

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS**

**LOK SABHA
UNSTARRED QUESTION NO. 5164
TO BE ANSWERED ON 03RD APRIL, 2023/ 13 CHAITRA, 1945 (SAKA)**

FINANCIAL SCAMS OF STOCK BROKING COMPANIES

5164: DR. A. CHELLAKUMAR

Will the Minister of Finance be pleased to state:

- (a) whether the Government is aware about financial scams of stock broking companies and if so, the details thereof and the reaction of the Government thereto along with the number of such companies declared defaulter by the NSE during the last five years;
- (b) whether the Government has initiated any investigation in KARVY financial scam of diverting all loans borrowed from banks and if so, the details thereof;
- (c) whether the Government has any plans to recover all investors funds kept in the POOL account of KARVY and if so, the details thereof and the action taken by the Government in this regard;
- (d) whether the Government has any plans to hand over this case to CBI and if so, the details thereof and if not, the reasons therefor;
- (e) whether the Government proposes to appoint a SIT in this regard and if so, the details thereof; and
- (f) the action taken by the Government against KARVY to safeguard banks and investors?

ANSWER

**MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)**

(a): SEBI, along with Exchanges, conduct regular inspection of brokers based on certain criteria and takes action as per its Regulations and bye-laws of the Exchanges. 32 brokers have been declared defaulter by NSE during the last five years.

(b) to (f): As per SEBI's orders dated November 22, 2019 and November 24, 2020, securities worth around Rs. 2000 crore and belonging to 82,559 clients were transferred to fully paid-up clients of Karvy Stock Broking Ltd (KSBL). NSE and BSE have suspended trading terminals of KSBL with effect from December 02, 2019 and declared it as a defaulter on 23rd November, 2020. Further, based on the findings of forensic audit report and observations of NSE, SEBI has initiated enforcement action against KSBL, its directors, its CEO and against two group companies of KSBL under its relevant Regulations.

The claims of investors in the matter are being dealt with and settled by NSE as per its bye-laws. As on March 20, 2023, an amount of Rs. 414.24 Crore has been paid to 34,497 clients from Investor Protection Fund (IPF) of NSE. NSE along with other MIIs has also monetised the mutual fund distribution business of KSBL and funds amounting to around Rs.150 Crore have been realized and the same is being utilized for distribution to the clients of KSBL.
