

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA

UNSTARRED QUESTION NO. 3501

TO BE ANSWERED ON MONDAY, MONDAY, MARCH 16, 2020/ PHALGUN 26, 1941 (SAKA)

Ponzi Schemes

3501:

SHRI SUDHEER GUPTA:

SHRI SHRIRANG APPA BARNE:

SHRI BIDYUT BARAN MAHATO:

SHRI SANJAY SADASHIV RAO MANDLIK:

SHRI GAJANAN KIRTIKAR:

Will the Minister of FINANCE be pleased to state:

- (a) whether a number of Ponzi schemes floated by firms/companies/individuals in different parts of the country and duping common people have come to the notice of the Government;
- (b) if so, the details of such Ponzi firms/ companies/ individuals identified by the Government during each of the last three years and the current year, State/UT-wise;
- (c) whether the Economic Offences Wing has busted a racket of Ponzi Scheme to dupe around 400 people in the country recently and if so, the details thereof;
- (d) whether the Government has made any arrest in this regard and if so, the details thereof;
- (e) whether the Reserve Bank of India and Securities and Exchange Board of India proposes to make laws/ rules for accepting deposits or investment more stringent to counter Ponzi schemes in near future and if so, the details thereof; and
- (f) the other steps taken/being taken by the Government to put a check on such Ponzi scheme and save millions of people?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI ANURAG SINGH THAKUR)

(a) and (b): Yes, Sir. As per the information received from regulators and enforcement agencies, the following are the details of cases where action has been taken against unauthorized schemes:

- The Reserve Bank of India (RBI) has informed that as of February 2020, 1609 cases related to unauthorized deposit collection were discussed in State Level Coordination Committee (SLCC) meetings.
- The Sachet portal of RBI, which is the online platform for SLCCs that facilitates the public to lodge complaints of financial frauds, received 5225 complaints as on 31.03.2019 (since the launch of the portal in August 2016) related to non-repayment of deposits and money collected for various kinds of Investment Schemes (1461 in 2016-17, 1683 in 2017-18, and 2081 in 2018-19).
- The Ministry of Corporate Affairs (MCA) has informed that during the last three years and current year (till 29.02.2020), the Serious Frauds Investigation Office (SFIO) has submitted investigation reports in 15 cases involving 112 companies which were allegedly involved in unauthorized Ponzi activities.

- The Central Bureau of Investigation (CBI) has registered 146 cases relating to unauthorized Ponzi companies during the last 4 years (109 in 2017, 26 in 2018, 9 in 2019, and 2 in 2020 upto 29.02.2020).
- The Securities and Exchange Board of India (SEBI) has passed Orders against 75 entities for non-compliance of SEBI (Collective Investment Schemes) Regulations, 1999 during the last 4 years (34 in 2015-16, 11 in 2016-17, 19 in 2017-18 and 11 in 2018-19). SEBI has also passed 34 orders related to issuance of equity shares/ convertible securities to the public in violation of law during the last 4 years (5 in 2015-16, 3 in 2016-17, 16 in 2017-18, 8 in 2018-19 and 2 in 2019-20 till 31.05.2019).

(c) and (d): The State Government of Goa has informed that the Economic Offence Cell PS has registered FIR on 07.02.2020 under Sections 403, 409 and 420 read with Section 34 of the IPC, Sections 4 and 5 of the Prize Chits and Money Circulation Schemes (Banning) Act, 1978, and Sections 3 and 5 of the Goa Protection of Interest of Depositors (in Financial Establishments) Act, 1999 in a case for accepting deposits/ investment from the public with promise of high rate of interest and without any license/ permission from any regulator / Government Department like RBI/ SEBI/ Department of Consumer Affairs. The Economic Offence Cell PS has arrested the accused in the case.

(e) and (f): In order to put a check on ponzi schemes and protect the interests of people, the Banning of Unregulated Deposit Schemes Act, 2019 has been enacted. It received the assent of the President on 31.07.2019 and has come into force from 21.02.2019 after replacing the Banning of Unregulated Deposit Schemes Ordinance, 2019. The Act contains comprehensive provisions to tackle illicit deposit taking activities in the country and to protect the interests of depositors. The Act contains a substantive banning clause which bans deposit takers from promoting, operating, issuing advertisements or accepting deposits in any Unregulated Deposit Scheme. The Act also provides for severe punishment and heavy pecuniary fines to act as deterrent. Further, the following measures have been taken by the Government to curb unauthorized schemes and to prevent common people from losing their hard earned money:

- 29 States / Union Territories have passed respective Protection of Interest of Depositors (PID) Acts for taking action against entities collecting money from the public illegally.
- State Level Coordination Committees (SLCCs), which are joint forums of financial sector regulators, State Government officials and law enforcement agencies to facilitate information sharing and coordinated action against illegal mobilization of funds from the public, were reconstituted in States and Union Territories in April 2014, with the Chief Secretary of the State/ UT as the Chair and the frequency of the meetings increased from twice to four times a year.
- RBI has cautioned the public regarding Ponzi schemes under the head of Frequently Asked Questions (FAQs) on their website, and through advertisements on newspapers/ radio/ television. Further, through RBI's online portal SACHET (<https://sachet.rbi.org.in>), the public is cautioned against fraudulent schemes/ entities. The portal has been revamped in October 2019 to make it more user-friendly, and is now available in 11 regional languages in addition to Hindi and English to enable wider reach of the platform.
- The Directorate of Enforcement (ED) initiates investigations in cases related to ponzi schemes under the Prevention of Money Laundering Act, 2002 on the basis of FIR/ Chargesheet registered / filed by Law Enforcement Agencies (LEAs).
- SEBI is empowered to regulate Collective Investment Schemes (CIS) under Section 11AA of the SEBI Act, 1992.
- MCA conducts investor awareness programs 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.
