



Banning of Unregulated Deposit Schemes Bill, 2018

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The union cabinet has approved amendments to the **Banning of Unregulated Deposit Schemes Bill, 2018**.

The Banning of Unregulated Deposit Schemes Bill, 2018 provides for a mechanism to ban unregulated deposit schemes and protect the interests of depositors.

Background

- The Finance Minister in the **Budget Speech 2016-17** had announced that comprehensive Central legislation would be brought in to deal with the menace of illicit deposit-taking schemes.
- Recently the country has seen rising instances of people being defrauded by illicit deposit-taking schemes. For Example Rose Valley Scam and Sharada chit fund scam in West Bengal.
- The worst victims of these schemes **are the poor and financially illiterate, and the operations of such schemes are often spread over many States.**

Provisions in the Bill

- **Unregulated Deposit Scheme**
 - In the bill, **Regulated deposits are defined as all deposit-taking schemes which are overseen and regulated by specified regulators** like, the Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI), the Ministry of Corporate Affairs and state and union territory governments.
 - **A deposit-taking scheme is defined as 'unregulated' if it is not registered with the regulators listed in the Bill.**
- The bill **completely bans the promoting, operating, issuing advertisements or accepting deposits in any Unregulated Deposit Scheme.**
- The Bill defines **"Deposit Taker"** and **"Deposit"** comprehensively:
 - Deposit Takers include **all possible entities (including individuals) receiving**

or soliciting deposits, except specific entities such as those incorporated by legislation

- Deposit is defined in such 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. Such deposit may be returned either in cash or as a service, and the time of return may or may not be specified.
- **Three different types of offenses:**
 - **running of Unregulated Deposit Schemes,**
 - **fraudulent default in Regulated Deposit Schemes,**
 - **and wrongful inducement in relation to Unregulated Deposit Schemes.**
- **Severe punishment** and heavy fines to act as a deterrent.
- **Provision for repayment of deposits** in cases where such schemes manage to raise deposits illegally.
- **Attachment of properties/assets by the Competent Authority,** and selling off assets for repayment to the depositor.
- **Clear-cut timelines have been provided for attachment of property and reimbursement to depositors.**
- Creation of **an online central database,** for collection and sharing of information on deposit-taking activities in the country.
- **Designation of Courts** to oversee repayment of depositors and to try offenses under the bill.