

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**RAJYA SABHA
UNSTARRED QUESTION NO. 3604
ANSWERED ON MONDAY, THE 29th APRIL, 2013**

CURB ON FRAUDULENT MLM COMPANIES

QUESTION

3604. SHRI A.ELAVARASAN:

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) whether the Ministry is working on a mechanism to curb fraudulent Multi-Level Marketing (MLM) companies that are swindling investors and indulging in fraudulent schemes;
- (b) if so, the details thereof;
- (c) whether the Department of Consumer Affairs has also issued draft guidelines on this issue; and
- (d) if so, the details thereof?

ANSWER

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

(SHRI SACHIN PILOT)

(a) to (d) Multi Level Marketing (MLM) Schemes involving enrollment of a vertical chain of investors/agents constitutes “Money Circulation” and is banned under the Prize Chits & Money Circulation (Schemes) Banning Act, 1978 which is implemented by the States. In order to facilitate effective control of MLM a Group of Officers from Ministries of Finance, Corporate Affairs & Consumer Affairs along with representatives of Reserve Bank of India, Central Economic Intelligence Bureau (CEIB) and the Serious Fraud Investigation Office (SFIO) have prepared Model Rules called Money Circulation Scheme (Banning) Rules, to explicitly cover MLM under the said Act. Ministry of Finance (Department of Financial Services) has sent the rules for notification to the States.
