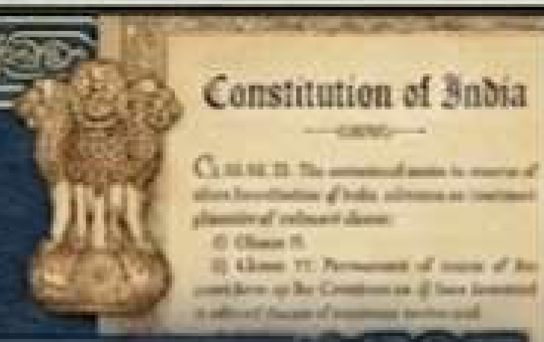

REGULATORY FRAMEWORK FOR DOING BUSINESS OF PUBLIC DEPOSITS IN INDIA

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Preface

i. Accepting money from the public carries a fiduciary solemnity: a saver parts with money on the promise of its return, engaging not only private contract but the public interest in the integrity of the financial system. India's deposit-regulation history is largely the State's effort to protect the small depositor from imprudence and fraud while preserving legitimate corporate access to the savings of the community.

ii. This volume systematically expounds that architecture — assembled from the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014; the RBI Act, 1934 and the NBFC directions; the Banking Regulation Act, 1949; the SEBI Act, 1992 and the law of collective investment schemes; the BUDS Act, 2019; the Chit Funds Act, 1982; the Prize Chits and Money Circulation Schemes (Banning) Act, 1978; and the State depositor-protection enactments — with the allied jurisdictions of the CCI, MeitY and TRAI operating around that core.

iii. The method is doctrinal and analytical: each chapter states the governing concept, expounds the statutory text, and distils the ratio decidendi of the leading decisions — Peerless, Sahara, Velayudhan Achari, Swapan Kumar Guha and K.K. Baskaran — as living principles; the closing compliance matrices translate doctrine into the practical grammar of the boardroom and the compliance department.

iv. It is offered to the advocate advising on the lawful raising of deposits, the regulator construing the limits of its jurisdiction, the designated-court officer administering restitution to defrauded depositors, and the scholar seeking a coherent account of a fragmented field.

EquiCorp Associates LLP

New Delhi, July 2026

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P A R T O N E

FOUNDATIONS OF DEPOSIT REGULATION

The concept of the deposit, the rationale of regulation, and the map of the field

Chapter 1 The Concept and Economics of Public Deposits

1.1 The Idea of a Deposit

1. Core transaction: money handed to an enterprise against a promise to repay the equivalent, usually with a reward for its use — ancient, but legally contested.

2. The same act may be a loan, deposit, security subscription or CIS contribution, depending on commercial substance and statutory context.

3. Characterisation is decisive: it fixes the regulator, the required disclosures, the mandated reserves and the penalties.

4. "Deposit" has no single trans-statutory meaning — defined inclusively and differently in the Companies Act, 2013, the RBI Act, 1934 and the BUDS Act, 2019, each tailored to its own mischief.

5. Method: read each definition in the light of its own statute and purpose; do not seek a universal definition.

1.2 Deposit, Loan, Investment and Security Distinguished

1. Loan vs deposit: a loan is taken at the borrower's instance; a deposit is placed at the depositor's instance (a safe, remunerative home for surplus).

2. The Companies Act excludes inter-corporate loans and directors' own-fund money from "deposit" — they lack the public, savings-mobilising character the rules police.

3. Security (share/debenture): the holder shares the issuer's fortunes or holds a transferable/listed instrument; governed by company and securities law, not deposit rules.

4. But the boundary is porous — a debenture is in substance a loan, and one marketed to the public may attract the deemed-public-issue provisions (as in Sahara).

5. CIS: pooled monies managed for a return fall under SEBI Act, 1992, s. 11AA.

6. Governing principle: the law looks to substance, not nomenclature; an innocent name does not place a scheme beyond regulatory reach.

Figure 1.1 Deposit, loan, security and CIS contribution compared

	DEPOSIT	LOAN	SECURITY (share / debenture)	CIS CONTRIBUTION
Placed at the instance of	Depositor — seeks a safe home for surplus	Borrower — seeks funds	Investor — subscribes to an issue	Investor — money pooled
Commercial nature	Money held for a remunerative return	Advance repayable with interest	Stake or transferable instrument in the issuer	Pooled fund managed for a return
Return	Interest; principal protected	Interest	Dividend / capital gain; issuer risk	Return from management of the pool
Governing regime	Deposit rules — Cos Act / RBI / BUDS	Outside the deposit rules	Company & securities law — SEBI	SEBI — s. 11AA (CIS)

1.3 The Rationale of Regulation

1. The State intervenes in the private saver–taker contract for three reasons: (i) protection of the unsophisticated depositor — a vast body of small savers; (ii) systemic stability — unsupervised mobilisation of public money threatens the savings habit and risks contagion; (iii) suppression of fraud — Ponzi and pyramid schemes that collapse when fresh subscriptions fail.

