. Mr. Bagaria also submitted that at no stage F has it been shown that the said amounts lying in the accounts of the Respondent No.1 in Switzerland, the United Kingdom and Indonesia had been projected as untainted money. Furthermore, as far as the allegation regarding the theft of the Nizam's jewellery is concerned, except for mere allegations, G there was no material in support of such submission in the face of the case made out by the Respondent No.1 that he had brokered the sale of some portions of the jewellery for which he had received a commission of US\$30,000 which he had spent in Dubai.

H 20. Mr. Bagaria submitted that in the complaint, reference

had been made in paragraph 13 thereof to “scheduled offences” which have been set out in sub-paragraphs 13.1 to 13.5. Mr. Bagaria pointed out that the offences indicated related to alleged offences under the provisions of the Indian Penal Code, the Passport Act, 1967 and the Antiquities and Art Treasures Act, 1972, which do not come either under Part A or Part B of the Schedule to the PML Act, 2002, except for the offences under the Indian Penal Code, the sections whereof, which have been included in paragraph 1 of Part B, are not attracted to the facts of this case. Mr. Bagaria submitted that as a result, none of the offences mentioned as scheduled offences in the charge-sheet were covered by the Schedule to the PML Act, 2002, and could at best be treated as offences under the Indian Penal Code, the Passport Act and the Antiquities and Art Treasures Act, 1972. On the question of the alleged absconsion of the Respondent No.1, Mr. Bagaria submitted that the said Respondent had not gone to Singapore on his own volition, but had there been taken by one Amalendu Kumar Pandey and Shri Tapuriah. Shri Pandey was subsequently made a witness and Shri Tapuriah was made a co-accused with the Respondent No.1.

21. Mr. Bagaria also contended that once bail had been granted, even if the special leave petition is maintainable, the power to cancel grant of such bail lies with the High Court or the Court of Sessions under Section 439(2) Cr.P.C. and, consequently, all the principles laid down by this Court relating to cancellation of bail, would have to be considered before the order granting bail could be cancelled. Mr. Bagaria submitted that even though the offences were alleged to have been committed by the Respondent No.1 as far back as in the year 2007, till he was arrested on 7th May, 2011, there had been no allegation that he had in any manner interfered with the investigation or tampered with any of the witnesses. Mr. Bagaria submitted that even the apprehension expressed on behalf of the appellant that there was a possibility of the Respondent No.1 absconding to a foreign country on being

A released on bail, was without any basis, since such attempts, if at all made, could be secured by taking recourse to various measures. Mr. Bagaria submitted that such a submission could not be the reason for cancelling the bail which had already been granted to the Respondent No.1.

B 22. Mr. Bagaria submitted that in the absence of any provisions in the PML Act that the provision thereof would have retrospective effect, the provisions of the PML Act could not also be made applicable to the Respondent No.1. Mr. Bagaria submitted that once it is accepted that the PML Act, 2002, C would not apply to the Respondent No.1, the provisions of Section 45 thereof would also not apply to the Respondent's case and his further detention would be unlawful. Mr. Bagaria concluded on the note that, in any event, the PML Act had been introduced in the Lok Sabha on 4th August, 1998, and all the D offences alleged to have been committed by the Respondent No.1, were long prior to the said date.

23. Having carefully considered the submissions made on behalf of the respective parties and the enormous amounts of E money which the Respondent No.1 had been handling through his various bank accounts and the contents of the note signed by the Respondent No.1 and notarized in London, this case has to be treated a little differently from other cases of similar nature. It is true that at present there is only a nebulous link F between the huge sums of money handled by the Respondent No.1 and any arms deal or intended arms deals, there is no attempt on the part of the Respondent No.1 to disclose the source of the large sums of money handled by him. There is no denying the fact that allegations have been made that the said monies were the proceeds of crime and by depositing the G same in his bank accounts, the Respondent No.1 had attempted to project the same as untainted money. The said allegations may not ultimately be established, but having been made, the burden of proof that the said monies were not the H proceeds of crime and were not, therefore, tainted shifted to

the Respondent No.1 under Section 24 of the PML Act, 2002. A
For the sake of reference, Section 24 is extracted hereinbelow
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*“24. Burden of proof. – When a person is accused of
having committed the offence under Section 3, the burden B
of proving that proceeds of crime are in tainted property
shall be on the accused.”*

24. The High Court having proceeded on the basis that the
attempt made by the prosecution to link up the acquisition by C
the Respondent No.1 of different Passports with the operation
of the foreign bank accounts by the said Respondent, was not
believable, failed to focus on the other parts of the prosecution
case. It is true that having a foreign bank account and also
having sizeable amounts of money deposited therein does not D
ipso facto indicate the commission of an offence under the PML
Act, 2002. However, when there are other surrounding
circumstances which reveal that there were doubts about the
origin of the accounts and the monies deposited therein, the
same principles would not apply. The deposit of US\$ 700,000 E
in the Barclays Bank account of the Respondent No.1 has not
been denied. On the other hand, the allegation is that the said
amount was the proceeds of the sale of diamond jewellery
which is alleged to have been stolen from the collection of the
Nizam of Hyderabad. In fact, on behalf of the Respondent No.1
it has been submitted that in respect of the said deal, the F
Respondent No.1 had received by way of commission a sum
of US\$ 30,000 which he had spent in Dubai.

25. Although, at this stage, we are also not prepared to
accept the convoluted link attempted to be established by the
learned ASG with the opening and operation of the bank G
accounts of the Respondent No.1 in the Union Bank of
Switzerland, AG, Zurich, Switzerland, the amounts in the said
bank account have not been sought to be explained by the
Respondent No.1. We cannot also ignore the fact that the total
income of the Respondent No.1 for the assessment years 2001- H

- A 02 to 2007-08 has been assessed at Rs.110,412,68,85,303/- by the Income Tax Department and in terms of Section 24 of the PML Act, the Respondent No.1 had not been able to establish that the same were neither the proceeds of crime nor untainted property. In addition to the above is the other factor
- B involving the notarized document in which the name of Adnan Khashoggi figures.

- C 26. Lastly, the manner in which the Respondent No.1 had procured three different passports in his name, after his original passport was directed to be deposited, lends support to the apprehension that, if released on bail, the Respondent No.1 may abscond.

- D 27. As far as Mr. Bagaria's submissions regarding Section 439(2) Cr.P.C. are concerned, we cannot ignore the distinction between an application for cancellation of bail and an appeal preferred against an order granting bail. The two stand on different footings. While the ground for cancellation of bail would relate to post-bail incidents, indicating misuse of the said privilege, an appeal against an order granting bail would
- E question the very legality of the order passed. This difference was explained by this Court in *State of U.P. Vs. Amarmani Tripathi* [(2005) 8 SCC 21].

- F 28. Taking a different view of the circumstances which are peculiar to this case and in the light of what has been indicated hereinabove, we are of the view that the order of the High Court needs to be interfered with. We, accordingly, allow the appeal and set aside the judgment and order of the High Court impugned in this appeal and cancel the bail granted to the Respondent No.1.

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Appeal allowed.