



Ministry of Corporate Affairs

Insurance Cover for Public Deposits

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Section 73 (2) of the Companies Act, 2013 (the Act) read with Rule 5 of Companies (Acceptance of Deposits) Rules, 2014 mandates that every company inviting deposits shall enter into a contract for providing deposit insurance atleast 30 days before the issue of circular or advertisement or renewal as the case may be. However, in view of non-availability of such deposit insurance products, companies were allowed to raise deposits without any deposit insurance till 31st March, 2017, as per proviso to rule 5(1).

The Act read with Rule 2 of the above mentioned Rules inclusively defines 'deposits' with specific exceptions, thereby requiring compliance of the aforesaid provisions for receipts of monies by whatever name called, and protect the investors from the operators of fraudulent money collection schemes. Further, the Companies Act and the aforesaid deposit Rules limit the acceptance of deposits from public to only public companies having a net worth or turnover above prescribed thresholds, prescribe norms for issue of advertisements, credit rating for companies accepting deposits, creation of security, appointment of trustee for depositors and their duties, punishment for contravention of the provisions etc. for safeguarding the interest of investors.

This was stated by Shri Arjun Ram Meghwal, Minister of State for Corporate Affairs in written reply to a question in Lok Sabha today.

DSM/KA

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