

**GOVERNMENT OF INDIA  
MINISTRY OF CORPORATE AFFAIRS**

**LOK SABHA  
UN-STARRED QUESTION NO.2022  
ANSWERED ON FRIDAY, THE 21<sup>st</sup> DECEMBER, 2018  
[AGRAHAYANA 30, 1940 (SAKA)]**

**CORPORATE FRAUDS**

**QUESTION**

**2022. SHRI RAJU SHETTY:**

**Will the Minister of CORPORATE AFFAIRS  
be pleased to state:**

कॉर्पोरेट कार्यमंत्री

- (a) whether the Government has taken cognizance of a study report of the Thought Arbitrage Research Institute (TARI) which has revealed that dimensions of corporate frauds have increased manifold in the last 15 years in which half of the cases relates to misappropriation of funds by the promoters/top management and cheating the money lenders;
- (b) if so, the details regarding conclusions of the said report and the reaction of the Government on the opinions of market regulator like SEBI and the ample number of auditors of these companies; and
- (c) the steps proposed to be taken by the Government to improve the situation?

**ANSWER**

**MINISTER OF STATE FOR LAW AND  
JUSTICE AND CORPORATE AFFAIRS**

**(SHRI P.P.CHAUDHARY)**

(श्री पी पी चौधरी)

विधि और न्याय एवं कॉर्पोरेट कार्य मंत्रालय में राज्य मंत्री

(a) to (b): No such report has been shared with Serious Fraud Investigation Office, Ministry of Corporate Affairs or with SEBI by the Institute. However, the Central Government has ordered and assigned to SFIO, number of investigation cases involving many companies during the last 15 years ending 31.03.2018 where alleged fraudulent activities by corporates were reported. These include cases of misappropriation of funds by the promoters/top management and cheating the money lenders.

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(c) The Government has taken a number of measures to curb and prevent corporate frauds: (i) 'Fraud' as a substantive offence has been introduced in the Companies Act, 2013, (ii) statutory status to the Serious Fraud Investigation Office has been granted under the said Act, (iii) stricter norms of Corporate Governance and their implementation have been prescribed in the Companies Act, 2013, (iv) it has been made mandatory for every existing or prospective directors to obtain a "Directors Identification Number" (DIN), (v) In case of incorporation of a new company or change of address of an existing company, the Ministry has made it mandatory for professionals to verify details of the company and to personally visit their premises and certify that the premises are at the disposal of the company, (vi) The Ministry has also undertaken pre-emptive measures aimed at sensitizing people through investors awareness programmes. These programmes are organized regularly in association with the three professional institute-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.

Further, SEBI has put in place systems and practices to promote a safe, transparent and efficient securities market and to protect market integrity. SEBI maintains constant vigil in the securities market and in case where any entity/listed company is found to have engaged in any fraudulent activity in the securities market, it takes appropriate action, wherever warranted. In order to prevent fraudulent and unfair trade practices, SEBI has put in place a regulatory framework viz. SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003. SEBI conducts investigation to examine alleged or suspected violations of laws and Regulations relating to the securities market. Post investigation, whenever violations are established, appropriate enforcement actions are taken under the provisions of the SEBI Act, 1992 and Regulations framed thereunder.

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