



## GUIDELINES TO CONTROL BLACK MONEY IN SHARE MARKET<sup>1</sup>

Securities and Exchange Board of India (SEBI), vide circular dated April 27, 2007, has mandated that PAN would be the sole identification number for all participants transacting in the securities market, irrespective of the amount of transaction.

Schedule VII of the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, *inter alia*, states that:

- i. For registration of transfer of securities, the transferee(s) as well as transferor(s) shall furnish a copy of their PAN card to the listed entity.
- ii. For securities market transactions and/or for off-market or private transactions involving transfer of shares in physical form, the transferee(s) as well as transferor(s) shall furnish copy of PAN card to the listed entity.

To regulate transactions between clients and brokers, SEBI, vide circulars dated August 27, 2003 and July 12, 2018, has, *inter alia*, mandated that:

- i. Brokers and sub-brokers should not accept cash from the client for purchase of securities and / or give cash against sale of securities to the clients.
- ii. Further, it has been mandated that all payments shall be received / made by the stock brokers from / to the clients strictly by account payee crossed cheques/ demand drafts or by way of direct credit into the bank account through electronic fund transfer, or any other mode permitted by the Reserve Bank of India.
- iii. In the case of securities also, giving / taking delivery of securities in “demat mode” should be directly to / from the “beneficiary accounts” of the clients except delivery of securities to a recognized entity under the approved scheme of the stock exchange and / or SEBI.

Further, SEBI, vide circular dated June 6, 2018, SEBI, has, *inter alia*:

- i. brought to the notice of SEBI registered market intermediaries the various notifications issued by the Government of India on Prevention of Money Laundering Rules, relating to making Aadhaar number issued by the Unique Identification Authority of India (UIDAI) and Permanent Account Number (PAN) or Form No. 60, as defined in Income Tax Rules, 1962 mandatory for both new and existing accounts with financial market intermediaries including securities market intermediaries.
- ii. SEBI has further clarified in the above mentioned circular that in case PAN is not submitted by any client at the time of opening of account based relationship, one certified copy of an “officially valid document” (OVD) shall be submitted. However, for securities market, in terms of SEBI circular dated April 27, 2007, the requirement of PAN would continue to be mandatory for completing the KYC process.

Moreover, SEBI registered intermediaries are required to follow stringent KYC norms on an ongoing 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.

<sup>1</sup> Available at: <http://www.pib.nic.in/PressReleaseDetail.aspx?PRID=1542748>

The annual turnover for cash market for BSE & NSE and market capitalization for BSE for the last 3 F.Y.s is given below:

				(Figures in Rs. Crore)
	Total	Total	Total	Total Market Cap
Year	Turnover	(NSE)	(BSE+N SE)	(As on 31 <sup>st</sup> March of the F.Y.)
				(BSE)
FY 2015-16	7,40,089	42,36,983	49,77,072	94,75,328
FY 2016-17	9,98,261	50,55,913	60,54,174	1,21,54,525
FY 2017-18	10,82,968	72,34,826	83,17,794	1,42,24,996

Appropriate action against evasion of taxes/black money, including against cases involving black money investments, is an on-going process. Such action under direct tax laws includes searches, surveys, enquiries, assessment of income, levy of taxes, penalties, etc. and filing of prosecution complaints in criminal courts, wherever applicable. The Income-tax Department does not maintain sector-wise details of the searches conducted.

This was stated by Shri Shiv Pratap Shukla, Minister of State for Finance in a written reply to a question in Lok Sabha.

**Team ICSI**

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