

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**LOK SABHA
UN-STARRED QUESTION NO. 3147
ANSWERED ON MONDAY, 20th MARCH, 2023
PHALGUNA 29, 1944 (SAKA)**

**CORPORATE FRAUDS
QUESTION**

3147. SHRI CHANDESHWAR PRASAD:

Will the Minister of CORPORATE AFFAIRS

कारपोरेट कार्य मंत्री

be pleased to state:

- (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 by the Government against such frauds;**
- (c) whether the Government has signed a Memorandum of Understanding (MOU) with Securities and Exchange Board of India (SEBI) to curb the white collar frauds;**
- (d) if so, the details thereof; and**
- (e) the steps taken/being taken by the Government to minimize these white collar frauds in near future?**

ANSWER

Minister of State (Independent Charge) of the Ministry of Statistics and Programme Implementation; Minister of State (Independent Charge) of the Ministry of Planning and Minister of State in the Ministry of Corporate Affairs.

(Rao Inderjit Singh)

(a) & (b): Fraud is covered under Section 447 of the Companies Act, 2013, the investigation of which is covered under section 210 and 212 of the Companies Act, 2013. In the last 03 years (2019-20, 2020-21 and 2021-22) investigations relating to 491 companies were assigned to Serious Fraud Investigation Office (SFIO) and investigations relating to 293 companies have been assigned to Regional Directors (RDs) of Ministry of Corporate Affairs. SFIO has filed number of complaints before the Competent Courts. Prosecutions have been filed by Registrars of Companies for fraud and non-compliances of various provisions of the Companies Act. Further, as intimated by Securities and Exchange Board of India (SEBI), it also 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.

(c) & (d): SEBI has signed Memorandum of Understanding (MoU) with Ministry of Corporate Affairs (MCA) for exchange of data on June 07, 2019 with the objective of facilitating the sharing of data and information between SEBI and MCA on an automatic and regular basis, sharing of specific information related to suspended and delisted companies, shareholding pattern from SEBI and financial statements filed with the Registrars of the Companies by corporates etc. In addition to regular exchange of data, SEBI and MCA 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): 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. In addition, 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 has also initiated KYC Norms for Directors and companies. 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 be engaged 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.
