

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

LOK SABHA4

UNSTARRED QUESTION NO. 694

**TO BE ANSWERED ON FRIDAY, DECEMBER 14, 2018/AGRAHAYANA 23, 1940 (SAKA)
MULTI-CRORE SCAMS**

694. SHRI D.K. SURESH:

Will the Minister of FINANCE be pleased to state:

- (a) whether the incidents of the multi-crore investment scams, involved in luring customers to invest by promising them higher returns are on the rise in the country, if so, the details thereof;
- (b) the number of such investment scams reported in the country during the last three years, year/scam-wise;
- (c) whether the Government has taken any measures to curb the growing scams and rescue the common people from losing their hard earned money, if so, the details thereof; and
- (d) whether the Government has taken any steps against the culprits involved in such scams and if so, the details thereof?

ANSWER

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

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

- The Reserve Bank of India (RBI) has informed that 978 cases of unauthorized collection of funds were discussed in State Level Coordination Committee (SLCC) meetings in various States/ Union Territories, so that action may be taken by the respective regulators/ law enforcement agencies in the States for dealing with the complaints.
- The Securities and Exchange Board of India (SEBI) has received complaints alleging raising of funds by companies from the public from through issuance of shares / convertible securities without complying with the statutory/regulatory requirements specified by SEBI. SEBI has passed 30 orders related to Deemed Public Issue of Equity (DPI) during the last 3 years (5 in 2015-16, 3 in 2016-17, 16 in 2017-18 and 6 in 2018-19 till Nov, 2018). SEBI has also passed Orders against 73 entities for non-compliance of SEBI (Collective Investment Schemes) Regulations, 1999 during the last 3 years (34 in 2015-16, 11 in 2016-17, 19 in 2017-18 and 9 in 2018-19 till Nov, 2018).

- During the last three years, the number of investment scams reported to the Enforcement Directorate (ED) is 49 (38 in 2016, 05 in 2017 and 06 in 2018).
- 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).

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

- The Banning of Unregulated Deposit Schemes Bill, 2018 has been introduced in the Lok Sabha on 18.07.2018. The proposed Bill will ban all such deposit schemes which are unregulated.
- 28 States / Union Territories have passed Protection of Interest of Depositors (PID) Acts for taking action against entities collecting money from the public by making false promises regarding unreasonable rates of interest on deposit.
- RBI has cautioned the public regarding Ponzi schemes under the head of Frequently Asked Questions (FAQs) on their website. Further, through RBI's online portal SACHET (<https://sachet.rbi.org.in>), public are cautioned against fraudulent schemes/entities. Advertisements are also published by RBI through Newspaper/Radio/ Television on the need to verify credentials of offers/entities before making any investment by public.
- ED has issued Provisional Attachment Orders and filed Prosecution Complaints in cases involving contravention of the Foreign Exchange Management Act, 1999 (FEMA) and scheduled offences under the Prevention of Money Laundering Act, 2002 (PMLA).
- MCA has filed Prosecution against companies and directors as per the law for violations under various provisions of the Companies Act, 2013. MCA also conducts investor awareness programs in co-ordination with professional institutes and trade associations 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.
- SEBI is empowered to examine complaints and pass orders under Sections 11 and 11B of the SEBI Act, 1992, directing companies/ directors / promoters to refund the amount collected from investors along with interest at 15% p.a, and debarring companies/ directors / promoters involved in such cases from accessing the securities market for a specified period. SEBI is also empowered to regulate Collective Investment Schemes (CIS) under Section 11AA of the SEBI Act, 1992.
