

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

LOK SABHA

**UNSTARRED QUESTION NO. 1375
TO BE ANSWERED ON FRIDAY, FEBRUARY 09, 2018/ MAGHA 20, 1939 (SAKA)
PONZI SCHEMES**

1375. SHRI C.S. PUTTA RAJU:

Will the Minister of FINANCE be pleased to state:

- (a) the details of Ponzi schemes floated by firms, State/UT-wise;
- (b) whether many of these firms have cheated the small investors;
- (c) if so, the details of these schemes particularly in Karnataka; and
- (d) whether the Government proposes to amend the Chit Fund Act to protect the small investors, if so, the details thereof ?

**ANSWER
THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI SHIV PRATAP SHUKLA)**

(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, 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 the incidents of unauthorized acceptance of deposits by unscrupulous entities. SLCCs were reconstituted in May, 2014 with renewed focus on this objective. As per information received from the Reserve Bank of India (RBI), 606 cases relating to fraudulent schemes were discussed in State / Union Territory (UT) SLCC Meetings as on March 2017.

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. Details of the cases investigated and charge

sheeted by CBI in the Court or under investigation during the last three years i.e. 2015, 2016, 2017 & 2018 (upto 31.01.2018), is as under:

Year	No of cases
2015	11
2016	12
2017 & 2018 (upto 31.01.2018)	110
Total	133

(c): As per the report furnished by RBI, 29 cases relating to fraudulent schemes were discussed in Karnataka State SLCC meetings, as on March, 2017.

(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.
