

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

LOK SABHA

**STARRED QUESTION NO. 44
ANSWERED ON FRIDAY, THE 20th JULY, 2018
[ASHADHA 29, 1940 (SAKA)]**

NATIONAL FINANCIAL REPORTING AUTHORITY

QUESTION

***44. KUNWAR BHARATENDRA:**

DR. A. SAMPATH:

Will the Minister of CORPORATE AFFAIRS

कारपोरेट कार्य मंत्री

be pleased to state:

(a) the details of update on the action taken against shell companies identified by the Task Force on the Confirmed List, Derived List and Suspect List;

(b) whether the new Companies Act, 2013 provides for setting up of a National Financial Reporting Authority (NFRA) and if so, the details thereof;

(c) whether the said Authority has been set up and if so, the details thereof; and

(d) if not, the reasons for not constituting NFRA along with the timeline by which the same will be set up/ operationalised?

ANSWER

THE MINISTER OF CORPORATE AFFAIRS

(SHRI PIYUSH GOYAL)

(a) to (d) A statement is laid on the Table of the House.

**STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF THE
STARRED QUESTION NO.44 FOR ANSWER IN LOK SABHA
ON 20.07.2018:**

(a) : The Confirmed List, Derived List and Suspect List of 'Shell Company' was compiled by Serious Fraud Investigation Office (SFIO) as per the directions of the Task Force. The Lists were shared with law enforcement agencies (LEAs). The details of action taken against these companies by various agencies is as follows:

- (i) Financial Intelligence Unit (FIU) has disseminated the lists on FINNET to its Reporting Entities for reporting Suspicious Transaction Reports in respect of these companies which are shared with LEAs for appropriate action;**
- (ii) The Income Tax Department had reopened the income tax assessments of such companies wherever warranted;**
- (iii) Enforcement Directorate (ED) has filed 20 prosecution complaints and has made 34 arrests which include 6 accommodation entry operators, 6 Chartered Accountants and 4 bankers;**
- (iv) Securities and Exchange Board of India (SEBI) has restricted trading of securities in stock exchanges for 331 of the companies;**
- (v) Central Bureau of Investigation (CBI) has carried out searches in 14 cases, launched prosecution proceedings against 69 Chartered Accountants (CAs) who were found to be associated with shell companies and shared reports with ICAI in 98 cases where complaints were filed against professionals involved in operation/audit/certification of shell companies;**
- (vi) Inquiries by Registrars of Companies under Section 206(4) of the Companies Act, 2013 has been ordered in respect of 1505 Companies;**
- (vii) SFIO has launched prosecutions under various provisions of Companies Act as well as other relevant statutes on around 250 companies as identified during the investigations undertaken by it. List of 54 professionals involved has been shared with ICAI, ICSI and Bar Council of India for initiating disciplinary action against them.**

(b), (c) & (d): Yes Madam. Section 132 of the Companies Act, 2013 provides for constitution of National Financial Reporting Authority (NFRA). NFRA shall have:

(i) the power to investigate, either suo-moto or on a reference made to it by the Central Government, for such class of bodies corporate or persons, in such manner as may be prescribed into the matters of professional or other misconduct committed by any member or firm of chartered accountants, registered under the Chartered Accountants Act, 1949:

Provided that no other institute or body shall initiate or continue any proceedings in such matters of misconduct where the National Financial Reporting Authority has initiated an investigation under this section;

(ii) the same powers as are vested in a civil court under the Code of Civil Procedure, 1908, in respect of the following matters, namely:-

- (a) Discovery and production of books of account and other documents, at such place and at such time as may be specified by the National Financial Reporting Authority;**
- (b) Summoning and enforcing the attendance of persons and examining them on oath;**
- (c) Inspection of any books, registers and other documents of any person referred to in clause (ii) at any place;**
- (d) Issuing commissions for examination of witnesses or documents;**

(iii) where professional or other misconduct is proved, have the power to make order for imposing monetary penalty, debarring the member or the firm from engaging himself or itself from practice as member of the Institute of Chartered Accountant of India referred to in clauses(e) of sub-section (1) of Section 2 of the Chartered Accountants Act, 1949 for a minimum period of six months or for such higher period not exceeding ten years as may be decided by the National Financial Reporting Authority.

The said authority shall consist of a chairperson, who shall be a person of eminence and having expertise in accountancy, auditing, finance or law to be appointed by the Central Government and such other members not exceeding fifteen consisting of part-time and full-time members as may be prescribed.

The Government has vide Notification dated 21.03.2018 notified sub-Section (3) & (11) of Section 132 of the Companies Act, 2013 relating to the manner of appointment and other terms and conditions of service of Chairperson and Members as well as Secretary and other employees of the NFRA.

On 30th May, 2018, application for filling up the post of Chairperson and three full time Members in the National Financial Reporting Authority were invited and since the closing date of receiving application is over, this Ministry is processing such applications received. The consultation process of finalization of the NFRA (Technical) Rules with stakeholders is ongoing.
