

Salient Features from The Banning of Unregulated Deposit Schemes Ordinance, 2019 promulgated on 21/02/2019:

1. It extends to the whole of India except Jammu & Kashmir. It shall be regulated by the concerning State Governments/UTs.
2. It shall come into force with the immediate effect...
3. It is aimed only to ban Unregulated Deposit Schemes
4. Deposit would NOT include:
 - (i) Loan from scheduled banks or Co- operative Banks;
 - (ii) Loan from Public Financial Institutions;
 - (iii) Loan from Government;
 - (iv) Loans from foreign Banks or foreign Governments
 - (v) Partners' capital
 - (vi) Amount payable on purchase of any goods or immovable property and very importantly
 - (vii) Any amount received genuinely, in the course of or for the purpose of business. Thus, the loans taken during the course of business are not covered by this Ordinance.
5. It will apply only and only with prospective effect and that too in respect of deposits taken under the Unregulated Deposit Schemes either by way of advertisement or otherwise.
6. The Government shall appoint an authority in a Designated Court. The details of deposits taken would be required to be furnished in the Court shall be competent to attach the properties acquired through such Unregulated Deposit.

7. Any violation may attract imprisonment for a term of 1 to 10 years with fine. Clarification:
- a. It is making restrictions on taking loans by all business entities. Restriction is only on taking deposits directly or indirectly in name of business in pursuance of a deposit scheme which is not regulated.
 - b. Companies can accept deposits as per s. 73 to 76 of Companies Act, 2003 read with Companies (Acceptance of Deposit) Rules 2014.
 - c. Others including partnerships, proprietorships, LLP, etc. cannot accept deposits, but take loans from their relatives, friends, banks, companies, etc. for the purpose of their business but not for further lending (which is restricted as per RBI regulations too).
 - d. The purpose of this scheme seems to be to ban persons taking/accepting money/ deposits by frivolous means including MLM, prize chit or money circulation schemes.