

**GOVERNMENT OF INDIA
CORPORATE AFFAIRS
LOK SABHA**

STARRED QUESTION NO:64
ANSWERED ON:08.08.2013
FRAUD PREDICTION MODEL
Shekhar Shri Neeraj;Singh Shri Yashvir

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) whether the Government has developed a 'Fraud Prediction Model' to predict frauds by companies in view of the recent serious frauds in ponzi schemes;
- (b) if so, the details thereof;
- (c) the details of cases of serious fraud investigated by the Serious Fraud Investigation Office (SFIO) and report submitted thereon during each of the last three years and the current year, company-wise;
- (d) whether the Government has taken any action on the reports submitted by the SFIO and if so, the details of the outcome thereof; and
- (e) the other measures taken/ being taken by the Government to check frauds by unscrupulous companies?

Answer

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

(a) to (e) A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF THE STARRED QUESTION NO. 64 FOR ANSWER IN LOK SABHA ON 08-08-2013

(a) & (b) The Ministry is in the process of developing an early warning system (EWS) to identify and prevent potential frauds. A Committee of technical experts has recommended a framework for developing such system. The recommended framework is under consideration of the Ministry and it is proposed to pilot test the system recommended during the current financial year.

(c) Details of cases investigated by SFIO in the last three years and the current year are enclosed at Annexure-A.

(d) On the basis of recommendations made by the SFIO in its investigation reports, Government has been according sanctions for filing prosecutions under the Companies Act, 1956 and the Indian Penal Code 1860; referring cases for disciplinary action against professionals to the professional institutes concerned; and sharing reports with various regulators/ enforcement agencies, such as Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI), Income Tax Department, Enforcement Directorate (ED), etc., for taking appropriate action of violations pertaining to their respective statutes.

(e) The Government has taken several measures to check frauds by unscrupulous companies, such as:

- (i) Induction of technology to improve methods of investigation, including setting up a Forensic Lab within SFIO premises.
- (ii) Signing of a Memorandum of Understanding by SFIO and the Ministry with the 'Financial Intelligence Unit – India (FIU-IND)', an agency under the Ministry of Finance for exchange of information relating to suspicious banking transactions;
- (iii) Organising investor awareness programmes in association with professional institutes and other regulators, enforcement agencies and using the electronic media for sensitizing investors of the dangers of fraudulent financial schemes;
- (iv) Strengthening of Inter-agency coordination with the recent decision to set up Inter-Ministerial Group with members from Ministry of Corporate Affairs, Department of Financial Services, RBI and SEBI with a view to speedily deal with fraud by unscrupulous companies;
- (v) Incorporation of a provision in the Companies Bill to give SFIO statutory status to enable the organisation to more comprehensively investigate corporate fraud.