

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3329
ANSWERED ON:01.08.2014
MULTI- LEVEL MARKETING FIRMS
Birla Shri Om

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is aware about the illegal pooling of funds collected from investors by some Multi-Level Marketing (MLM) firms;
- (b) if so, the number of cases reported during each of the last three years and the current year;
- (c) whether the Government has formed a committee to draft a bill to regulate the aforesaid firms in the country;
- (d) if so, the details thereof; and
- (e) the time by which the committee report is likely to be submitted to the Government?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SMT. NIRMALA SITHARAMAN)

(a) to (b): Multi Level Marketing (MLM) activity could be construed to be covered under the definition of "Money Circulation Scheme" and is banned under Prize Chit and Money Circulation Schemes (Banning) Act, 1978. As per the said Act, the respective State Governments are empowered to enforce the provisions of the Prize Chits and Money Circulation Schemes (Banning) Act, 1978.

Reserve Bank of India (RBI) has reported that complaints are received alleging cheating / fraud by entities by way of falsely promoting high returns / running money circulation schemes etc. and such complaints are forwarded to the Economic Offences Wing (EOW) of the State Police for investigation and further necessary action.

RBI has been sensitising the State Governments that MLM schemes fall under the Prize Chits and Money Circulation Scheme (Banning) Act, 1978, and they should take appropriate necessary action whenever instances of MLM are reported to them.

To protect the interest of investors, an all India campaign warning the public against fraudsters was conducted by RBI. An advertisement was issued on 03.09.2013 in 197 newspapers cautioning general public to beware of the unauthorised companies accepting public deposits and check the authenticity of the company before placing the deposits with them.

(c) to (e): An Inter-Ministerial Committee under Secretary, Consumer Affairs and representatives from other Departments including RBI as members was constituted to focus on all operational issues linked to the MLM industry and to recommend remedial action. The Committee recommended that there should be greater clarity on the MLM activity. The Committee has submitted its report to the Government.