

BANNING OF UNREGULATED DEPOSIT SCHEMES BILL, 2019

Prelims- Economics: Banking

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

Why in News?

- ✚ The Union Cabinet has approved the banning of Unregulated Deposit Schemes Bill, 2019. It will replace the banning of Unregulated Deposit Schemes Ordinance, 2019.

Impact:

- ✚ 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 savings.

Salient Features of the Bill:

- ✚ 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 rather than the existing legislative-cum-regulatory framework which only comes into effect ex-post with considerable time lags;
- ✚ The Bill creates three different types of offences, namely, running of Unregulated Deposit Schemes, fraudulent default in Regulated Deposit Schemes, and wrongful inducement in relation to Unregulated Deposit Schemes.
- ✚ The Bill provides for severe punishment and heavy pecuniary fines to act as deterrent.
- ✚ The Bill has adequate provisions for disgorgement or repayment of deposits in cases where such schemes nonetheless manage to raise deposits illegally.
- ✚ The Bill provides for attachment of properties / assets by the Competent Authority, and subsequent realization of assets for repayment to depositors;
- ✚ Clear-cut time lines have been provided for attachment of property and restitution to depositors;
- ✚ The Bill enables creation of an online central database, for collection and sharing of information on deposit-taking activities in the country;
- ✚ 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 a manner that deposit-takers are restricted from camouflaging public deposits as receipts, and at the same time, not to curb or hinder acceptance of money by an establishment in the ordinary course of its business; and
- ✚ 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.

