

**GOVERNMENT OF INDIA
CORPORATE AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:2871

ANSWERED ON:14.03.2013

PHALGUNA SAKA CHIT FUND COMPANIES

Annayyagari Shri Sai Prathap;Bapurao Shri Khatgaonkar Patil Bhaskarrao;Bhoi Shri Sanjay;Gaikwad Shri Eknath Mahadeo;Paranjpe Shri Anand Prakash

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) whether there are illegal chit fund and Ponzi scheme companies functioning in the country;
- (b) if so, the details thereof;
- (c) whether the Government has received complaints against these illegal companies for default, fraud and non-payment of maturity dues to the investors;
- (d) if so, whether the Government would take measures along with Reserve Bank of India (RBI) to evolve a system to protect the interest of the small investors by these companies;
- (e) if so, the details thereof and the time by which these measures would become effective;
- (f) whether the Government will come forward with Companies Bill to give statutory recognition to Serious Fraud Investigation Office to tackle illegal chit fund and ponzi scheme menace; and (g) if so, the details thereof ?

Answer

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

- (a) & (b) Companies floating fraudulent investment deposits mobilizing schemes (also called ponzi schemes) under various guises are liable for action under the following laws:-
 - (i) The Prize Chits and Money Circulation Schemes (Banning) Act, 1978 administered by Ministry of Finance (Department of Financial Services) through the State Governments; and
 - (ii) Section 11AA of the Securities and Exchange Board of India (SEBI) Act, 1992 where such schemes are in violation of Collective Investment Schemes regulated by SEBI.
- (c) Investigation/Inspection have been ordered in respect of 87 companies against whom complaints in such cases have been received.
- (d) & (e) Minister of Corporate Affairs has requested State Chief Ministers to issue instructions to State Police Authorities for vigorous action under Prize Chits Act. The Minister has also written to the Hon'ble Finance Minister to increase the surveillance by RBI over unauthorized NBFCs. Model rules under the Prize Chits and Money Circulation Schemes (Banning) Act, 1978 have been sent by the Ministry of Finance to State Governments for notification. This will enable initiation of action for ponzi schemes.
- (f) & (g) Statutory recognition to the Serious Fraud Investigation Office (SFIO) has been proposed in the Companies Bill, 2012. The Bill has been passed by the Lok Sabha on 18.12.2012 and the same is under consideration of Rajya Sabha.