

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1692

ANSWERED ON:22.08.2012

FLUCTUATION IN THE SHARE MARKET

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Will the Minister of FINANCE be pleased to state:

- (a) the mechanism available for prompt checking of irregularities taking place in the share market;
- (b) the details of persons/entities/companies found responsible for fluctuation in share market and the action taken against them during the last three years;
- (c) whether the Securities and Exchange Board of India (SEBI) found irregularities in the sale/purchase of midcap shares of some firms during the month of July 2012; and
- (d) if so, the details of the facts unearthed in the inquiry and action taken thereon, company-wise?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a): Securities and Exchange Board of India (SEBI) maintains constant vigil in the market and in case of any abnormality takes appropriate action against the concerned entities. The authorities have put in place systems and practices to promote a safe, transparent and efficient market and to protect market integrity. The systems instituted include advanced risk management mechanisms comprising on-line monitoring and surveillance, various limits on positions, margin requirements, circuit filters, etc. The systems and practices are reviewed continuously and modified to meet emerging needs.

(b): The number of persons/entities/companies found responsible for fluctuation in share market in the last three years is as under:

Year Number of Persons / Entities / Companies

2009-10 932

2010-11 389

2011-12 1365

Regulatory actions were taken against above mentioned persons/entities/companies. The regulatory actions taken by SEBI against various persons/entities/companies are as under:

Particulars Number of Persons/Entities/Companies

2009-10# 2010-11# 2011-12#

Cancellation 0 5 0

Suspension 48 36 12

Warning issued 37 17 31

Prohibitive directions 691 268 466
issued u/s 11 of SEBI
Act

Deficiency Observations 156 63 856
issued/ Administrative
warning

Total 932 389 1365

Against intermediaries and non-intermediaries

Other than consent orders

Regulatory actions following investigations only

(c): SEBI observed abnormality in price movement of certain mid-cap stocks viz., Pipavav Defence and Offshore Engineering Company Limited, Parsvnath Developers Limited, Tulip Telecom Limited and Glodyne Technoserve Limited on July 26, 2012.

(d): Based on the preliminary inquiry / investigation in these mid-cap stocks, it was observed, inter alia, that:

Groups of related entities had placed sale orders of substantial quantities as fully disclosed orders at prices significantly below the Last Traded Price (LTP) thereby contributing to the fall in prices of these stocks.

These groups of related entities were found to be trading substantially in these mid-cap stocks and their income details captured in Know Your Client (KYC) records were not found to be commensurate with their trading pattern.

Accordingly, SEBI vide order dated August 3, 2012 restrained 19 entities from accessing the securities market and further prohibited them from buying, selling or dealing in securities in any manner whatsoever, till further directions.