2. The architecture follows: banks are most intensively regulated (Banking Regulation Act, 1949) and their depositors insured; NBFCs may accept deposits only on registration, rating and liquid-asset maintenance; companies are largely confined to member deposits; all else is swept into the BUDS Act, 2019 prohibition.

1.4 The Architecture of Indian Deposit Regulation

1. Governing rule: deposit-taking is permitted only where a recognised regulator authorises it — all else is banned (see Table 1.1 and Figure 1.2).

2. The regimes are not mutually exclusive: one fact-pattern may engage several statutes — e.g. a public solicitation may breach the Companies Act, attract the deemed-public-issue rule, and fall foul of the BUDS Act.

3. The architecture is residual: the BUDS Act is a backstop banning all that the sectoral regulators have not permitted; the burden lies on the taker to bring itself within a recognised scheme.

Table 1.1 The principal deposit-taking regimes and their regulators

Deposit-taking entity / activity	Principal statute	Regulator	Treated in
Banks (commercial, co-operative)	Banking Regulation Act, 1949; RBI Act, 1934	RBI; DICGC for insurance	Ch. 9
Non-banking financial companies (NBFC-D)	RBI Act, 1934, Ch. III-B; SBR Master Directions	RBI	Ch. 4
Companies (member / eligible-company deposits)	Companies Act, 2013, ss. 73–76A; 2014 Rules	MCA / ROC; RBI consulted	Ch. 3
Collective investment schemes; deemed public issues	SEBI Act, 1992, s. 11AA; CIS Regulations, 1999	SEBI	Ch. 5
Chit funds	Chit Funds Act, 1982	State Registrar of Chits; RBI advisory	Ch. 7

Deposit-taking entity / activity	Principal statute	Regulator	Treated in
Prize chits / money-circulation (Ponzi) schemes	Prize Chits and Money Circulation Schemes (Banning) Act, 1978	State police; banned	Ch. 7
All unregulated deposit schemes	BUDS Act, 2019	State Competent Authority; Designated Court	Ch. 6
Unincorporated bodies / individuals taking deposits	RBI Act, 1934, s. 45-S	RBI; prohibited	Ch. 4

Figure 1.2 The architecture at a glance

MONEY SOLICITED FROM THE PUBLIC

▼

PERMITTED — accepted only under a recognised authorising regulator	**PROHIBITED — all else banned by the BUDS Act, 2019 (and s. 45-S, RBI Act)**

▼ **the authorising regimes** ▼

RBI	MCA / ROC	SEBI	State Registrar	State Police
Banks & NBFC-Ds (Ch. 4, 9)	Company deposits, ss. 73–76A (Ch. 3)	CIS & deemed public issues, s. 11AA (Ch. 5)	Chit funds, 1982 (Ch. 7)	Prize chits / Ponzi — banned (Ch. 7)

1.5 The Scheme of this Treatise

1. Part One — foundations: the concept of the deposit, the rationale of regulation, and the statutory and judicial meaning of "deposit."

2. Part Two — the three authorising regimes: company law, the RBI regime for NBFCs, and the securities regime.

3. Part Three — the prohibitory and protective statutes: the BUDS Act, chit funds and money-circulation schemes, and the State depositor-protection laws.
4. Part Four — the consolidated jurisprudence and ratio decidendi, the allied jurisdictions (CCI, MeitY, TRAI), and a practical compliance architecture with the road ahead.

Chapter 2 The Meaning of "Deposit": Statutory Definitions and Judicial Interpretation

2.1 The Inclusive Definition in Company Law

1. "Deposit" is defined inclusively in s. 2(31), Companies Act, 2013 — any receipt of money by way of deposit, loan or "in any other form" — with margin exclusions prescribed, in consultation with the RBI, under Rule 2(1)(c), Companies (Acceptance of Deposits) Rules, 2014.
2. Placing the exclusions in delegated legislation lets the executive adjust the perimeter as practice evolves, without amending the Act.
3. Key carve-outs: money from Government; foreign sources (subject to FEMA); loans from banks/PFIs; money from another company; share-subscription money pending allotment; money from a director, or from a member of a private company who declares it is not from borrowed funds.

2.2 The Anti-Avoidance Character of the Definition

1. "Or in any other form" is the anti-avoidance keystone — it defeats re-labelling a deposit as an advance, security deposit or non-refundable subscription.
2. A receipt can become a deposit by efflux of time: advances for goods/services not supplied, or for immovable property not adjusted, within the stipulated period convert to deposits — legal character is not fixed at payment and shifts if the commercial purpose fails.

