

**GOVERNMENT OF INDIA
CORPORATE AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:5972
ANSWERED ON:02.05.2013
FAKE COMPANIES
Rawat Shri Ashok Kumar

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) whether the Government is considering to enact stringent provision in the new company law against fake companies with vanishing over night which are cheating investors and run away with crores of rupees;
- (b) if so, the details thereof;
- (c) the present status of this proposal; and
- (d) the time by which the said provisions will be enacted?

Answer

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

(a) to (d):- Provisions in the Act and Rules have been made to ensure that companies function /raise money in a manner which is transparent, accountable and in accordance with the Companies Act and other enactments like SEBI Act and the Prize Chits & Money Circulation (Banning) Act etc.

Government has also been taking action against companies (and their Directors), which disappear after raising money from public. A Central Coordination and Monitoring Committee (CMC), co-chaired by Secretary, Ministry of Corporate Affairs and Chairman, Securities and Exchange Board of India (SEBI) monitors efforts to identify 'vanishing companies' and take stock of action taken against them.

Action against erring companies has been initiated for violation of the provisions of the Companies Act, 1956 by filing complaints u/s 159/220 of the Companies Act, 1956 apart from filing of prosecutions u/s 63/68 and 628 of the Companies Act, 1956 besides seeking assistance of police authorities and filing FIRs. The Committee also receives feedback from all the stakeholders and makes suitable procedural adjustments on a continuing basis and carries out.

The Companies Bill, 2012, which has been passed by the Lok Sabha on 18.12.2012 and is likely to be considered and passed in the Rajya Sabha shortly, provides for protection of interest of investors through enhanced disclosures, higher accountability on companies and its managerial personnel, investors' protection through class actions and wider institutional role of Investors Education and Protection Fund.

Once the Bill is passed in both Houses of the Parliament and gets the assent of the President, the provisions of the new legislative will be notified alongwith relevant rules to be framed in consultation with concerned stakeholders.