

**GOVERNMENT OF INDIA
CORPORATE AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:1009

ANSWERED ON:29.11.2012

SMALL INVESTORS

Pandurang Shri Munde Gopinathrao;Patle Kamla Devi

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) whether the Union Government is aware of the cheating of small investors by the companies by allowing them with the promise of maximum profit for their investments in their schemes and disappearing overnight throughout the country;
- (b) if so, the number of such cases which came to the notice of the Union Government during each of the last two years; and
- (c) the steps being taken/proposed to be taken to protect the interests of small investors?

Answer

THE MINISTER OF STATE (INDEPENDENT CHARGE) IN THE MINISTRY OF CORPORATE AFFAIRS (SHRI SACHIN PILOT)

(a) & (b) This Ministry has received complaints against 3,65 and 19 companies during 2010-11, 2011-12 and 2012-13 (upto 31-10-2012) respectively which are doing business of money circulation schemes with the promise of giving high returns. Raising of funds through the money circulation schemes is an offence under the Prize Chits and Money Circulation Schemes (Banning) Act, 1978. That Act is administered by the Ministry of Finance (Department of Financial Services) through the State Governments. Recently, Ministry of Finance in consultation with the Reserve Bank of India, have circulated Model Rules to be notified by the States. These rules make it amply clear that such investment schemes are illegal under the above Act and organizers of such schemes need to be prosecuted. While coordinating action against such schemes lies with the States and the nodal Department is the Ministry of Finance, the Ministry of Corporate Affairs has ordered investigation into the affairs of 7 companies under Section 235 of the Companies Act, 1956 to be conducted by Serious Fraud Investigation Office (SFIO) and scrutiny of balance sheets under section 234 and/or inspection of the Books of Accounts and other records of the remaining 80 companies under section 209A of the Companies Act, 1956 to ascertain, if the activities involve violation of the provisions of the Companies Act, 1956.

(c) Investors' awareness programmes are being conducted regularly by the Ministry in coordination with the trade & Industry associations and professional institutes such as the Institute of Chartered Accountants of India, The Institute of Company Secretaries of India and the Institute of Cost Accountants of India under the aegis of the Investor Education and Protection Fund.