

**GOVERNMENT OF INDIA  
CORPORATE AFFAIRS  
LOK SABHA**

UNSTARRED QUESTION NO:2040

ANSWERED ON:31.07.2015

Corporate Frauds

Boianapalli Shri Vinod Kumar;Chowdhury Shri Adhir Ranjan;Kachhadia Shri Naranbhai;Mahato Shri Bidyut Baran;Mohan Shri P. C.;Rajoria Dr. Manoj;Singh Shri Ravneet;Vanaroja Smt. R.

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

- (a) whether the cases of corporate frauds/chit fund scams involving companies reportedly diverting public funds to their sister concerns and declare themselves insolvent in the country have come to the notice of the Government during each of the last three years and the current year, if so, the details thereof, company-wise along with the amount of public money stuck in such cases during the said period, State/UT-wise;
- (b) the number of such cases investigated by the Government along with the number of Auditors/Directors of the companies punished in the country during the said period, company-wise, State/UT-wise;
- (c) the monitoring and regulatory mechanism put in place by the Government in this regard;
- (d) whether the Government has sought cooperation of the Institute of Chartered Accountants of India and Institute of Company Secretaries of India for framing guidelines to curb such frauds/scams and if so, the details thereof along with the response of the said Institutes so far; and
- (e) the other corrective steps taken/being taken by the Government to curb such frauds/scams and to protect the interests of the investors in the country?

**Answer**

THE MINISTER OF CORPORATE AFFAIRS (SHRI ARUN JAITLEY)

(a) & (b): The Ministry, during the last three years and current year, has ordered investigation into the affairs of 145 companies which were allegedly involved in illegal deposit taking activities. A State-wise list of these companies is enclosed as Annexure. In many of the cases where investigations have been completed, diversion of funds so collected and/ or default by the companies in repayment of such deposits has been observed.

(c) Regulation of such activities is covered by the following statutes:

- (i) Chit Funds Act, 1982, under which all chit funds require previous sanction from the respective State Governments.
- (ii) Prize Chits & Money Circulation Schemes (Banning) Act, 1978, enforcement of which lies with State Governments, defines and prohibits illegal chit fund schemes.
- (iii) RBI Act, 1934, administered by the Reserve Bank of India, bars any individual or a firm or unincorporated association of individuals from accepting deposits.
- (iv) SEBI Act, 1992, administered by the Securities and Exchange Board of India, to regulate Collective Investment Schemes.
- (v) Companies Act, 2013 (Sections 73 to 76) read with Companies (Acceptance of Deposit) Rules, 2014.
- (vi) Special legislations passed by certain States to protect the interests of depositors.

(d) & (e) Apart from enforcement of the above statutes and regulations, the following measures have been taken to protect the interests of the investors and to enable effective investigation into the affairs of companies allegedly involved in frauds:

- (i) 'Fraud' has been defined as a substantive offence in the Companies Act, 2013;
- (ii) Section 143(12) of Companies Act, 2013 requires the auditor of a company to report any fraud to the Board of Directors or Audit Committee of that company or to the Central Government, depending on the amount of fraud.

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