

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1017

ANSWERED ON:28.11.2014

REGARDING INFLOW OF FUNDS FROM TERRORIST ORGANISATION

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Will the Minister of FINANCE be pleased to state:

a. Whether market regulator Securities and Exchange Board of India (SEBI) has warned the Stock Exchanges regarding probable inflow of funds from terrorist organisations into the market; b. If so, the details thereof; and c. the details of the steps taken by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAYANT SINHA)

(a) Yes Sir.

(b)&(c): SEBI circulates to all stock brokers (through the stock exchanges), depository participants (through depositories) and mutual funds the updated list of individuals and entities who are subject to various sanction measures, such as, freezing of assets/ accounts, denial of financial services etc. as provided in the United Nations from time to time. SEBI has mandated that intermediaries comply with the following:

a. Before opening any new client account, the stock broker shall ensure that the name/s of the proposed customer does not appear in the updated list and

b. Continuously scan all existing accounts to ensure that no account is held by or linked to any of the entities.

The financing operations in the stock markets are through banking channels. The nature of the funds flowing into the stock markets would be reflected in the accounts opened with the banks together with the customer due diligence (CDD) norms applicable to such accounts. Banks and other financial intermediaries have to ensure compliance with the enhanced CDD norms as required under Prevention of Money Laundering Act and rules notified there under.

SEBI maintains constant vigil in the market, and in case of an 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 continuous 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. In addition, SEBI registered intermediaries are required to follow stringent Know Your Client (KYC) norms on an ongoing basis and are also required to file suspicious transaction reports to the Financial Intelligence Unit (FIU) in case of suspicious activities of their clients.