

**GOVERNMENT OF INDIA  
CORPORATE AFFAIRS  
LOK SABHA**

STARRED QUESTION NO:275  
ANSWERED ON:25.07.2014  
BOGUS COMPANIES  
Somaiya Dr. Kirit

**Will the Minister of CORPORATE AFFAIRS be pleased to state:**

(a) whether the Government has taken cognizance of the order of the High Court of Madhya Pradesh directing the Central Bureau of Investigation (CBI) to investigate the activities of 34 major chit funds/ponzy companies including 13 multi-State operators and if so, the details thereof;

(b) whether the CBI has completed the investigation against the said companies/ multi-State operators, if so, the details thereof along with the observations/ recommendations made by the CBI in its investigations;

(c) whether the High Court of Madhya Pradesh has also directed various regulators including the Reserve Bank of India, Securities and Exchange Board of India, Registrar of Companies, Enforcement Directorate, Serious Fraud Investigation Office and concerned Ministries/ Departments to take severe action against the said companies/ multi-State operators; and

(d) if so, the details thereof along with the action taken by the said regulators/ agencies in this regard so far?

**Answer**

THE MINISTER OF CORPORATE AFFAIRS (SHRI ARUN JAITLEY)

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

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF THE STARRED QUESTION NO. 275 FOR ANSWER IN LOK SABHA ON 25-07-2014

(a) to (d) Central Bureau of Investigation (CBI) in its 'primary investigation' conducted in compliance of the orders of the High Court of Madhya Pradesh at Gwalior found that out of 33 companies referred to it, 13 companies were not conducting their business legally. The State Police registered FIRs against 8 out of these companies.

Hon'ble High Court of Madhya Pradesh, Gwalior Bench, after examining the aforesaid primary investigation report of CBI (in respect of the 33 companies), directed Ministry of Finance, Securities and Exchange Board of India (SEBI) and Reserve Bank of India (RBI) vide its Order dated 13-07-2012, as under:

"Consequently, the writ petition is disposed of with a direction that the Principal Registrar of this Bench shall forward a copy of this order to Union of India, through the Secretary, Ministry of Finance, New Delhi; Reserve Bank of India, through its Governor, Bombay (Maharashtra); State of MP through the Secretary, Ministry of Home and Ministry of Finance, VallabhBhawan, Bhopal; and Security Exchange Board of India [under Ministry of Finance] through its Chairman, Mumbai and concerned departments are at liberty to take appropriate action in accordance with law without prejudice to any observation made by this Court in the order. It is hereby clarified that this Court has not issued any mandatory order. However, it is in the interest of national economy that the report of CBI may be taken into consideration. The authorities may also consider the facts of passing orders by the Hon'ble Supreme Court in Special Leave Petitions as mentioned in Para 6 of this order as per our information."

No directions were issued by the Hon'ble High Court to Registrar of Companies, Enforcement Directorate or Serious Fraud Investigation Office.

According to information furnished by SEBI, action has been initiated against 34 entities/ companies, with respect to applicability of Section 11AA of SEBI Act 1992 and SEBI Collective Investment Schemes (CIS) Regulations, 1999, as under:

Sl No Category Number  
1 Cases where 4  
SEBI has  
passed  
Interim  
Orders  
2 Cases where 1

SEBI has  
passed Final  
Order  
3 Cases which 4  
are closed or  
referred to  
other agencies  
for initiating  
necessary  
action  
4 Ongoing 25  
Examination  
Total 34

Further, according to the information furnished by RBI, after examination of the companies, the Bank did not find such activities to be falling under its regulatory purview.