

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**LOK SABHA
UNSTARRED QUESTION NO. 2459
ANSWERED ON THURSDAY, THE 6TH FEBRUARY, 2014
[MAGHA 17, 1935 (SAKA)]**

VANISHING COMPANIES

QUESTION

2459. SHRI AHIR VIKRAMBHAI ARJANBHAI MAADAM:

**Will the Minister of CORPORATE AFFAIRS
be pleased to state:**

कारपोरेट कार्य मंत्री

- (a) whether the Government proposes to make stringent provisions against those vanishing companies which are cheating the small investors by promising extremely high returns under various schemes;**
- (b) if so, the details thereof and the steps taken by the Government to punish such erring companies;**
- (c) whether any study for getting feedback has been conducted and subsequently any committee is proposed to be constituted in this regard; and**
- (d) if so, the details thereof;**

ANSWER

**THE MINISTER OF STATE
(INDEPENDENT CHARGE)
IN THE MINISTRY OF CORPORATE AFFAIRS**

(SHRI SACHIN PILOT)

कारपोरेट कार्य मंत्रालय में राज्य मंत्री (स्वतंत्र प्रभार)

(श्री सचिन पायलट)

(a) & (b): Yes, Madam. The Companies Act, 2013, contains various provisions to protect the investors. These provisions inter alia include:

- i) Enhanced Disclosure norms so that investors, regulators and other stakeholders get all relevant information from companies;**
- ii) "Fraud" defined for the first time as a substantive offence, and will cover many dubious activities which are not specifically covered under the existing legal framework;**

- iii) SFIO recognized as a statutory body with adequate powers.**
- iv) Provisions for attachment and disgorgement of assets.**
- v) Auditors' accountability and independence enhanced through provisions which inter alia include rotation of auditors, etc.;**
- vi) Setting up the National Financial Reporting Authority (NFRA) to function as an independent audit regulator.**

Further, the Ministry has ordered investigation of 75 companies u/s 235 of the Companies Act which were found to be engaged in cheating small investors by promising high returns through various schemes.

(c) & (d) A Market Research and Analysis Unit (MRAU) has been set up in the Serious Fraud Investigation Office (SFIO) of this Ministry with the objectives of analyzing media reports relating to financial frauds and for conducting market surveillance of such corporates. In order to strengthen MRAU's functioning, an Expert Committee has been constituted which has recommended induction of requisite technology and skilled manpower in the areas of finance, statistics and technology. These recommendations are being implemented.
