

Government of India  
Ministry of Finance  
Department of Economic Affairs

**LOK SABHA**

**UNSTARRED QUESTION NO. 207**

**TO BE ANSWERED ON FRIDAY, FEBRUARY 02, 2018/MAGHA 13, 1939 (SAKA)**

**BLACK MONEY IN SHARE MARKET**

**QUESTION**

**207. SHRIMATI NEELAM SONKER :  
PROF. RAVINDRA VISHWANATH GAIKWAD :**

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has issued any norms or guidelines to prevent the investment/use of black money in the share markets and if so, the details thereof;
- (b) the details of total amount of money invested in the share markets and the number of cases of black money unearthed in this regard during the last three years; and
- (c) the total number of cases found usage of black money in the share markets on which action has been taken?

**ANSWER**

**MINISTER OF STATE IN THE MINISTRY OF FINANCE  
(SHRI PON RADHAKRISHNAN)**

**(a):** Intermediaries registered with Securities and Exchange Board of India (SEBI), the securities market regulator, are required to follow stringent Know Your Client (KYC) norms on an on-going basis and are also required to file Suspicious Transaction Reports (STRs) to the Financial Intelligence Unit (FIU) in case of suspicious activities of their clients. These STRs are analysed by FIU by linking other information available with FIU, and the analysed STRs are then disseminated to various Law Enforcement Agencies (LEAs) for further action. This intelligence input from FIU helps LEAs in investigating and detecting probable cases of black money.

In order to strengthen the KYC norms and identify every participant in the securities market, thereby ensuring sound audit trail, SEBI, vide circular dated April 27, 2007, mandated that PAN would be the sole identification number for all participants transacting in the securities market, irrespective of the amount of transaction. Further, the financing operations in the stock markets are through banking channels and cash transactions are permitted only in exceptional circumstances, to the extent not in violation of the requirements of tax authorities as may be in force from time to time. 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 thereunder.

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**(b) & (c):** As regards the total amount of money invested in the share markets, SEBI has informed that the annual turnover of equity segment of Bombay Stock Exchange (BSE) & National Stock Exchange (NSE) stood at Rs. 51,84,500 Cr., Rs. 49,77,072 Cr., Rs. 60,54,174 Cr. and Rs. 67,48,284 Cr. respectively in the FY 2014-15, 2015-16, 2016-17 and 2017-18 (up till January 24, 2018). In terms of market capitalization, the amount invested in listed companies was at Rs. 1,01,49,290 Cr., Rs. 94,75,328 Cr., Rs. 1,21,54,525 Cr. and Rs. 1,56,21,536 Cr. respectively as at the end of FY 2014-15, 2015-16, 2016-17 and 2017-18 (up till January 24, 2018).

As regards the number of cases of black money unearthed and action taken on it, SEBI has submitted that it looks only into the violations relating to the securities laws, and in case of any alert of tax evasions/black money, the same is referred to Income Tax Department (ITD) for necessary action at their end. Central Board of Direct Taxes (CBDT) has informed that it does not centrally maintain sector-wise details of search and seizure actions conducted by Income Tax Department (ITD). However, ITD takes appropriate action in suitable cases, including those involving usage of black money in share markets. Such actions include searches, survey, assessment of income, levy of tax, penalty and filing of prosecution complaints before criminal courts, whichever is applicable as per direct tax laws.

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