

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4398
ANSWERED ON:08.08.2014
REPORT OF CHIT FUND
P. Shri Nagarajan

Will the Minister of FINANCE be pleased to state:

- (a) whether the Serious Fraud Investigation Office (SFIO) has submitted its interim report to the Government on the chit fund scam;
- (b) if so, the details of the major finding thereof; and
- (c) the steps taken / being taken by the Government to implement the findings of SFIO?

Answer

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

(a) to (c): The Serious Fraud Investigation Office (SFIO), a multi-disciplinary organization under the Ministry of Corporate Affairs has submitted an interim report of investigations into the affairs of 54 'Chit Fund Companies' operating from the Eastern States of the country.

It is reported that these companies were mobilizing huge funds from the public and certificates for booking of land, flats and tours were issued as camouflage for mobilizing deposits from public in violation of provisions of the Companies Act, 1956.

The interim report, inter-alia, points out that promoters of such companies have taken advantage of multiple legislations with overlapping jurisdictions.

Corrective measures have already been initiated by the Government. Regulatory agencies such as SEBI and RBI have already launched media campaigns aimed at cautioning investors not to fall prey to fraudulent companies.

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 Multi Level Marketing (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.

A communication has been addressed to the Chief Ministers of States requesting them for directions to the State Police Authorities to invoke the provisions of the Prize Chits and Money Circulation Schemes (Banning) Act, 1978 against unscrupulous persons / entities.