

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:52
ANSWERED ON:25.11.2005
ONLINE TRADING FRAUDS
Singh Shri Uday

Will the Minister of FINANCE be pleased to state:

- (a) whether National Stock Exchange has recently come up with a plan to trace online trading frauds ;
- (b) if so, the details thereof ;
- (c) whether due to various frauds in stock exchanges, the investors are being cheated; and
- (d) if so, the steps taken by the Government to ensure transparency in the functioning of various stock exchanges in the country?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF (SHRI P. CHIDAMBARAM)

(a) to (d): A statement is placed on the Table of the House.

Statement referred to in the reply to the Lok Sabha Starred Question No. 52 raised by Shri Uday Singh and Shri Adhir Chowdhury, Members of Parliament, for 25 November, 2005 regarding Online Trading Frauds.

(a) & (b): The National Stock Exchange of India Limited (NSE) has recently issued two circulars dated May 10, 2005 and July 1, 2005 to their members for strengthening internet trading facility. The circular of May 10, 2005 requires the members to conduct regular audit of their internet trading systems. The members are required to submit system audit certificate by a qualified system audit professional on half yearly basis. By circular dated July 1, 2005 NSE has specified minimum safety standards, which the software facilitating internet based trading should provide.

(c): There has been one complaint of alleged cheating by misusing client's login name and password and a few complaints about unauthorised transactions in internet trading.

(d): Various measures have been introduced from time to time to increase transparency in market operations. The exchanges provide fully automated screen based trading system, which electronically matches orders on a strict price time priority basis. The system provides for faster incorporation of price sensitive information into prevailing prices. It enables market participants to see the full market on a real time basis. It provides complete anonymity and audit trail.