

# SC questions Sebi on IL&FS fraud probe

FE BUREAU

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**THE SUPREME COURT** on Monday asked Sebi as to why it should not be directed to probe IL&FS fraud and protect investors. While extending its earlier order that stayed payment obligations till August 13, the next date of hearing, a Bench comprising justices Mohan M Shantanagoudar and Sanjiv Khanna said that the market regulator should look into the issue as it also has adjudicatory powers.

“Why are you shirking from this? Lot of third parties have played fraud. That is the allegation. As a market regulator, you have to decide it as you have adjudicatory powers as well,” the Bench said.

It also told senior counsel Arvind Datar, appearing for Sebi, that “to protect society, we can direct you. You are saying regulations doesn’t give you jurisdiction to do so... but regulations are made by you. Does your regulations then require a change?”

“People/investors have confidence in you. You are the boss,” the judges said.

Sebi has moved the apex court against SAT’s order claiming that it should not be asked to investigate the ₹460-crore IL&FS Securities case as it is beyond its jurisdiction to annul trades. It further said that the NSE clearing corporation should be rather asked to look into the matter.



On June 24, the apex court had halted ₹435 crore payment by IL&FS subsidiary until SAT and Bombay High Court passed an order in the alleged fraudulent claims.

The Securities Appellate Tribunal had earlier this month directed Sebi to pass an order in the case of Allied Financial Services, which allegedly had fraudulently used mutual fund units it did not own as margins for derivative trades.

The case relates to a default by a broker Allied Financial Services, which carried out alleged fraud trades on behalf of its client Dalmia Bharat and this had resulted in a loss of ₹460 crore.

While Dalmia has filed a case against Allied Financial, stating that it did not authorise the trades and the latter had “stolen” the securities, the responsibility of bearing the losses fell to IL&FS Securities (ISSL) which was the custodian and had cleared the trades.