

Cabinet approves amendments to Banning of Unregulated Deposit Schemes Bill

According to the Bill, a deposit-taking scheme will be considered unregulated if it is not registered with regulators.

The Union Cabinet on February 6 approved the proposal to amend Banning of Unregulated Deposit Schemes Bill, 2018, a move that is aimed to put an end to the hazard of illicit deposit schemes and prevent such schemes from duping the poor and gullible.

According to the Bill, a deposit-taking scheme will be considered unregulated if it is not registered with regulators such as Ministry of Corporate Affairs (MCA), RBI, SEBI, among others.

"The Bill contains a substantive banning clause which bans deposit takers from promoting, operating, issuing advertisements or accepting deposits in any Unregulated Deposit Scheme. The principle is that the Bill would ban unregulated deposit taking activities altogether, by making them an offence ex-ante rather than the existing legislative-cum-regulatory framework which only comes into effect ex-post with considerable time lags," a government release said.

According to the Bill, there will be three different types of offences -running of unregulated deposit schemes, fraudulent default in regulated deposit schemes, and wrongful inducement in relation to unregulated deposit schemes.

There will be severe punishment and heavy fines for deposit takers violating the rules, the release said.

The banning of Unregulated Deposit Schemes Bill, 2018 was introduced in Parliament on 18th July, 2018 and was referred to the Standing Committee of Finance, which submitted its report to the Parliament on January 3.

As per RBI data, during July, 2014 to May, 2018, 978 cases of unauthorised schemes were discussed in State Level Coordination Committee (SLCC) meetings in various states and were given to the respective law enforcement agencies in the states.

(Money Control)