

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:6108

ANSWERED ON:03.05.2013

CONSTITUTION OF COMMITTEE ON MLM FIRMS

Bapurao Shri Khatgaonkar Patil Bhaskarrao;Gaikwad Shri Eknath Mahadeo;Ganeshamurthi Shri A.;Paranjpe Shri Anand  
Prakash;Reddy Shri Modugula Venugopala

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

- (a) whether the Government is aware about the illegal pooling of funds collected from investors by some Multi-level Marketing (MLM) firms ;
- (b) if so, the number of cases reported during each of the last three years and the current year;
- (c) whether the Government has formed a committee to draft a bill to regulate the aforesaid firms in the country;
- (d) if so, the details thereof; and
- (e) the time by which the committee is likely to submit the aforesaid draft bill to the Government?

**Answer**

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

(a) & (b): Entities which raise monies from public fall under the jurisdictions of various regulatory bodies, such as, the Non-Banking Financial Companies (NBFCs) are under the regulatory and supervisory jurisdiction of the Reserve Bank of India (RBI); Chit Funds and Money Circulation Schemes are under the State Governments; Collective Investment Schemes come under the purview of the Securities and Exchange Board of India (SEBI); etc.

RBI has reported that Multi Level Marketing (MLM) Companies are banned under the Prize Chits and Money Circulation Schemes (Banning) Act, 1978 and fall under the purview of the State Governments. Further, whenever a company including a MLM firm is declared as vanished after accepting the deposits from the public, the matter is referred to the Economic Offences Wing of the concerned State Government to investigate the case and take legal action including penal action as per the Indian Penal Code / Criminal Procedure Code, as considered appropriate.

(c) to (e): An Inter-Ministerial Group (IMG) was constituted by the Department of Financial Service, Ministry of Finance to formulate the guidelines for effective regulation of schemes under the Prize Chits and Money Circulation Schemes (Banning) Act, 1978. The Draft Model Rules prepared by the Group had been finalized and these Rules have been sent on 19.10.2012 to all the State Governments with the request to adopt such Rules after getting legally vetted.