

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAYANT SINHA): (a) As per data received from RBI, the Gross NPAs of Public Sector Banks were ₹ 2,67,045 crore as at the end March, 2015 and ₹ 3,09,554 crore for all banks at the end of March, 2015. The primary reasons for increase in Stressed Assets in recent times are various macro economical and global factors, economic slowdown, delays in statutory and other approvals, especially for projects under implementation, aggressive lending practices during upturn, as evidenced from high corporate leverage, risk concentration, especially to large Greenfield projects, Lax risk management systems and delays in resolution of NPAs through legal proceedings.

(b) Yes, Sir. The prospective buyers are not coming forward despite price cut in many cases.

(c) The restructured advances of all banks was ₹ 4,31,065 crore as at the end March, 2015.

India Ratings, a Fitch Group Company expects impaired assets to reach 13% of loans by March, 2016. However, the opinion is based on their own research.

#### **Regulation of Ponzi schemes**

75. SHRI DEVENDER GOUD T.: Will the Minister of FINANCE be pleased to state:

(a) Whether Government agrees with the Reserve Bank of India (RBI) that in the absence of regulatory framework and lack of co-ordination between watchdogs and investigative agencies, there are growing number of incidents of ponzi schemes defrauding millions of citizens;

(b) whether it is a fact that ₹ 80,000 crores is locked up in ponzi schemes being investigated by CBI;

(c) whether such schemes are being run mainly in Tier II and III cities of the country; and

(d) if so, how Government is planning first to have regulatory framework, quicken the investigation and concentrate more on Tier II and III cities;

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAYANT SINHA): (a) The Reserve Bank of India (RBI) has reported that Ponzi schemes are not under the regulatory purview of RBI. Also, RBI has not come across any Ponzi Schemes floated by Non-Banking Financial Company (NBFC) registered with RBI under the RBI Act, 1934. Further, the words 'Ponzi Schemes' are not defined in law in India. However, the regulators have been receiving complaints about entities

collecting money from public allegedly in violation of law. RBI has informed that sometimes complaints are received alleging cheating/ fraud by entities by way of falsely promising high returns / running money circulation schemes, etc. However, these complaints are generally against Non-NBFCs and unincorporated bodies and as these do not fall under the purview of RBI, the complaints are forwarded to the Economic Offenses Wing (EOW) of the State Police for investigation and further necessary action.

(b) and (c) CBI has registered a total of 72 cases [(71 Regular Cases (RCs) and 1 Preliminary Enquiry (PE)] related to Ponzi Schemes during the last three years. Number of cases relating to Ponzi scheme registered by CBI during the last three years, *i.e.*, 2012, 2013, 2014 and current year 2015 (upto 30.06.2015) are as under:-

2012	Nil
2013	7
2014	62
2015	3
(upto 30.06.2015	
TOTAL	72

The other details cannot be furnished till the investigations are complete.

(d) The Ministry of Corporate Affairs has assigned 139 cases pertaining to so called “chit fund” companies to Serious Fraud Investigation Office (SFIO) for investigation. Investigations reveal that these companies were operating mostly in the Eastern and North-Eastern States of the country and had intensive network of branches spread across these States. For the purpose to quicken the investigation process, Computer Forensic Lab has been set up in SFIO for analyzing the database of the companies under investigation.

In so far as the strengthening of the existing legal framework for unauthorised money collection is concerned, under the recently amended Securities and Exchange Board of India Act, 1992 (SEBI Act), the existing definition of the Collective Investment Scheme (CIS) under section 11AA (2) has been amended and it has been provided that any pooling of funds under any scheme of arrangement, which is not registered with SEBI or is not covered under sub-section (3) of section 11AA of the SEBI Act, involving a corpus of One Hundred Crore Rupees or more, would be deemed to be CIS. Further, any scheme conforming to the conditions of SEBI regulations would also be covered under the definition of CIS. Therefore, SEBI has been empowered to regulate all major money collection schemes, which are also

covered under the definition of CIS. SEBI has wide powers of investigation and prosecution under the SEBI Act, 1992.

Further, a high level Inter-Ministerial Group (IMG) has been constituted for identifying gaps in the existing regulatory framework for deposit taking activities and to suggest administrative/legislative measures including formulation of a new law to cover all relevant aspects of “Deposit taking”.

To enable better identification of companies involved in financial activities, Rule 8(2)(b)(iii) of Companies (Incorporation) Rules, 2014 framed under the Companies Act, 2013 provides that if the company’s main business is financing, leasing, chit fund, investments, securities or combination thereof, its incorporation shall not be allowed unless its name is indicative of such financial activities, viz., Chit Fund or Investment or Loan, etc.

The coordinating mechanism by the name ‘State Level Coordination Committee’ (SLCC) has been set-up with a view to having greater coordination between RBI and other regulatory and enforcement agencies. This mechanism is used by the regulators and enforcement agencies to share information among themselves about various unscrupulous entities carrying on questionable/unauthorised activities including mobilisation of money/deposit. SLCC has been reconstituted in May, 2014 to ensure regular participation of senior functionaries and to facilitate cohesive and effective information sharing amongst the participants. The SLCC meetings are now chaired by the Chief Secretaries of the State Governments and Administrators of the Union Territories. The frequency of the meetings has also been increased, which are now being conducted on quarterly intervals as against half yearly earlier. These measures are intended to have a far reaching impact in ensuring effective information sharing amongst the participants at regular intervals to quickly identify and take effective action against entities indulging in unauthorised and suspect business involving fund mobilisation from gullible public.

#### **Circulation of dirty/torn currency notes**

†76. SHRI MEGHRAJ JAIN: Will the Minister of FINANCE be pleased to state:

(a) whether a large number of dirty/torn/deformed notes are in circulation in the country;

(b) if so, the details thereof and the manner in which the Reserve Bank of India (RBI) proposes to tackle the circulation of such notes in the country; and

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† Original notice of the question was received in Hindi.