

## **Banning of Unregulated Deposit Schemes Bill**

### **Why in news?**

\n\n

Union cabinet had approved Banning of Unregulated Deposit Schemes Bill 2018.

\n\n

### **What is new bill about?**

\n\n

\n

- It aims to provide a comprehensive legislation to deal with the menace of illicit deposit schemes.

\n

- The Bill defines "Deposit Taker" who include all possible entities receiving or soliciting deposits except specific entities such as those incorporated by legislation.

\n

- Being a comprehensive Union law, the Bill adopts best practices from State laws, while entrusting the primary responsibility of implementing the provisions of the legislation to the State Governments.

\n

- It has planned a designation of special courts and competent authority by the state Government to ensure repayment of deposits in the event of default by a deposit taking establishment.

\n

- The bill also enables creation of an online central database, for collection and sharing of information on deposit taking activities in the country.

\n

\n\n

### **What is the need for this bill?**

\n\n

\n

- Finance Ministry had announced earlier that a comprehensive central legislation would be brought in to deal with the menace of illicit deposit

taking schemes.

\n

- India there have been rising instances of people in various parts of the country being looted by illicit deposit taking schemes.

\n

- The worst victims of these schemes are the poor and the financially illiterate, and the operations of such schemes are often spread over many States.

\n

\n\n

### **What are the salient features of the bill?**

\n\n

\n

- 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.
- The Bill creates three different types of offences namely

\n

\n\n

\n

1. Running of Unregulated Deposit Schemes.

\n

2. Fraudulent default in Regulated Deposit Schemes.

\n

3. Wrongful inducement in relation to Unregulated Deposit Schemes.

\n

\n\n

\n

- It provides for severe punishment and heavy pecuniary fines to act as deterrent.
- The bill also provides for attachment of properties/ assets by the Competent Authority, and subsequent realization of assets for repayment to depositors.

\n

\n\n

\n\n

**Source: PIB, Economic Times**

\n\n

\n

