

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

STARRED QUESTION NO:102  
ANSWERED ON:10.07.2009  
ILLEGAL TRADING IN SHARES  
Sharma Shri Jagdish

**Will the Minister of FINANCE be pleased to state:**

- (a) whether incidents of illegal trading in the shares have come to light recently;
- (b) if so, the details thereof;
- (c) whether the Securities and Exchange Board of India (SEBI) has superseded the governing Boards of some of the stock exchanges on account of illegal trading activities;
- (d) if so, the details thereof; and
- (e) the steps taken or proposed to be taken by the Government to check illegal trading?

**Answer**

FINANCE MINISTER(SHRI PRANAB MUKHERJEE)

(a) to (e) : A statement is placed on the Table of the House

Statement referred to in reply to parts (a) to (e) of Lok Sabha Starred Question no. 102 regarding "ILLEGAL TRADING IN SHARES" raised by SHRI JAGDISH SHARMA for reply on 10th July 2009

(a) to (e) : Illegal trading in shares is trading in stocks in contravention to Securities Contracts (Regulation) Act (SCRA), 1956 and Securities and Exchange Board of India (SEBI) Act, 1992. Trading in stock exchanges is regulated as per SCRA, 1956 and SEBI Act 1992. SEBI is the regulator for the securities market transactions in India. Exchanges and SEBI have made it mandatory for trading members to execute all the trades (except spot transactions) on the trading system of the Stock Exchanges so as to prevent trading of shares outside the Exchange. Further, it is also stipulated that trading members should allot unique client code to each of their clients at the time of order entry itself in order to identify the clients to whom the trades belong.

SEBI had been receiving complaints regarding alleged illegal trading of shares in various parts of the country. These illegal activities are punishable under the provisions of the Indian Penal Code. Administration of these provisions does not fall within the regulatory jurisdiction of SEBI. As and when such instances are reported or come to the notice of SEBI, it takes appropriate action and seeks help from State Governments. In the past, SEBI had superseded the Governing Boards of some of the stock exchanges on several grounds which, inter-alia, included illegal trading activities also.