‘Deposits ordinance does not cover gold schemes’

Posted at: 28/03/2019

Unregulated deposits banned to save investors from losing money to Ponzi, fake schemes

- The Centre’s recent ordinance banning unregulated monthly deposit schemes will not affect the ongoing monthly schemes operated by jewellery and chit fund firms, said tax practitioners.
- Called the ‘Banning of Unregulated Deposit Scheme Ordinance’, it was promulgated by President Ram Nath Kovind during the last week of February 2019 to save gullible investors from losing money to Ponzi and fake deposit schemes.
- The ordinance makes such unregulated deposit schemes punishable, among other things.
- Initially, the ordinance sent shock waves among the investors as most of them continue to invest their hard earned money in the monthly gold/silverware purchase schemes being operated by leading jewellery outlets.
- If these schemes are discontinued, then household savings would be diverted to buy luxury items, which would be of no long-term value to investors, argued Jayantilal Challani, president, The Madras Jewellers and Diamond Merchants’ Association.
- On its part, the Chennai Jewellers Association took the help of legal counsel and decided to continue with its ongoing schemes.
- The ordinance states that those who solicit deposits for an unregulated scheme can face jail time of 1-5 years and a fine of ₹2-10 lakh; 2-7 years with a fine of ₹3-10 lakh; 3-10 years and a fine of not less than ₹5 lakh and that could extend to twice the amount of deposits collected.

The Hindu