

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:620  
ANSWERED ON:09.07.2004  
COMPANTKS  
Adhalrao Patil Shri Shivaji

**Will the Minister of FINANCE be pleased to state:**

(a) Whether the Government feels that the existing laws against the defaulting companies who duped the small investors are not sufficient and effective; and

(b) If so, the action plan drawn up by the Government in this regard ?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SH. S. S. PALANIMANICKAM )

(a): Many shortcomings in the legal provisions of the Securities and Exchange Board of India Act, 1992 that were noticed earlier have been removed by amending the SEBI Act in 2002. The powers of SEBI have been considerably enhanced with respect to inspection, investigation and enforcement. In addition, growing importance of the securities markets in the economy had placed new demands upon SEBI in terms of organizational structure and institutional capacity. The 2002 amendment of the SEBI Act sought to address this aspect too by strengthening the mechanism available to SEBI for investigation and enforcement so that it is better equipped to investigate and enforce against market malpractices.

(b): In 1999 a joint mechanism between SEBI and Department of Company Affairs (DCA) was set up for taking stringent action against unscrupulous promoters who raised moneys from investors and misused them. Accordingly, a Central Coordination and Monitoring Committee (CMC) co-chaired by Secretary DCA and Chairman SEBI has been set up. In the first meeting of this Committee it was decided that regional Task Forces, be set up with Regional Directors/ Registrar of Companies of respective regions as conveners, and representatives of Regional Officers of SEBI and Stock Exchanges as members. The main task of these Task Forces is to identify the companies, which have disappeared, or which have misutilised funds mobilized from the investors, and suggest appropriate action in terms of Companies Act, 1956 or SEBI Act, 1992.