



Banning of Unregulated Deposit Schemes Bill 2019

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Parliament has passed the **Banning of Unregulated Deposit Schemes Bill, 2019**, which seeks to put in place a mechanism by which poor depositors will get back their hard-earned money.

Provisions of the Bill

- **Deposit:** The Bill defines a deposit as an amount of money received through an advance, a loan, or in any other form, with a promise to be returned with or without interest.
It also defines certain amounts which shall **not be included in the definition of deposits** such as amounts received in the **form of loans from relatives and contributions towards capital by partners** in any partnership firm.
- **Unregulated Deposit Scheme:** The Bill bans unregulated deposit schemes. A **deposit-taking scheme** is defined as **unregulated** if it is taken for a business purpose and is **not registered** with the regulators.
- **Designated Courts:** The Bill provides for the constitution of **one or more** Designated Courts in specified areas. This Court will be headed by a judge **not below the rank of a district and sessions judge**, or **additional district and sessions judge**.
- **Central Database:** The Bill provides for the central government to designate an authority to create an online central database for information on deposit takers. All deposit takers will be required to inform the database authority about their business.

- **Competent Authority:** The Bill provides for the appointment of one or more government officers, not below the rank of Secretary to the state or central government, as the **Competent Authority**. The Competent Authority will have powers similar to those vested in a **civil court**. The **Competent Authority may:**
 - provisionally attach the property of the deposit taker, as well as all deposits received
 - summon and examine any person it considers necessary for the purpose of obtaining evidence
 - orders the production of records and evidence
- **Offences and penalties:** The Bill defines three types of offences, and penalties which are as follows:
 - running (advertising, promoting, operating or accepting money for) unregulated deposit schemes. It will be punishable with imprisonment between two and seven years, along with a fine ranging from three to 10 lakh rupees.
 - fraudulently defaulting on regulated deposit schemes. It will be punishable with imprisonment between three and 10 years, and a fine ranging from five lakh rupees to twice the amount collected from depositors.
 - wrongfully inducing depositors to invest in unregulated deposit schemes by willingly falsifying facts.
 - The repeated offenders under the Bill will be punishable with imprisonment between five to 10 years, along with a fine ranging from Rs 10 lakh to five crore rupees.

Impact

The Bill will help to tackle the menace of illicit deposit taking activities **(Ponzi Schemes/Chit Funds)** in the country, which at present are exploiting regulatory gaps and lack of strict administrative measures to dupe people of their savings.

Source: Business Today