

**GOVERNMENT OF INDIA
CORPORATE AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:772

ANSWERED ON:27.02.2015

CORPORATE FRAUDS

Bhamre Dr. Subhash Ramrao;Patil Shri Sanjay(Kaka) Ramchandra;Sawant Shri Arvind Ganpat;Tumane Shri Krupal Balaji

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) whether the Government has developed/proposes to develop a 'Fraud Prediction Model'/an early warning system to identify and prevent potential frauds and if so, the details thereof;
- (b) whether the cases of corporate frauds investigated by the Serious Fraud Investigation Office (SFIO) have increased in the country during each of the last three years and the current year and if so, the details thereof along with the amount involved in such cases, company-wise;
- (c) whether the SFIO has submitted any report on such investigated cases to the Government during the said period, if so, the details thereof along with the action taken by the Government thereon and the outcome thereof;
- (d) the details of the funds provided to the SFIO since its establishment; and
- (e) the other corrective steps taken/being taken by the Government to prevent corporate frauds in the country?

Answer

THE MINISTER OF CORPORATE AFFAIRS (SHRI ARUN JAITLEY)

(a) The Ministry had tested an early warning system, developed in-house, during the year 2013-14. This system was dropped on account of unsatisfactory results.

Non-compliance with the provisions of Companies Act are identified through analysis of certain statements and returns filed by the companies and/ or complaints received in the Ministry/ Serious Fraud Investigation Office (SFIO), by the concerned Registrars of Companies and SFIO.

(b) During the last three years and in the current year (from 01.04.2014 to 23.02.2015), the Ministry, has ordered investigations (through SFIO) in respect of 184 companies for alleged corporate frauds as per the following details:

Year	No. of companies ordered for investigation
2011-12	13
2012-13	42
2013-14	82
2014-15	47
(till date)	
Total	184

(c) SFIO has submitted investigation reports in respect of 102 companies during the last three years and current year. The Ministry has ordered filing of prosecutions against companies/ directors/ officers in default, as required. The relevant reports, wherever indicated, have also been shared with respective investigating agencies.

(d) Since its establishment in the year 2003, funds amounting to Rs 51.39 crore have been released from budgetary sources to SFIO.

(e) Some of the steps taken by the Government are as under:

Enhanced disclosure norms mandated under the Companies Act, 2013 so that investors get all relevant information from the companies;

Definition of the term "Fraud" (along with its punishment) has been introduced in the Companies Act, 2013 for the first time;

Serious Fraud Investigation Office (SFIO) has been granted statutory status with adequate powers under the Companies Act, 2013;

Provisions for attachment and disgorgement of assets introduced under the Companies Act, 2013.