GOVERNMENT OF INDIA

MINISTRY OF FINANCE

DEPARTMENT OF FINANCIAL SERVICES

**RAJYA SABHA**

**UNSTARRED QUESTION NO-**†**2461**

ANSWER ON 10.12.2019

**Investment of investors’ money in share market by LIC**

†2461. SMT. SAMPATIYA UIKEY:

SMT. CHHAYA VERMA:

CH. SUKHRAM SINGH YADAV:

Will the Minister of FINANCE be pleased to state:

1. whether it is a fact that the money deposited by the investors in Life Insurance Corporation of India and other financial institutions is being invested in the companies running in losses;

(b) names of sectors of share market where the money of investors under savings schemes has been invested by LIC Housing Finance Limited;

(c) the number of the companies out of them are running under loss;

(d) whether there has been a laxity on part of regulatory institutions responsible for safety of savings of investors deposited in financial institutions; and

(e) the steps taken by the Ministry to ensure guaranteed refund of the money of investors deposited in banks and financial institutions?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI ANURAG SINGH THAKUR)

(a): LIC’s investments are governed by the provisions of Insurance Act, 1938, Life Insurance Act, 1956 and IRDAI (Investment) Regulations, 2016. As per LIC, investment decisions are taken as per advice of Investment Committee constituted by the Board of LIC under Section 19(2) of Life Insurance Corporation Act, 1956. The Investment Committee takes guidance from Board approved investment policy and extant legal provisions. The investment operating procedures & internal norms are reviewed by LIC as per the need & revisions and changes are incorporated after seeking approval from their Investment Committee.

LIC, while examining investment opportunities, looks at the fundamentals and future prospects of the companies coupled with companies’ performance with a long term horizon.

Further, investments of financial institutions are made as per applicable extant statutory provisions, regulatory guidelines, and board approved investment policies framed in line with existing legal provisions and regulatory guidelines in diversified and commercially viable companies with long term view.

(b) and (c:) As per LIC Housing Finance Limited, it has no investments in the share market.

(d) and (e): The various statutes under which regulators are set up mandate the protection of interest of investors which is ensured through periodic monitoring and regulatory supervision of financial institutions. In case of any violation of statutory provisions or regulatory guidelines supervisory action is taken against such an institution including levying of penalty, cancellation of registration etc by the regulator.

Banks are subject to prudent regulation and supervision under the provisions of the Banking Regulation Act, 1949, which provides, *inter-alia*, for regulatory directions for the purposes of preventing being conducted in a manner detrimental to the interest of the depositors and to secure proper management of the bank. As the regulator and supervisor, RBI has taken a number of measures for these purposes, including issuance of the prompt corrective action framework, capital adequacy norms superior to the Basel-III international framework and prudent lending norms. In addition, deposits are insured as per existing scheme.

A Revised Regulatory Framework was issued by RBI in November 2014 mandating that only investment grade rated NBFCs-D (deposit taking NBFCs) shall accept and maintain public deposits. If any NBFCs-D are found violating guidelines applicable to them, then supervisory action is taken including issuance of Prohibitory Order under Section 45 MB of the RBI Act, 1934 and cancellation of Certificate of Registration (CoR), if necessary.

To help customers recover loss sustained on account of fraudulent transactions, RBI has issued instructions providing zero liability of a customer if she or he informs the bank regarding an unauthorized electronic transaction within three working days of receiving information in respect of the transaction from the bank and the bank shall credit the amount involved in such transaction to the customer’s account within 10 working days from the date of information by the customer.

In order to safeguard bank deposits, provisions for deposit insurance are provided in the Deposit Insurance and Credit Guarantee Corporation (DICGC) Act, 1961. DICGC, which is a wholly owned subsidiary of RBI, insures bank deposits, such as savings, fixed, current, recurring etc. of all commercial banks, including private banks, public sector banks, branches of foreign banks in India, Local Area Banks, Regional Rural Banks, Cooperative Banks, Small Finance Banks, and Payment Banks.

Government has taken comprehensive measures to protect the interest of depositors, *inter-alia,* including:

1. Issuance of “Framework for timely detection, reporting, investigation etc. relating to large value bank frauds” to Public Sector Banks (PSBs), for systemic and comprehensive checking of legacy stock of their non-performing assets (NPAs).
2. Enactment of Fugitive Economic Offenders Act, 2018 to deter economic offenders from evading the process of Indian law by remaining outside the jurisdiction of Indian courts.
3. Advising PSBs to obtain certified copy of the passport of the promoters/directors and other authorized signatories of companies availing loan facilities of more than Rs. 50 crore.
4. Establishing National Financial Reporting Authority as an independent regulator.
5. Issuing instructions/advisories to PSBs to decide on publishing photographs of willful defaulters, in terms of RBI’s instructions and as per their Board-approved policy.
6. Freezing of bank accounts 3.38 lakhs inoperative companies over the last two financial years.

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