

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:7001

ANSWERED ON:08.05.2015

CHECKING OF FRAUDS BY SEBI

Mondal Shri Sunil Kumar;Pradhan Shri Nagendra Kumar;Raut Shri Vinayak Bhaurao;Shewale Shri Rahul Ramesh;Shinde Dr. Shrikant Eknath;Singh Deo Shri Kalikesh Narayan

Will the Minister of FINANCE be pleased to state:

- (a) the number of frauds pertaining to stock market, illegal collective investment schemes and insider trading detected by the Securities Exchange Board of India (SEBI) during the last three years;
- (b) whether SEBI has developed any proactive fraud detection system to avert or check such frauds and protect the investors money;
- (c) if so, the details thereof along with the success achieved in this regard; and
- (d) the other steps being taken by SEBI in this regard?

Answer

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

(a): The Securities and Exchange Board of India (SEBI) has provided details pertaining to investigations completed by it in the last three years regarding the number of frauds pertaining to stock market, illegal collective investment schemes (CIS) and insider trading which are as follows:

Classification 2011-12 2012-13 2013-14

Market manipulation and price rigging 37 41 73

Issue related matters 4 52 12

Insider Trading 21 14 13

Takeovers 2 2 6

Miscellaneous 10 10 16

Number of orders passed by SEBI 4 4 19

against entities for carrying out

CIS activities without obtaining

the certificate of registration

Source: SEBI

(b), (c) and (d): Measures/actions taken by SEBI pertaining to fraud detection are as follows:

(1) SEBI maintains a 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 continuous monitoring and surveillance, various limits on positions, margin requirements, circuit filters, etc. Also, SEBI has put in place surveillance systems such as the Integrated Market Surveillance System (IMSS) and the Data Warehouse & Business Intelligence System (DWBIS).

The IMSS keeps track of market aberrations and generates alerts on a daily basis. These alerts are holistically analyzed so as to identify any manipulative trading in the market. During the past few years, SEBI has redesigned the IMSS system software to handle more than two billion messages in a day. To further enhance the system capability and performance of alert generation process, alerting on multiple market streams was also implemented. On the other hand, the focus of DWBIS is to strengthen the surveillance and investigation functions of SEBI by providing comprehensive access to the securities market related data/information.

(2) SEBI has been undertaking various activities for the protection of interests of the investors. These, inter-alia, include conducting regional seminars, investor awareness programs through investor associations, mass media campaign relating to cautioning investors against schemes offering unrealistic returns, issuing list of Do's and Don'ts through leading newspapers for investors with regard to dealing in securities and issuing monthly press releases cautioning the investors not to invest in the schemes floated by specific entities against which SEBI has passed an order. Besides, SEBI has also launched SEBI Complaints Redress System (SCORES) which is an internet based application wherein the aggrieved investors can lodge a complaint with SEBI. In addition, SEBI has also set up toll free helpline service numbers, which are available to investors from all over India and are in 14 languages.