

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2931  
ANSWERED ON:24.07.2009  
PROTECTION TO SMALL INVESTORS  
Nagorao Shri Dudhgaonkar Ganeshrao

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

- (a) whether the existing laws provide adequate protection to small depositors and investors in financial institutions and stock market;
- (b) if so, the details thereof; and
- (c) if not, the steps taken/proposed to be taken by the Government in this regard?

**Answer**

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

(a) & (b): Yes, Sir. The existing law, i.e. the Reserve Bank of India Act, 1934 is providing 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, UIBs have been precluded from accepting deposits from any person other than relatives specified in the RBI Act. Similarly, under the provisions of the Securities & Exchange Board of India (SEBI) Act, 1992, it is the duty of the SEBI to protect the interest of investors in securities and to promote the development of, and to regulate the securities market. In discharge of its statutory duty under the SEBI Act, 1992, the Companies Act, 1956, the Securities Contracts (Regulation) Act, 1956 and Depositories Act, 1996 SEBI has framed various regulations/guidelines for the protection of the investors in securities market. These include the SEBI (Disclosure and Investor Protection) Guidelines, 2000 which specify the eligibility requirements for issuance of securities and the disclosures to be made in the offer documents soliciting subscription from the investors in securities. The Guidelines also require that a due diligence certificate in this regard be issued by a SEBI registered merchant banker stating, inter alia, that the disclosures made in the offer document are true, fair and adequate.

(c): On pursuance by the RBI, 14 States and 1 Union Territory have enacted legislation on the lines of Tamil Nadu Protection of Interests 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 institutionalised framework of State Level Co-ordination Committee (SLCC) with the State Government and other regulatory bodies has resulted in greater/improved monitoring and restriction of unauthorised acceptance of deposits by NBFCs and Unincorporated Bodies. Recently, SEBI has also set up the Investor Protection and Education Fund for the purpose of investor education and protection.