

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:5967

ANSWERED ON:11.05.2012

MLM COMPANIES

Anandan Shri K.Murugesan

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

(a) Whether the Government has dropped the proposal of regulating multi-level marketing (MLM) companies through a separate authority and asked the State Governments to take action against such companies under the Prize Chits and Money Circulation Scheme (Banning) Act, 1978;

(b) If so, the details thereof and the reasons therefor;

(c) Whether the inter- Ministerial Group which was formed under the Central Economic Intelligence Bureau in the Finance Ministry had recommended that State Governments and Police authorities be empowered to act against multi-level marketing companies; and

(d) If so, the details thereof?

**Answer**

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

(a) & (b): The provision of the 'Prize Chits and Money Circulation Schemes (Banning Act), 1978' prohibit any person from promoting or conducting any prize chits and money circulation scheme, or enrolling as member to any such chit or scheme, or participating in it otherwise, or from receiving or remitting any money in pursuance of such chit or scheme. The State Governments are empowered under the Prize Chits and Money Circulation Scheme (Banning Act), 1978, to implement and to take necessary remedial action, including creating awareness by way of advertisements, etc. through the media. As and when any such complaint is received against any MLM company, RBI refer the same to the Economic Offences Wing (EOW) of the concerned State Police. The RBI has received complaints against 26 MLM companies and these have been forwarded to the concerned State Governments for appropriate action.

(c) & (d): The Prize Chits and Money Circulation Scheme (Banning) Act, 1978 (PCMCSBA) authorizes the State Police under Section 7 of the Act to take action against money circulation schemes. The Money Circulation Schemes are sometimes operated in the guise of Multi Level Marketing Schemes and the Inter-Ministerial Group had, inter-alia, recommended that the State Governments be sensitized to undertake necessary investigation to determine whether a particular scheme attracts the provisions of the PCMCSBA. The State Governments have been advised for taking appropriate action accordingly.