

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**LOK SABHA
UNSTARRED QUESTION NO. 1378
ANSWERED ON THURSDAY, THE 12TH DECEMBER, 2013
[AGRAHAYANA 21, 1935 (SAKA)]**

CORPORATE FRAUDS

QUESTION

1378. SHRI P. KARUNAKARAN:

**Will the Minister of CORPORATE AFFAIRS
be pleased to state:**

कारपोरेट कार्य मंत्री

- (a) whether the corporate frauds are on the rise in the country;
- (b) if so, the details of the corporate frauds came to notice during each of the last three years and the current year along with the nature and magnitude of such frauds; and
- (c) the steps taken/ being taken by the Government to prevent such frauds;

ANSWER

**THE MINISTER OF STATE
(INDEPENDENT CHARGE)
IN THE MINISTRY OF CORPORATE AFFAIRS**

(SHRI SACHIN PILOT)

कारपोरेट कार्य मंत्रालय में राज्य मंत्री (स्वतंत्र प्रभार)

(श्री सचिन पायलट)

(a) & (b): During the last three years and the current year (till date), the Ministry has ordered investigations under section 235 and section 237 of the Companies Act, 1956 in 139 cases of alleged corporate frauds through the Serious Fraud Investigation Office (SFIO) of the Ministry. These cases involve allegations of siphoning off/ diversion of funds belonging to companies by the promoter/ directors, manipulation of books of accounts and other records and frauds through running of pyramidal schemes and misuse of Collective Investment Schemes by companies for collecting money from public, etc. Year-wise details are as under:

Year	No. of companies ordered for investigation
2010-11	05
2011-12	12
2012-13	46
2013-14 (Till date)	76*
Total	139

* (this includes 58 companies belonging to five groups which are being investigated for chit fund activities in West Bengal and other States)

On the basis of the above, however, it is not possible to conclude that there is any rise in the corporate frauds.

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(c) Government has initiated a number of measures to prevent and deal with occurrence of frauds. These are as under:

- **Definition of “Fraud” as a substantive offence in the recently enacted Companies Act, 2013;**
- **Stricter norms of Corporate Governance and their implementation under the new Companies Act;**
- **Conferring statutory status to the SFIO;**
- **Amendments to securities laws through Securities Laws (Amendments) Ordinance amending the Securities and Exchange Board of India (SEBI) Act, the Securities Contracts (Regulation) Act (SCRA) and the Depositories Act enabling SEBI to deal effectively to violations of laws by companies and individuals including those running Ponzi schemes;**
- **Increasing application of technology for helping to detect potential frauds through data mining and Forensic Audit technique.**
