

GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS
LOK SABHA
UN-STARRED QUESTION NO. 3068
ANSWERED ON MONDAY, MARCH 15, 2021/ PHALGUNA 24, 1942 (SAKA)

CORPORATE FRAUD
QUESTION

†3068. SHRI KAPIL MORESHWAR PATIL

Will the Minister of CORPORATE AFFAIRS
be pleased to state:

कारपोरेट कार्य मंत्री

- (a) whether the Government is aware that the cases of corporate fraud have increased in the country during the last five years;
- (b) if so, the details thereof;
- (c) the details of the punishment or penalty imposed on the defaulters during the said period; and
- (d) the action taken/proposed to be taken by the Government to check the said fraud?

ANSWER

THE MINISTER OF STATE FOR
FINANCE AND CORPORATE AFFAIRS

(SHRI ANURAG SINGH THAKUR)

वित्त एवं कारपोरेट कार्य मंत्रालय में राज्य मंत्री

(श्रीअनुराग सिंह ठाकुर)

(a) and (b): The Government is aware of the Corporate Frauds reported during the last five years . Details of Investigations ordered during last five years is as under:

Financial year	No. of investigations ordered and assigned to SFIO		No. of investigations ordered and assigned to RDs	
	No. of cases	No. of companies	No. of cases	No of companies
2015-16	21	184	3	3
2016-17	25	111	2	2
2017-18	22	226	52	117
2018-19	33	414	27	126
2019-20	26	326	33	100

(c): Details of the punishment or penalty imposed on the defaulters during the last five years period is as under:

Years	No. of Convictions	Fine Imposed (in Rs.)
2015-16	927	64,01,902
2016-17	828	1,14,05,987
2017-18	572	7,02,10,532
2018-19	680	3,97,83,699
2019-20	424	5,24,30,392

The Securities and Exchange Board of India (SEBI) has informed that it has initiated the following enforcement actions in the last five years:

Type of Regulatory Action Initiated	No. of Entities				
	2019-20	2018-19	2017-18	2016-17	2015-16
Prosecution proceedings Initiated	10	0	133	91	0
Administrative Warning	69	40	322	206	454
Proceedings under Section 11 of SEBI Act, 1992	678	498	1195	604	1726
Proceedings under Intermediaries Regulations	0	7	1	2	0
Adjudication Proceedings	1294	15910	1256	897	1257
Enforcement under Summary Settlement	20	0	0	0	0

(d): 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, 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 SFIO 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 of Corporate Affairs (MCA) 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) MCA has also undertaken pre-emptive measures aimed at sensitizing people through investors awareness programs 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.

Further, SEBI has informed that it 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 which culminate in the issuance of Orders.