

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**RAJYA SABHA
UNSTARRED QUESTION NO. 3560
ANSWERED ON TUESDAY, THE 12TH AUGUST, 2014**

**PROLIFERATION OF ILLEGAL COLLECTIVE INVESTMENT SCHEMES
QUESTION**

3560. DR. T. N. SEEMA:

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) whether Government has identified around 35,000 companies functioning as Non-Banking Financial Companies (NBFC) which are not registered with Reserve Bank of India (RBI);
- (b) if so, the details thereof and the steps taken by RBI to prosecute such entities;
- (c) whether the Serious Fraud Investigation Office (SFIO) has reported lack of coordination between Government agencies for the proliferation of illegal collective investment scheme across the country where investors have lost their money;
- (d) if so, the details thereof; and
- (e) the steps taken or being taken by Government to protect the life time savings of small investors?

ANSWER

THE MINISTER OF STATE
IN THE MINISTRY OF CORPORATE AFFAIRS

(SMT. NIRMALA SITHARAMAN)

(a) & (b):- Ministry of Corporate Affairs sent a list of 34,754 companies having enabling clauses in their Memorandum of Association for undertaking NBFC like business, to identify companies which were carrying on business on the lines of NBFC without a license from RBI. RBI has commenced the process to ascertain the facts from all the companies which appear to have unauthorisedly accepted public deposits.

(c) & (d):- The Serious Fraud Investigation Office (SFIO), during the course of Investigation of the so called chit fund Companies, observed that promoters of such companies were taking advantage of multiple legislations like the Prize Chits and Money Circulation Schemes (Banning) Act, 1978 and the Chit Funds Act, 1982, etc. Subsequently, an Inter-Ministerial Group (IMG) was constituted by the Ministry of Finance (Department of Financial Services) with representatives from Ministry of Finance, Ministry of Corporate Affairs, Reserve Bank of India and Securities and Exchange Board of India, for better inter-agency coordination in such matters.

(e):- The Ministry has taken following steps to protect the interests of small investors:

(i) The Ministry organizes investor awareness programmes regularly in association with the three professional institutes-Institute of Chartered Accountants of India (ICAI), Institute of Cost Accountants of India (ICAI) and Institute of Company Secretaries of India (ICSI) in various cities under the aegis of Investor Education and Protection Fund (IEPF). The programmes are held for creating awareness and empowerment amongst investors. Since 2012-13, MCA has also started organizing such programmes in rural areas through CSC e-Governance Services India Ltd., an entity under Department of Electronics and Information Technology. 2897 such programmes were organized during the year 2013-14;

(ii) Enhanced Disclosure norms for better information to investors, regulators and other stakeholders have been provided under the Companies Act, 2013;

(iii) Auditors' accountability and independence enhanced under the Companies Act, 2013 which inter alia include rotation of auditors, etc.
