PONZI SCAMS

Prelims- Economics- Banking

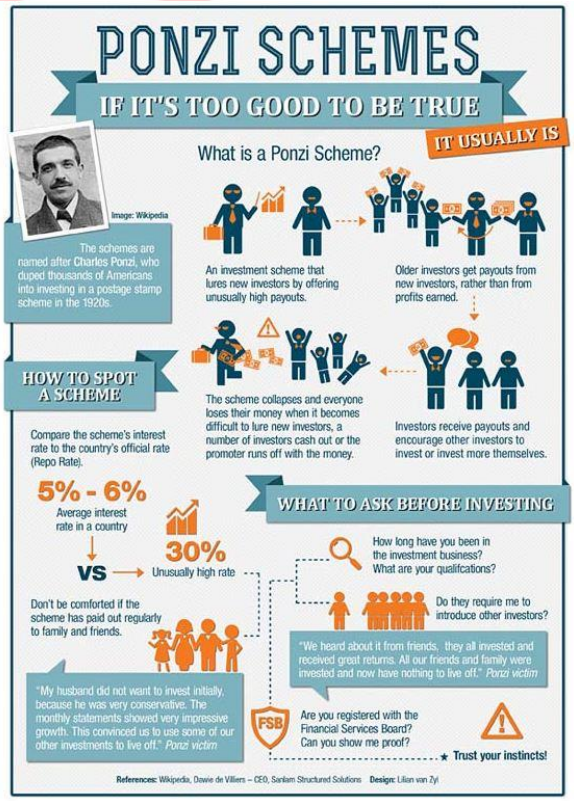
Mains- GS3 - Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment

Background

- The Union Cabinet Wednesday approved Banning of Unregulated Deposit Schemes Bill with an aim to tackle the menace of illicit deposit- taking activities in the country.

What is Ponzi scams?

- is a form of fraud that lures investors and pays profits to earlier investors with funds from more recent investors.
- The scheme leads victims to believe that profits are coming from product sales or other means, and they remain unaware that other investors are the source of funds.

Banning of Unregulated Deposit Schemes Bill:

- The bill will help tackle the menace of illicit deposit taking activities in the country, which at present are exploiting regulatory gaps and lack of strict administrative measures to dupe poor and gullible people of their hard earned money.
- The proposed legislation will have adequate provisions for punishment and disgorgement/repayment of deposits in cases where such schemes nonetheless manage to raise deposits illegally
- SEBI and RBI approved deposits will be allowed.