

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES**

LOK SABHA

**UNSTARRED QUESTION NO. 2169
TO BE ANSWERED ON FRIDAY, JULY 28, 2017/SHRAVANA 6, 1939 (SAKA)
PONZI COMPANIES**

2169. SHRI SHIVKUMAR UDASI:

Will the Minister of FINANCE be pleased to state:

- (a) the details of ponzi schemes floated by firms in different States in the country;
- (b) whether many of these firms have cheated the small investors and if so, the details thereof;
- (c) the measures being taken by the Government to curtail these ponzi schemes and save millions of people from becoming prey to these schemes; and
- (d) whether the Government proposes to amend the Chit Fund Act to protect the small investors and if so, the details thereof?

ANSWER

**THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI SANTOSH KUMAR GANGWAR)**

(a) to (b): The Government has received various complaints regarding cheating of small investors, particularly by the companies involved in Ponzi / Chit Fund / Multi Level Marketing activities in different states in the country. There are no provisions in the Companies Act, 1956 or 2013 relating to Ponzi Companies, However, in complaints of serious nature involving companies which have defaulted after raising money from the public, the Ministry of Corporate Affairs (MoCA) order investigation into the affairs of such companies under section 210 and 212 of the Companies Act, 2013.

Further, State Level Coordination Committee (SLCC) is the joint forum formed in all States to facilitate information sharing among the Regulators and Enforcement Agencies of the State with the objective to control incidents of unauthorized acceptance of deposits by unscrupulous entities. SLCCs were reconstituted in May, 2014 with renewed focus on unauthorized collection of money by unscrupulous entities. The Reserve Bank of India (RBI) has indicated that there are total 486 cases as on March, 2017 pertaining to unauthorized collection of money by entities in various States /Union Territories discussed in such SLCC / Sub Committee meetings.

The Central Bureau of Investigation (CBI) has also informed that it has registered and investigated cases against various Ponzi Companies for fraud and scams on the basis of complaints / directions of the Court. The year-wise break-up of these cases are as under:

Financial Year	No of cases
2014	66
2015	11
2016	12
2017 (upto 30.06.2017)	26
Total	115

(c) and (d): The interests of participants in Chit Funds are protected under the Chit Funds Act 1982, under which Chit Funds have to be registered with and regulated by the respective State Registrars of Chits. On the other hand, Prize-chits/ money circulation schemes/ ponzi schemes are banned under the Prize Chits and Money Circulation Schemes (Banning) Act, 1978, under which investigations are to be carried out by the State Police authorities. In order to protect the interest of small investors and depositors against illicit schemes, 24 States and 3 Union Territories (UTs) have enacted special laws called the Protection of Interest of Depositors' (In Financial Establishments) Acts, where by States/ UTs are empowered to take action.

Further, in this regard, the Ministry of Corporate Affairs has taken following measures:

- i. 'Fraud' as a substantive offence has been defined in Section 447 of the Companies Act, 2013.
- ii. Stricter norms of Corporate Governance and their implementation have been built in the companies Act, 2013.
