

GOVERNMENT OF INDIA
(MINISTRY OF FINANCE)
(DEPARTMENT OF ECONOMIC AFFAIRS)

LOK SABHA
UNSTARRED QUESTION NO. 960
TO BE ANSWERED ON FRIDAY, DECEMBER 4, 2015/AGRAHAYANA 13, 1937 (SAKA)

PONZI SCHEMES

QUESTION

960. DR. KIRIT SOMAIYA:

Will the Minister of FINANCE be pleased to state:

- (a) whether it is true that Madhya Pradesh High Court in 2012-13 had issued guidelines against 13 major Ponzi companies/schemes and asked the regulators including SEBI to initiate action;
- (b) whether the SEBI issued prohibitory orders against few of the above companies but did not see that the orders are executed;
- (c) the efforts made by SEBI to see that orders are executed and money is not transferred to other sister companies;
- (d) whether SEBI has received any representations from any quarter in this regard; and
- (e) if so, the details thereof along with the action taken by SEBI in the matter?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI JAYANT SINHA)

(a): Yes, Sir.

An order was passed by the Hon'ble High Court of Madhya Pradesh (Gwalior Branch), in the matter of Dharma Vir Singh and Anr. vs. Union of India and Ors. [Writ petition no 3332 of 2010(PIL)] whereby the Hon'ble High Court of Madhya Pradesh directed that appropriate action in accordance with Law may be taken against 33 companies mentioned in the order by various authorities including Securities and Exchange Board of India (SEBI).

The Hon'ble High Court of Madhya Pradesh has observed that these companies had received deposits from public by floating various types of plans viz. instalment plan and lump sum payment plan against the sale of land units, plants and that of livestock. The companies entered into contract with the investors and they have committed offences under Section 3 (1), 3(2), and 3(4) of Madhya Pradesh Nikshepakon Ke Hiton Ka Sanrakshan Adhiniyam 2000, Sections 58B (5 & 5A) & 58C of Reserve Bank of India (RBI) Act, 1934 and Sections 4, 5, 6 of the Prize Chit and Money Circulation Scheme (Banning) Act, 1978 and Section 420 of Indian Penal Code respectively.

SEBI regulates Collective Investment schemes (CIS) as defined under section 11AA of the SEBI Act, 1992. Money circulation schemes are banned under Prize Chit and Money Circulation Schemes (Banning) Act, 1978 [PCMCSB Act]. As per the said Act, State Government is the enforcement agency and SEBI has no role in enforcing the PCMCSB Act.

(b) & (c): SEBI after completion of examination of the activities of these 33 entities mentioned in the order of Hon'ble High Court of Madhya Pradesh, passed ex-parte interim order against 11 entities for carrying out unregistered Collective Investment Scheme (CIS) activities/deemed public issue of securities and remaining 22 entities were referred to authorities concerned as activities of these entities did not fall under the regulatory purview of SEBI.

For execution of the order passed by SEBI, SEBI has forwarded the copy of the order to the State Governments concerned, RBI and Ministry of Corporate Affairs (MCA). SEBI also issues press releases on a quarterly basis cautioning investors not to invest in the schemes floated by these unregistered CIS entities.

(d): Out of the 11 entities against whom SEBI has passed interim order, SEBI has received complaints/ reference against certain entities alleging non-compliance of the direction given in the interim order.

(e): The details of entities against whom SEBI has received complaints alleging non-compliance of interim order is placed at Annexure-A

ANNEXURE A

Sl No.	Name of the entity	Date of Interim order	Details of receipt of reference/ complaint	Action taken by SEBI
1	Sai Prasad Properties Ltd. and Sai Prasad Foods Ltd.	July 17, 2013	<p>SEBI received an individual complaint dated December 06, 2013, inter-alia alleging that the entity is not complying with the order of SEBI.</p> <p>SEBI received letter dated June 19, 2015 from Dr. Kirit Somaiya, Hon'ble Member of Parliament alleging that these companies are illegally transferring money to their sister concern</p>	<p>a. Adjudication proceedings have been initiated against these two companies on 15.09.14 for violation of the directions contained in the SEBI's interim order.</p> <p>b. Prosecution launched for violation of SEBI's interim order directions on 06.07.15.</p> <p>c. Complaint made to Economic Offences Wing(EOW) on 30.10.15</p> <p>d. Vide letter dated June 19, 2015, the matter was referred to the State Government of Maharashtra, MCA and RBI</p>
2	Samruddha Jeevan Foods India Limited (SJFIL)	October 31, 2013	<p>SEBI received a letter from CBI forwarding a complaint alleging collection of money in spite of SEBI interim order.</p> <p>SEBI received another letter dated June 19, 2015 from Dr. Kirit Somaiya, Hon'ble Member of Parliament, alleging that these companies are illegally transferring money to their sister concern</p>	<p>a. Adjudication proceedings have been initiated against SJFIL on 29.04.14 for violation of the directions contained in the SEBI's interim order.</p> <p>b. Prosecution launched for violation of SEBI's interim order directions on 07.07.15.</p> <p>c. Complaint made to EOW, Pune on 30.10.15</p> <p>d. Vide letter dated June 19, 2015, the matter was referred to the State Government of Maharashtra, MCA and RBI</p>