

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES  
**LOK SABHA**

**STARRED QUESTION NO. \*403**

TO BE ANSWERED ON THE 22<sup>nd</sup> JULY 2019/ ASHADHA 31, 1941 (SAKA)  
**CHIT FUND / FAKE INSURANCE COMPANIES**

**\*403. SHRI ARUN SAO:**

Will the Minister of FINANCE be pleased to state:

- (a) whether a large number of chit fund companies and fake insurance companies are operating particularly in rural and remote areas of the country and these companies are collecting huge amounts of money from people by enticing them in the name of investment and vanishing thereafter;
- (b) if so, the details thereof along with the reaction of the Government thereto;
- (c) whether the Government has formulated any action plan to identify such illegal/fake companies and check their activities;
- (d) if so, the details thereof along with the number of such fake companies which have been identified and penalized across the country during each of the last three years and the current year, State/UT-wise including Chhattisgarh; and
- (e) the action taken by the Government for ensuring compliance of guidelines issued by the Insurance Regulatory and Development Authority in this regard?

**ANSWER**

THE FINANCE MINISTER  
(SMT. NIRMALA SITHARAMAN)

(a) to (e): A Statement is laid on the Table of the House.

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**STATEMENT FOR LOK SABHA STARRED QUESTION NO. \*403 FOR 22<sup>nd</sup> JULY 2019 REGARDING “CHIT FUND / FAKE INSURANCE COMPANIES” BY SHRI ARUN SAO, MEMBER OF PARLIAMENT.**

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**(a) to (b):** Deposit taking schemes are approved under provisions of different Acts and are governed by various regulators such as the Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI), the Insurance Regulatory and Development Authority of India (IRDAI), National Housing Bank (NHB), Pension Fund Regulatory and Development Authority (PFRDA), Employees Provident Fund Organisation, etc. The details of action taken by various regulators and enforcement agencies, as informed by them are given at **Annex-I**.

**(c):** The following measures have been taken by the Government to curb unauthorized schemes and to prevent common people from losing their hard earned money:

- The Banning of Unregulated Deposit Schemes Ordinance, 2019 was promulgated by the Hon'ble President on 21.02.2019 and it came into effect on the same day. The Ordinance contains comprehensive provisions to tackle illicit deposit taking activities in the country and to protect the interests of depositors. The Ordinance contains a substantive banning clause which bans deposit takers from promoting, operating, issuing advertisements or accepting deposits in any Unregulated Deposit Scheme. The Ordinance also provides for severe punishment and heavy pecuniary fines to act as deterrent.
- 29 States / Union Territories have passed Protection of Interest of Depositors (PID) Acts for taking action against entities collecting money from the public illegally.
- SLCCs have been set up in all States and UTs with participation by all State Government officials, law enforcement agencies, regulators, etc. SLCCs were reconstituted in April 2014 with the Chief Secretary of the State as the Chair and the frequency of such meetings has been increased from twice a year 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.
- SEBI regulates Collective Investment Schemes (CIS) under Section 11AA of the SEBI Act, 1992. With regard to irregularities in the securities market, SEBI is empowered to conduct investigation, take appropriate enforcement actions under the SEBI Act, 1992 and issue Orders.
- ED has been mandated with the task of enforcing the provisions and investigating the contravention of the Foreign Exchange Management Act, 1999 (FEMA), the Prevention of Money Laundering Act, 2002 (PMLA), and the Fugitive Economic Offenders Act, 2018.

- 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.

**(d):** The details of cases of unauthorised collection of deposits are given in reply to Part (a) to (b) above.

**(e):** In order to take stringent action on such fake/ illegal companies, Section 103 of Insurance Act 1938 was amended by the Government in 2015. The amendment has enhanced the penalty for a person who carries out business of insurance without the certificate of registration as per section 3 of the Act from Rs. 5 lakhs to Rs.25 Crores and imprisonment period from 3 to10 years

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## Annex-I

- The Sachet portal of RBI, which is the online platform for SLCCs that facilitates the public to lodge complaints of financial frauds, has received 5225 complaints (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 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).
- The Directorate of Enforcement (ED) has informed that during the last three years, ED has initiated investigation in 27 cases under the Prevention of Money Laundering Act, 2002 related to Chit Fund and Ponzi Schemes.
- The Ministry of Corporate Affairs (MCA) has ordered investigation into the affairs of 65 companies allegedly involved in investment scams (such as Chit Fund scams/ MLM/ Ponzi Schemes) and has assigned them to the Serious Frauds Investigation Office (SFIO) during the last three years (27 in 2016-17, 34 in 2017-18 and 4 in 2018-19).
- The Central Bureau of Investigation (CBI) has registered 159 cases relating to Chit Fund / Ponzi companies during the last 3 years (23 in 2016, 108 in 2017 and 26 in 2018 and 2 in 2019 (upto 30.06.2019).
- With regard to fake insurance companies, the Insurance Regulatory and Development Authority of India (IRDAI) has informed that while large number of fake insurance companies have not come their notice, they have come across the following cases in the last three years:

(i) In the year 2016, a company called AKPCL General Insurance Company was selling General insurance policies, although it was not granted registration by IRDAI to sell insurance policies of any kind. IRDAI lodged a complaint with GIDC Police Station, Vapi, Gujarat on 21<sup>st</sup> July, 2016. IRDAI also issued a public notice on 04.08.2016 cautioning the public about this company.

(ii) In the year 2017, IRDAI issued notices to Global Financial Group Ltd – Kerala and Janny Group – Kolkata, West Bengal. However, notices were returned undelivered. Since no such entities were found at the address mentioned, the same has been communicated to the state level co-ordination committee

(iii) In the year 2019, an RTI complaint has been received from Lucknow in respect of two companies, namely G-One General Insurance Company and Marines Technology stating that these two companies were selling General (mainly motor) insurance policies, although they did not have registration from IRDAI to sell such policies of any kind. IRDAI issued public notices dated 03.05.2019 cautioning the public about the above companies.

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