

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
LOK SABHA
UNSTARRED QUESTION NO. 2405
ANSWERED ON MONDAY, JULY 8, 2019/ ASHADHA 17, 1941 (SAKA)

FINANCIAL SCAMS

2405. SHRI KHAGEN MURMU: DR.SUKANTA MAJUMDAR: SHRI RAJA AMARESHWARA NAIK:

Will the Minister of FINANCE be pleased to state:

- (a) whether the incidents of financial scams, involved in luring customers to invest by promising them higher returns are on the rise in the country and if so, the details thereof during the last three years;
- (b) whether various chit fund and ponzy schemes scams have been reported in the country including West Bengal;
- (c) if so, the details thereof including the investigations done and the action taken thereon;
- (d) whether the Government has promulgated the Banning of Unregulated Deposit Schemes Ordinance, 2019 to deal with such scams and if so, the details thereof; and
- (e) the other steps being taken by the Government to curb financial scams in the country

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ANURAG SINGH THAKUR)

(a) to (c): As per the information received from regulators and enforcement agencies, the following are the details:

- The Reserve Bank of India (RBI) has informed that as on 31.03.2019, 1288 cases related to unauthorized deposit collection were discussed in State Level Coordination Committee (SLCC) meetings. Of these, 155 cases relate to West Bengal and were discussed in various meetings of SLCC in West Bengal.
- The Sachet portal of RBI, which is the online platform for SLCCs that facilitates the public to lodge complaints of financial frauds, has received 5225 complaints (since the launch of the portal in August 2016) related to non-repayment of deposits and money collected for various kinds of Investment Schemes (1461 in 2016-17, 1683 in 2017-18, and 2081 in 2018-19).
- The Securities and Exchange Board of India (SEBI) has passed Orders against 75 entities for non-compliance of SEBI (Collective Investment Schemes) Regulations, 1999 during the last 4 years (34 in 2015-16, 11 in 2016-17, 19 in 2017-18 and 11 in 2018-19). SEBI has also passed 34 orders related to issuance of equity shares/ convertible securities to the public in violation of law during the last 4 years (5 in 2015-16, 3 in 2016-17, 16 in 2017-18, 8 in 2018-19 and 2 in 2019-20 till 31.05.2019).

- The Directorate of Enforcement (ED) has informed that during the last three years, ED has initiated investigation in 27 cases under the Prevention of Money Laundering Act, 2002 related to Chit Fund and Ponzi Schemes.
- The Ministry of Corporate Affairs (MCA) has ordered investigation into the affairs of 109 companies allegedly involved in investment scams (such as Chit Fund scams/ MLM/ Ponzi Schemes) and has assigned them to the Serious Frauds Investigation Office (SFIO) during the last three years (47 in 2015-16, 27 in 2016-17, 34 in 2017-18 and 1 in 2018-19).
- The Central Bureau of Investigation (CBI) has registered 166 cases relating to Chit Fund / Ponzi companies during the last 4 years (14 in 2015, 23 in 2016, 109 in 2017 and 20 in 2018 upto 30.11.2018).

(d): Yes, Sir. The Banning of Unregulated Deposit Schemes Ordinance, 2019 was promulgated by the Hon'ble President on 21.02.2019 and it came into effect on the same day. The Ordinance contains comprehensive provisions to tackle illicit deposit taking activities in the country and to protect the interests of depositors. The Ordinance contains a substantive banning clause which bans deposit takers from promoting, operating, issuing advertisements or accepting deposits in any Unregulated Deposit Scheme. The Ordinance also provides for severe punishment and heavy pecuniary fines to act as deterrent.

(e): The following measures have been taken by the Government to curb unauthorized schemes and to prevent common people from losing their hard earned money:

- 28 States / Union Territories have passed Protection of Interest of Depositors (PID) Acts for taking action against entities collecting money from the public illegally.
- SLCCs have been set up in all States and UTs with participation by all State Government officials, law enforcement agencies, regulators, etc. SLCCs were reconstituted in April 2014 with the Chief Secretary of the State as the Chair and the frequency of such meetings has been increased from twice a year to four times a year.
- RBI has cautioned the public regarding Ponzi schemes under the head of Frequently Asked Questions (FAQs) on their website, and through advertisements on newspapers/ radio/ television. Further, through RBI's online portal SACHET (<https://sachet.rbi.org.in>), the public is cautioned against fraudulent schemes/entities.
- SEBI is empowered to regulate Collective Investment Schemes (CIS) under Section 11AA of the SEBI Act, 1992. With regard to irregularities in the securities market, SEBI is empowered to conduct investigation, take appropriate enforcement actions under the SEBI Act, 1992 and issue Orders.
- ED has been mandated with the task of enforcing the provisions and investigating the contravention of the Foreign Exchange Management Act, 1999 (FEMA), the Prevention of Money Laundering Act, 2002 (PMLA), and the Fugitive Economic Offenders Act, 2018.
- MCA conducts investor awareness programs to educate the general public to learn from websites of various Ministries the information published regarding the persons involved in the scheme, etc. before making any investment.
