

**GOVERNMENT OF INDIA
AGRICULTURE
LOK SABHA**

UNSTARRED QUESTION NO:2642
ANSWERED ON:09.12.2014
TRANSFER OF CHIT FUNDS IN MSCS
Somaiya Dr. Kirit

Will the Minister of AGRICULTURE be pleased to state:

- (a) whether the Government has taken note of strong action taken by the Securities and Exchange Board of India (SEBI) on the bogus chit funds/ponzy companies which have now started Multi-States Cooperative Credit Societies (MSCS) and if so, the details thereof;
- (b) whether the Ministry has studied the transfer of small investor fund in unhealthy non-transparent manner by the promoters in MSCS and if so, the outcome thereof;
- (c) whether the companies which are banned by SEBI have now started MSCS and are having abnormal deposits in few months and if so, the details thereof;
- (d) whether the Government has started interaction with SEBI and other experts to study and take action; and
- (e) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE (SHRI MOHANBHAI KUNDARIA)

(a) to (e): Through various media reports, the office of Central Registrar of Cooperative Societies (CRCS) is aware of the action taken by the Securities and Exchange Board of India (SEBI) and other regulatory agencies against the companies running bogus chit fund/ponzi schemes. The office of CRCS is not aware that the companies banned by SEBI have started Multi- State Co-operative Credit Societies. Under the provisions of the Multi- State Co-operative Societies (MSCS) Act, 2002 and Rules made there under, multi-state co-operative society including credit co-operative society cannot be registered by the companies.

The CRCS has taken several measures to restrict the registration and regulate functioning of the Multi- State Co-operative Credit Societies. Vide order dated 29th May, 2013, it has been decided that Multi-State Cooperative Societies having objects and functions relating to thrift and credit shall be registered only after obtaining 'No Objection Certificate' from the Registrar of Cooperative Societies (RCS) of the State concerned and after submission of verification certificate of the background and other credential of its chief promoter and other promoters.

Submission of 'No Objection Certificate' from the RCS of the State concerned has also been made applicable to the existing Multi-State Co-operative Credit Societies which desire to extend its area of operation to other States/ UTs. Further, on the observations made by Reserve Bank of India, the CRCS vide his order dated 26th March, 2014, has instructed these societies to discontinue accepting deposit from nominal members. Registration of Multi- State Co-operative Credit Societies has been restricted to a large extent due to these measures and only four Multi- State Co-operative Credit Societies have been registered since 29th May, 2013.

With a view to ensure effective monitoring of the multi-state cooperative societies located in various states and union territories, the Government has authorized the RCS of all the States/UTs to carry out inspection of book of Accounts and other activities of the society by delegating powers to them under section 108 of the MSCS Act, 2002 for the multi-state cooperative societies located/operational within their state. Besides, officers of this Department also carry out such inspections. Based on the findings of these inspections, the CRCS has initiated the process under the provisions of section 86 of the MSCS Act, 2002 for winding up of seven Multi- State Co-operative Credit Societies.