

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:746
ANSWERED ON:27.02.2015
INVESTMENT BY TERRORIST GROUPS
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Will the Minister of FINANCE be pleased to state:

- (a) whether Government has noted that terrorist groups are investing in stock markets and e-commerce;
- (b) if so, the details thereof;
- (c) whether the Government/ Securities and Exchange Board of India (SEBI) has issued warnings and framed regulatory guidelines to check the inflow of such funds in stock market and e-commerce, if so, the details thereof;
- (d) whether the Government has come across investment made by such terrorist groups in the above instruments; and
- (e) if so, the details thereof and the action taken/likely to be taken by the Government in this regard?

Answer

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

(a) & (b): Securities and Exchange Board of India (SEBI) and Ministry of Corporate Affairs (MCA) has informed that they have no such information.

(c) to (e): SEBI has informed that the Ministry of External Affairs (MEA), Government of India, communicates from time to time, 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. SEBI has also informed that these names are approved by the Security Council Committee established pursuant to various United Nations` Security Council Resolutions and is maintained by the United Nations.

SEBI circulates these lists to all stock brokers (through the stock exchanges), depository participants (through depositories) and mutual funds. SEBI has mandated that intermediaries comply with the following:

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

SEBI has also informed that latest communication received by SEBI in this matter from MEA was on February 2, 2015 and the same was circulated to all stock brokers, depository participants and mutual funds on February 3, 2015.

Further, Ministry of Finance, Government of India, circulates the Financial Action Task Force (FATF) public statements which contain the names of countries which are high risk. SEBI circulates this public statement to all stock brokers (through the stock exchanges), depository participants (through depositories) and mutual funds for necessary action and compliance. In this regard, SEBI has informed that the recent FATF public statements dated October 24, 2014 were received by them from the Ministry of Finance, Government of India on October 31, 2014 and the same were circulated to all stock brokers, depository participants and mutual funds on November 13, 2014.

Also, SEBI has put in place the necessary regulatory guidelines to check the inflow of terrorist funds into the stock market by issuing Circulars from time to time.

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 focuses on detecting and preventing manipulation, if any, in the market. In addition, SEBI registered intermediaries are required to follow stringent 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.