



KS/DEMAT/72/06

February 23, 2006

Shri Vijay Shankar Tiwari  
Director  
Central Bureau of Investigation  
New Delhi

**Sub: IPO-Demat Scam – Role of Karvy**

**Ref : Our letter ref: KS/DEMAT/71/06 dated 23.2.06 addressed to you**

Dear Sir,

Further to our above-referred letter, we once again appreciate the role of SEBI's investigative team and the CBI action of yesterday on the above subject.

Investors' Grievances Forum has requested all the authorities to check the role of Karvy in the present Demat Scam - Karvy the Depository, Karvy the Registrar, Karvy the Stock Broker, Karvy the IPO Financing. It seems all the norms and prudent guidelines have been violated.

We have heard that not only the application forms received in an IPO are incomplete but, in many cases, addresses of the applicants are not traceable. We have been told by some people that, in some cases, applications have not been received at all.

We are enclosing herewith an anonymous note received by IGF for your study.

We are also enclosing herewith copies of our letter to Karvy and to other authorities on the role of Karvy. The major violations are –

- i) Karvy accepted that they have funded the so-called bogus applicants upto Rs.85 crores in the name of IPO financing.
- ii) Karvy have used the funds received by them from their foreign acquirer (who purchased a stake in Karvy).
- iii) A DP Branch, with the limited human resources, can hardly open a couple of hundreds of Demat accounts in a day. Karvy has opened thousands of accounts in a single day, e.g. Purshottam Budhwani – 2,822 Demat accounts on 22.7.05, i.e. last day of IDFC Issue.
- iv) Direct ECS transfer by Karvy to Panchals and others refunds of thousands of fictitious applicants.
- v) Single refund order by Karvy against thousands of fictitious applicants to Roopalben Panchal and others.



-- 2 --

- vi) Refunds to thousands of fictitious applicants across the counter at their office to the scamsters.
- vii) Mili Bhagat with the syndicate of Panchals and others.
- viii) Opened fictitious Demat accounts.

These are just examples. We have already requested various authorities concerned to take action against Karvy.

Thanking you,

Yours truly,

**Dr. KIRIT SOMAIYA – Ex MP**

*President, Investors' Grievances Forum*

**Encl:**

**P.S. For the correspondence and representation of IGF on Demat Scam, you can see my website [www.kiritsomaiya.com](http://www.kiritsomaiya.com), the chapter "DEMAT SCAM" (on the right side corner)**



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