

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**RAJYA SABHA
UNSTARRED QUESTION NO. 22
ANSWERED ON MONDAY, THE 5TH AUGUST, 2013**

FRAUD PREDICTION MODEL

QUESTION

22. SHRI ARVIND KUMAR SINGH:
SHRI ALOK TIWARI:
SHRI PRABHAT JHA:
SMT. KUSUM RAI:

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) whether Government has developed a Fraud Prediction Model to predict frauds by companies in view of recent serious frauds in ponzi schemes;
- (b) if so, the details thereof;
- (c) whether Serious Fraud Investigation Office has investigated many cases of serious frauds in ponzi schemes and has submitted reports but no action has been taken by Government so far; and
- (d) if so, the details thereof and the reasons therefor?

ANSWER

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

(SHRI SACHIN PILOT)

(a) & (b) The Ministry is in the process of developing an early warning system to identify early signs of frauds including potential frauds. Pilot testing of the proposed system is expected to be completed during 2013-14.

(c) & (d) The Ministry has ordered investigation under Section 235 of the Companies Act, 1956 to be conducted by Serious Fraud Investigation Office on the basis of reports of Registrars of Companies in respect of 67 such companies who had allegedly floated ponzi schemes and investigation is being conducted in respect of all of them. As and when the investigation is

completed, Government orders prosecution in respect of violations of the provisions of the Companies Act, 1956 and Indian Penal Code, 1860.
