

LOK SABHA UNSTARRED QUESTION NO. 3946

TO BE ANSWERED ON FRIDAY, AUGUST 10, 2018/SHRAVAN 19, 1940 (SAKA)

CO-LOCATION SCAM

3946 : DR. KIRIT SOMAIYA

Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India has forwarded the case of National Stock Exchange (NSE) co-location scam, role of Public Finance and Policy to Securities and Exchange Board of India (SEBI), if so, the details thereof;
- (b) whether SEBI initiated action against NSE and OPG Securities for co-location scam, if so, the details thereof;
- (c) the role of one of the professors working in the National Institute of Public Finance and Policy in the scam;
- (d) whether the Government is aware about the non-transparent functioning/behavior of the professor who had profit sharing contract with OPG Securities and if so, the details thereof; and
- (e) the findings of the Income Tax Department, SEBI Capital Market Division NSE in this scam and the action taken against all the persons who are involved in this scam?

ANSWER

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

(a): Yes Sir, a complaint dated 14 February 2017 in the matter of National Stock Exchange (NSE) co-location scam was forwarded to Securities and Exchange Board of India (SEBI) by Reserve Bank of India (RBI) on 9 March 2017.

(b): SEBI has completed its investigation against NSE and OPG Securities in the colocation matter and has initiated enforcement proceedings against them.

(c): SEBI has examined the alleged role of one of the professors associated with National Institute of Public Finance and Policy (NIPFP) in relation to his association with NSE and accordingly, enforcement proceedings have been initiated against various entities/persons, including the said professor.

(d): SEBI examination, inter alia, observed that the professor had employed a device/ scheme/ artifice, wherein the confidential and sensitive data provided by NSE was misused in fraudulent manner, which resulted in compromising the integrity of the securities market. Also, special treatment was given to the professor by NSE in access to confidential and sensitive data without formal agreement and data use contract.

(e): Based on the findings of the investigation, SEBI has initiated enforcement proceedings against NSE, its former and present officials, stock brokers, their directors/ employees and other connected entities/individuals for violation of provisions of Securities Contracts (Regulation) Act, 1956, SEBI (Prohibition Of Fraudulent And Unfair Trade Practices Relating To Securities Market) Regulations, 2003, SEBI (Stock-Brokers and Sub-Brokers) Regulations, 1992, Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 and various Circulars/ directions issued under SEBI Act, 1992.

Central Board of Direct Taxes (CBDT) has informed that on the basis of credible information regarding tax evasion, the Income Tax Department takes appropriate actions against such tax evaders as per the provisions of Income Tax Act, 1961, depending upon the facts and circumstances of each case. These actions include conducting searches and surveys, assessment of income, levy and recovery of tax, imposition of penalty and launching of prosecution. However, disclosure of information in respect of specific assesses is prohibited, except as provided under section 138 of the Act.