

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOaK SABHA

UNSTARRED QUESTION No. 2112

TO BE ANSWERED ON 8TH MARCH, 2021/ PHALGUNA 17, 1942 (SAKA)

KARVY STOCK BROKING FRAUD

2112: SHRI RAMDAS C. TADAS

SHRI SANGAM LAL GUPTA

SHRI BHOLANATH (B.P. SAROJ)

SHRI UPENDRA SINGH RAWAT

Will the Minister of FINANCE be pleased to state:

(a) whether the Government /Securities and Exchange Board of India (SEBI) are aware about the Karvy scam of Rs. 2500 Crore and if so, the reaction of Government /SEBI in this regard;

(b) whether the Government/SEBI have received many complaints against M/s Karvy Stock Broking Pvt. Limited regarding alleged illegal transfer of shares in beneficiary accounts and non-transfer of money to actual beneficiary after the death of the shareholder and if so, the details thereof;

(c) whether the Government/SEBI are taking any steps to conduct an investigation against the illegal operations of M/s Karvy Stock Broking Pvt. Limited and take appropriate action against them; and

(d) if so, the details thereof along with the plans of SEBI against NSE Management and Karvy Management and if not, the reasons therefor?

ANSWER

SHRI ANURAG SINGH THAKUR

MINISTER OF STATE FOR FINANCE

(a) Yes Sir,

During the inspection of Karvy Stock Broking Pvt. Limited (KSBL), it was observed that Securities worth Rs.2300 crore (approximately) of more than 95,000 clients were pledged with banks/ Non-Banking Financial Companies (NBFCs).

SEBI passed an Ex-parte-Ad-Interim order in the matter of KSBL on 22nd November, 2019. Pursuant to this order, securities belonging to 82,559 clients of worth Rs.2000 crores (approximately) were transferred to respective fully paid-up clients of KSBL. The interim order was confirmed by SEBI vide order dated 24th November, 2020. National Stock Exchange (NSE) declared KSBL a defaulter on 23rd November, 2020 and initiated claims as per the bye laws of the exchange.

During the period 22nd November, 2019 to 22nd November, 2020, funds of 2,32,323 clients aggregating to Rs.125.20 crore and securities of 1,57,769 clients aggregating to Rs.2345.82 crore were settled. Further, as on 19th February, 2021, an amount of Rs.81 crore has been paid to 3398 clients from Investor Protection Fund (IPF) of NSE as per the bye laws of the exchange.

(b) Yes Sir,

Complaints have been received against KSBL with respect to non-receipt of payment of funds / delivery of shares. Some of the complaints have been found to be in the nature where illegal transfer of shares in beneficiary accounts and non-transfer of money to actual beneficiary after the death of the shareholder is alleged. All such complaints have been forwarded to NSE for resolution.

(c) Yes Sir,

(d) SEBI passed Ex-parte-Ad-Interim order in the matter of KSBL on 22nd November, 2019. The interim order was confirmed by SEBI vide order dated 24th November, 2020.

SEBI has initiated proceedings against NSE in the matter of KSBL for violating provisions of SEBI Circulars pertaining to monitoring of brokers and oversight of members.

Further, SEBI has already initiated the action against the Directors and Key Management Personnel (KMP) of KSBL as per the provisions of SEBI Act, 1992, Securities Contract Regulation Act, 1956, SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 and SEBI (Stock Brokers) Regulation, 1992.
