

Banning of Unregulated Deposit Schemes Bill

Why in news?

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

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What is new bill about?

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

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

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- 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.

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- 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.

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

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What is the need for this bill?

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

taking schemes.

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

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- 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.

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What are the salient features of the bill?

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- The Bill contains a substantive banning clause which bans Deposit Takers from promoting, operating, issuing advertisements or accepting deposits in any Unregulated Deposit Scheme.

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- The principle is that the Bill would ban unregulated deposit taking activities altogether, by making them an offence ex-ante.

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- The Bill creates three different types of offences namely

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1. Running of Unregulated Deposit Schemes.

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2. Fraudulent default in Regulated Deposit Schemes.

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3. Wrongful inducement in relation to Unregulated Deposit Schemes.

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- It provides for severe punishment and heavy pecuniary fines to act as deterrent.

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- The bill also provides for attachment of properties/ assets by the Competent Authority, and subsequent realization of assets for repayment to depositors.

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Source: PIB, Economic Times

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