

GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS
LOK SABHA
UNSTARRED QUESTION NO. 1455
ANSWERED ON MONDAY, THE 1st JULY, 2019/ ASHADHA 10, 1941 (SAKA)
CORPORATE FRAUDS

QUESTION

1455 : DR. AMOL RAMSING KOLHE:
SHRIMATI SUPRIYA SULE:
DR. SUBHASH RAMRAO BHAMRE:
DR. HEENA GAVIT:
SHRI KULDEEP RAI SHARMA:
SHRI SUNIL DATTATRAY TATKARE:

Will the Minister of CORPORATE AFFAIRS
be pleased to state:

कॉर्पोरेट कार्य मंत्री

- (a) whether the Government is aware of the growing Corporate Frauds reported during the last three years;**
- (b) if so, the details thereof along with the action taken against corporate frauds;**
- (c) whether the Government has signed a Memorandum of Understanding (MoU) with Securities and Exchange Board of India (SEBI) recently to curb the white collar frauds;**
- (d) if so, the details thereof;**
- (e) whether the Government will also constitute Data Exchange Steering Group to review the data exchange status periodically and if so, the details thereof; and**
- (f) the steps taken/being taken by the Government to minimize these white collar frauds in near future?**

ANSWER

THE MINISTER FOR FINANCE AND
CORPORATE AFFAIRS

(SMT. NIRMALA SITHARAMAN)

वित्त एवं कॉर्पोरेट कार्य मंत्री

(श्रीमती निर्मला सीतारामन)

(a) & (b): Yes. Government is aware of the Corporate Frauds reported during the last three years. 79 investigations were assigned to Serious Fraud Investigation Office (SFIO) in last three years wherein 594 companies are involved. Further, 256 investigations have also been assigned to Regional Directors (RDs) / Registrars of Companies (ROCs) of Ministry of Corporate Affairs in last three years. Further, SFIO has filed number of complaints before the Competent Court. Prosecutions have been filed by Registrars of Companies for fraud and non-compliances of various provisions of the Companies Act. Securities and Exchange Board of India (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 which culminate in the issuance of Orders. These Orders are available in public domain and can be accessed from SEBI website.

(c) & (d): Securities and Exchange Board of India (SEBI) has signed Memorandum of Understanding (MoU) with Ministry of Corporate Affairs (MCA) for exchange of data on June 07, 2019. MoU will facilitate the sharing of data and information

between SEBI and MCA on an automatic and regular basis. It will enable sharing of specific information such as details of suspended companies, delisted companies, shareholding pattern from SEBI and financial statements filed with the Registrar by corporates, returns of allotment of shares, audit reports relating to corporates. The MoU will ensure that both MCA and SEBI have seamless linkage for regulatory purposes. In addition to regular exchange of data, SEBI and MCA will also exchange with each other, on request, any information available in their respective databases, for the purpose of carrying out scrutiny, inspection, investigation and prosecution.

(e): A MoU was signed on 07-June-2019 between MCA and SEBI for exchange of data. A Data Exchange Steering Committee will be constituted vide clause No. 24 of the said MoU as follows:-

- a) Executive Director, SEBI**
- b) Joint Secretary, MCA**
- c) Nodal officer and alternate nodal officer, SEBI**
- d) Nodal officer and alternate nodal officer, MCA.**

(f): The Government had set up Serious Fraud Investigation Office (SFIO) through a Government Resolution dated 2nd July, 2003 to look into cases of serious corporate fraud. The Central Government has ordered and assigned to SFIO, a number of investigation cases involving many companies 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. Statutory status to the Serious Fraud Investigation Office has been granted under the Companies Act, 2013. 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) stricter norms of Corporate Governance have been provided in the Companies Act, 2013; (iii) it has been made mandatory for every existing or prospective directors to obtain a "Directors Identification Number" (DIN); (iv) 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; (v) the Ministry has also undertaken pre-emptive measures aimed at sensitizing people through investors awareness programmes which are organized regularly in association with the three professional institutes namely Institute of Chartered Accountants of India (ICAI), Institute of Cost Accountants of India (ICoAI) and Institute of Company Secretaries of India (ICSI) in various cities. Ministry of Corporate Affairs also initiated KYC Norms and 16,80,472 Directors have complied with these norms. SEBI has put in place systems and practices to promote a safe, transparent and efficient market and to protect market integrity. The systems and practices are reviewed continuously and modified to meet emerging needs. SEBI maintains constant vigil in the market and wherever any entity is found to engage in any fraudulent activity it takes appropriate action against it. Further, where irregularities are noticed, SEBI investigates and takes appropriate actions such as direction, adjudication, enquiry, etc. under the provisions of the SEBI Act, 1992 and Regulations framed thereunder.