

**GOVERNMENT OF INDIA
CORPORATE AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:5217

ANSWERED ON:24.04.2015

CORPORATE FRAUDS

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Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) whether the cases/complaints of frauds by companies/multilevel marketing companies /fly by night companies have come to the notice of the Government in the country during each of the last three years and the current year, if so, the details thereof, company-wise along with the action taken/being taken by the Government in such cases/complaints;
- (b) whether the Government has received complaints of connivance of officials of the Registrar of Companies in such cases during the said period, if so, the details thereof and the action taken/being taken by the Government against such officials;
- (c) the number of persons/investors cheated in such cases along with the amount involved therein;
- (d) the number of such cases investigated by the Serious Fraud Investigation Office (SFIO) in the country during the said period;
- (e) the mechanism available with the Government to identify and punish such companies; and
- (f) the steps taken/ being taken by the Government to prevent such frauds by companies and recover/ refund money of cheated persons/ investors from such companies along with achievements thereof?

Answer

THE MINISTER OF CORPORATE AFFAIRS(SHRI ARUN JAITLEY)

(a) to (d) Orders to investigate the affairs of 139 such companies in the last 3 years and current year (upto 20.04.2015) have been issued to the Serious Fraud Investigation Office (SFIO). A list of these companies is attached as Annexure-I.

The Ministry has not received any complaint regarding the offices of Registrar of Companies in such cases during the relevant period. Information about all the persons affected and the total amount involved in all such cases is not centrally maintained.

(e) Money circulation schemes are banned under the Prize Chits and Money Circulation Schemes (Banning) Act, 1978, the implementation of which is delegated to the State Governments. It is for the State Governments to identify and proceed against Chit Funds not registered under the Chit Funds Act, 1982 and defaulting registered Chit Funds under the said Act. Action in case of violations of Companies Act, 1956/2013 is undertaken by the arms of the Ministry of Corporate Affairs. As per provisions of section 212 of the Companies Act, 2013, information with regard to such violations is shared with any investigating agency, State Government, Police authority or Income Tax authorities.

(f) 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" (section 447) has been introduced in the Companies Act, 2013;

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 (section 38) introduced under the Companies Act, 2013.

Education of investors through programs and the media.