

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5026
ANSWERED ON:02.09.2011
LEGISLATION FOR DEPOSITORS
Maadam Shri Vikrambhai Arjanbhai

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government proposes to bring any special legislation to safeguard the interests of depositors in financial institutions;
- (b) if so, the details thereof; and
- (c) the time by which such legislation is likely to be introduced?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) to (c): The Reserve Bank of India (RBI) Act, 1934 provides adequate protection to small depositors in financial institutions. The interest of Depositors in financial establishments can be broadly divided into two segments (a) companies registered as Non-Banking Financial Companies (NBFCs) which are under the regulatory purview of RBI, (b) Unincorporated Bodies (UiBs) accepting public deposits unauthorisedly. The NBFCs are regulated under chapters III and V of the RBI Act, UIB`s have been precluded from accepting deposits from any person other than relatives specified in the RBI Act.

On pursuance by the RBI, 14 States and 1 Union Territory have enacted legislation on the lines of Tamil Nadu Protection of Interest of Depositors (in Financial Establishments) Act, 1997, which contains stiff penal provisions for promoters of financial establishments defaulting in repayment of deposits and interest. The close co-ordination through institutionalized framework of State Level Co-ordination Committee (SLCC) with the State Government and other Regulatory bodies have resulted in greater / improved monitoring and restriction of unauthorized acceptance of deposits by NBFCs and UIBs.