

87 companies under scanner for fraudulent investment schemes: Pilot

The corporate affairs ministry today said investigations or inspections have been initiated against 87 companies following complaints against the entities for floating fraudulent investment schemes. Further, to crackdown on entities floating fraudulent investment schemes, the government has asked states to initiate vigorous actions against such practices, besides stepping up surveillance and awareness campaigns.

Listing out actions taken to curb fraudulent investment schemes, corporate affairs minister **Sachin Pilot** said that investigation/inspection have been initiated “in respect of 87 companies against whom complaints in such cases have been received”.

In a written reply to the Rajya Sabha, Pilot said the ministry has requested chief ministers to issue instructions to state police authorities for vigorous action under prize chits Act. Besides, Pilot said he has “written to the finance minister to increase surveillance by RBI over unauthorised NBFCs (Non Banking Financial Companies)”.

The finance ministry has also sent model rules under the Prize Chits and Money Circulation Schemes (Banning) Act, 1978, to state governments for notifications.

“This will enable initiation of action for ponzi schemes,” Pilot said. According to the minister, Securities and Exchange Board of India (Sebi) has also stepped up surveillance. There are also campaigns by the corporate affairs ministry, Reserve Bank of India and Sebi through advertisements and investor awareness programmes. “The Market Research and Analysis Unit is in place in the Serious Fraud Investigation Office of this ministry for capacity building, co-ordination with other investigating agencies and for market surveillance,” Pilot said.

Companies floating fraudulent investment schemes, or ponzi schemes, under various guises are liable to face action under various laws. The laws include the Prize Chits and Money Circulation Schemes (Banning) Act, 1978, and the legislation is administered by the finance ministry through state governments. Also, under Section 11AA of the Sebi Act, 1992, such schemes are violation of laws.

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