

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**RAJYA SABHA
UNSTARRED QUESTION NO. 677
ANSWERED ON MONDAY, THE 4th MARCH, 2013**

ACTION AGAINST FRAUDULENT COMPANIES

QUESTION

677. DR. PRADEEP KUMAR BALMUCHU:

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) whether fraudulent companies are indulging into floating of ponzi schemes and other monetary malpractices;
- (b) if so, the details thereof;
- (c) whether Government is contemplating on establishment of a new Market Research and Analysis Unit to curb these ponzi schemes and the companies;
- (d) if so, the details thereof; and
- (e) the measures being taken by Government to safeguard the innocent citizens from such companies?

ANSWER

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

(SHRI SACHIN PILOT)

(a) to (e) Companies floating fraudulent investment deposits mobilizing schemes (also called ponzi schemes) under various guises are liable for action under the following laws:-

- (i) The Prize Chits and Money Circulation Schemes (Banning) Act, 1978 administered by Ministry of Finance (Department of Financial Services) through the State Governments; and
- (ii) Section 11AA of the Securities and Exchange Board of India (SEBI) Act, 1992 where such schemes are in violation of Collective Investment Schemes regulated by SEBI.

The following actions have been initiated:-

- (i) Minister of Corporate Affairs has requested State Chief Ministers to issue instructions to State Police Authority for vigorous action under Prize Chits Act. The Minister has also written to the Hon'ble Finance Minister to increase the surveillance by RBI over unauthorized NBFCs.
- (ii) Model rules under the Prize Chits and Money Circulation Schemes (Banning) Act, 1978 have been sent by the Ministry of Finance to State Governments for notification. This will enable initiation of action for ponzi schemes.
- (iii) Stepped up surveillance by SEBI.
- (iv) Campaigns by Ministry of Corporate Affairs, RBI and SEBI through advertisements and Investors Awareness Programmes.
- (v) Investigation/Inspection in respect of 87 companies against whom complaints in such cases have been received.
- (vi) The Market Research and Analysis Unit is in place in the Serious Fraud Investigation Office of this Ministry for capacity building, coordination with other investigating agencies and for market surveillance.
