

**PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA**

LEGISLATION FOR PROTECTION OF INTEREST OF DEPOSITORS

New Delhi: Bhadrapada 11, 1933
September 2, 2011

The Reserve Bank of India (RBI) Act, 1934 provides adequate protection to small depositors in financial institutions. The interest of Depositors in financial establishments can be broadly divided into two segments (a) companies registered as Non-Banking Financial Companies (NBFCs) which are under the regulatory purview of RBI, (b) Unincorporated Bodies (UIBs) accepting public deposits unauthorisedly. The NBFCs are regulated under chapters III and V of the RBI Act, UIB's have been precluded from accepting deposits from any person other than relatives specified in the RBI Act.

On pursuance by the RBI, 14 States and 1 Union Territory have enacted legislation on the lines of Tamil Nadu Protection of Interest of Depositors (in Financial Establishments) Act, 1997, which contains stiff penal provisions for promoters of financial establishments defaulting in repayment of deposits and interest. The close co-ordination through institutionalized framework of State Level Co-ordination Committee (SLCC) with the State Government and other Regulatory bodies have resulted in greater/improved monitoring and restriction of unauthorized acceptance of deposits by NBFCs and UIBs.

This information was given by the Minister of State for Finance Shri Namo Narain Meena in a written reply to a question raised in Lok Sabha today.

DSM/SS/SL