

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1463
ANSWERED ON:08.03.2002
INVESTORS PROTECTION FUND
PRASANNA KUMAR PATASANI;PUSHPDAN SHAMBHUDAN GADHAVI

Will the Minister of FINANCE be pleased to state:

- (a) whether any claims under Investors Protection Fund (IPF) has been lodged with National Stock Exchange, during the last one year;
- (b) if so, the number of claims out of which settled;
- (c) the reasons for not setting all the claims;
- (d) whether Government will ensure that the fund is properly administered and utilized and claims against brokers are settled in time-bound programme;
- (e) if so, the details; and
- (f) if not, the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

- (a) According to the information furnished by the National Stock Exchange, it has received 527 claims during the period March, 2001 to February, 2002.
- (b): 21 claims out of 527 claims received have been settled.
- (c): The Exchange has intimated that a large number of claims (288) relate to two expelled members. The claimants, in many cases, have also been unable to provide adequate documents to support their claims. In an effort to expedite the process of assessing the claims, the exchange has retained the services of an independent chartered accountant firm. Various claimants had filed criminal cases as well as civil suits against the expelled members. In one case, the expelled member has distributed certain funds/securities to various claimants through the attorneys, as part of the compromise arrived in a criminal case. Various claims are, therefore, required to be re-worked in consultation with the attorneys appointed by these claimants in view of these payments received/receivable by claimants. Another 192 claims out of the 527 claims relate to other defaulters/expelled members, for which public notice period of 90 days is either over recently or still to get over. Even in these cases, the processing of claims received has commenced. The exchange has intimated that it is making all efforts to expedite the processing of settlement of all valid claims.
- (d) to (f): According to the bye-laws and the procedure in place, whenever any member is either declared a defaulter or expelled from the membership of the exchange, the exchange gives a public notice intimating investors to lodge their claims within 90 days of the publication of the notice. The claims of investors are to be first considered against the assets lying with the exchange. In case of insufficiency of assets, the claims have to be paid pro-rata which can be considered only after any arbitration proceedings, which may be pending, are completed. The remaining claims will be eligible to be considered for payment out of investors' protection fund. The claims have to be verified for their genuineness. At times, the clients are unable to provide the necessary documents in support of their claims.