

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:7758
ANSWERED ON:17.05.2002
CVC COMMENTS ON INSURANCE COMPANIES
A.D.K. JEYASEELAN

Will the Minister of FINANCE be pleased to state:

- (a) whether recently CVC has formulated stringent norms for maintaining an eye over investment and other activities of the insurance companies ;
- (b) if so, the reasons therefor; and
- (c) the steps taken by the Government to issue stringent norms to monitor chit fund companies and other companies which usurp public money ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN)

(a) and (b) The Central Vigilance Commission has informed that they have not issued any such norms.

(c) Comprehensive regulatory frame work has been put in place which is aimed at protecting the interests of the depositors and ensuring that non-banking financial companies (NBFCs) function on sound and healthy lines. The regulatory frame work includes, inter-alia, compulsory registration, maintenance of liquid assets, transfer of at least 20% of net profit and empowering RBI to issue directions to NBFCs. RBI takes various actions against errant NBFCs for various defaults and contravention of provisions of the RBI Act. Government has also introduced Financial Companies Regulation Bill, 2000 in Lok Sabha on 13th December, 2000 which has been referred to the Standing Committee on Finance for consideration. As regards chit funds, Government have enacted the Chit Fund Act, 1982 for ensuring uniformity in the provisions applicable to Chit Fund institutions throughout the country. All State Governments are required to frame rules for extending the provisions of this Act to their respective jurisdictions. The Reserve Bank of India is actively involved in pursuing all the State Governments for early formulation of rules under the Central Act. Since the Chit Fund companies are registered and regulated through the State Governments, any action against a delinquent company falls under the regulatory jurisdiction of the concerned State Government.