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**STANDING COMMITTEE
ON FINANCE
(2005-06)**

FOURTEENTH LOK SABHA

MINISTRY OF COMPANY AFFAIRS

**DEMANDS FOR GRANTS
(2005-2006)**

[Action Taken by the Government on the recommendations contained in the Twentieth Report of the Standing Committee on Finance on Demands for Grants (2005-2006) of the Ministry of Company Affairs]

THIRTY-SECOND REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2005/Pausa, 1927 (Saka)

- (iv) Petitions have also been filed with the Company Law Board under Sections 397/398/402/408 read with Section 406 of the Companies Act, 1956 in respect of two selected vanishing companies to disgorge the properties/monies fraudulently obtained by promoters/Directors of these two vanishing companies.
- (v) The recommendations of the Expert Committee set up by the Ministry to advise the Government on the new Company Law, with regard to protecting the interest of the investors shall be examined in the Ministry from the point of view of providing a legal framework for safeguarding investor's interest.
- (vi) Details of Vanishing Companies and their Promoters/Directors are already available on the Website of the Ministry (www.dca.nic.in).
- (vii) Ministry is also examining feasibility of taking appropriate action against the Chartered Accountants (CAs) associated with public issue of securities made by Vanishing Companies, which had larger issue size (Rs. 10 crores or above).

CMC in its 14th meeting, held on 18.03.2005, had, *inter alia*, taken following decisions:

- (i) That the concerned Task Forces should continue to review the working of Vanishing Companies, which had been deleted from the list very closely for the next few years with a view to keeping a close watch so that, such companies do not indulge in fraudulent activities again.
- (ii) The committee had decided that the Task Forces should scrutinize IPOs which came during 1998-2001. Task Forces are also scrutinizing the list of companies sent by one of the Investors Association namely Midas Touch Investor Association.

Hon'ble Minister of Company Affairs launched a new Website <http://www.watchoutinvestors.com> on 9.11.2004. This website has been created by Prime Investors Protection Association and League, with financial assistance from the Investor Education and Protection Fund, help the investors to protect themselves from unscrupulous promoters,

with regards to protecting the interest of the investors shall be examined in the Ministry from the point of view of providing a legal framework for safeguarding investor's interest.

- (vi) Details of Vanishing Companies and their promoters/directors are already available on the Website of the Ministry (www.dca.nic.in).
- (vii) Ministry is also examining feasibility of taking appropriate action against the Chartered Accountants (CAs) associated with public issue of securities made by Vanishing Companies, which had larger issue size (Rs. 10 crores or above).

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SEBI has invoked powers granted to it under Section 11/Section 11 B of the SEBI Act, 1992 and has issued orders against the Vanishing Companies and their promoters/Directors prohibiting them from associating in any way with the capital market activities. This order also prohibits them from