2.3 The Reserve Bank's Conception of "Deposit"

1. For NBFC jurisdiction, "deposit" is defined in Chapter III-B, RBI Act, 1934 — again inclusive (deposit/loan/any other form) but excluding share capital, money from banks/FIs, and ordinary-course security deposits or advances against orders.

2. "Public deposit" is narrower still, excluding money from the company's own shareholders (public company) and directors — concentrating prudential control on genuine public savings.

3. Interpretive task: read the inclusive opening words with the specific exclusions, and ask whether the receipt bears the character of public savings the regime protects.

2.4 The Omnibus Definition under the BUDS Act

1. The BUDS Act, 2019 adopts the widest definition: s. 2(4) — money received by advance, loan or "in any other form" by a deposit taker with a promise to return (in cash, kind or service, with or without benefit) — the net within which its prohibition operates (Chapter 6).

2.5 Principles of Construction: the Lesson of Peerless

The governing method of construction is set by Reserve Bank of India v. Peerless General Finance & Investment Co. Ltd., (1987) 1 SCC 424 — a purposive, contextual reading.

i. Chinnappa Reddy, J.: a statute is read by its text in the light of context, scheme and object — no word in isolation; laws mobilising public money are construed to advance the remedy and suppress the mischief. Held: the endowment-certificate scheme was not a prize chit or money-circulation scheme, while the RBI's broad supervisory authority over deposit-mobilising NBFCs was affirmed.

ii. Peerless — text in the service of purpose — governs every definition here: the promoter's label yields to the commercial substance, measured against the statute's protective object.

P A R T T W O

THE AUTHORISING REGIMES

Company law, the central bank and the securities regulator

Chapter 3 Acceptance of Deposits under the Companies Act, 2013

3.1 The Prohibitory Scheme of Chapter V

1. Chapter V (ss. 73–76A) with the Companies (Acceptance of Deposits) Rules, 2014 governs deposit-taking by companies that are not banks or NBFCs.

2. The scheme is prohibitory: s. 73(1) forbids inviting/accepting/renewing public deposits except as the Chapter allows — prohibition is the rule, the permissions are exceptions to be strictly construed.

3. This inverts the earlier permissive regime, responding to scandals in which companies mobilised public money and defaulted, leaving small depositors without recourse.

3.2 Deposits from Members: Section 73(2)

1. s. 73(2): a company may accept deposits from members by resolution in general meeting, subject to the Rules — a circular to members in Form DPT-1 (financial position, credit rating, existing depositors), filed with the Registrar 30 days before issue; the Deposit Repayment Reserve; and certification of no repayment default.

2. Ceilings: member deposits generally ≤ 35% of paid-up capital + free reserves + securities premium; a private company may take up to 100% of that aggregate, with further relaxation for start-up/specified private companies — reflecting the lower public risk of deposits within a closed membership.

3.3 Eligible Companies and Public Deposits: Section 76

1. s. 76 opens a narrow gateway for public deposits by an "eligible company" — a public company with net worth ≥ ₹100 crore or turnover ≥ ₹500 crore — after a special resolution filed with the Registrar, subject to the s. 73(2) conditions plus an annually renewed credit rating of at least minimum investment grade.

2. Public deposits are capped, and the instrument, advertisement, deposit-trustee appointment (for secured deposits) and security creation are regulated in detail. In practice only a few large

manufacturing/infrastructure companies use this route; most rely on member deposits, bank finance or debentures.

3.4 The Deposit Repayment Reserve and the Return in DPT-3

1. Deposit Repayment Reserve Account: by 30 April each year, deposit ≥ 20% of the deposits maturing in the next financial year into a separate scheduled-bank account, ring-fenced solely for repayment.

2. Form DPT-3: every company (including one that received money not treated as a deposit) must file by 30 June each year audited particulars as on 31 March — the principal instrument of supervisory visibility, disclosing the company's entire borrowings-and-deposits architecture.

3.5 Repayment of Pre-existing Deposits and Damages for Fraud

1. s. 74: deposits accepted before the 2013 Act must be declared and repaid within the prescribed time (the Tribunal may grant time). s. 75: on failure to repay where the deposit was accepted with intent to defraud, every responsible officer is personally liable, without limit, for depositors' losses.

3.6 Penalties: Section 76A

1. s. 76A (inserted 2015): contravention or failure to repay attracts a penalty on the company of ≥ ₹1 crore or twice the deposit, whichever is lower, up to ₹10 crore; every officer in default faces imprisonment up to 7 years and a fine.

2. The severity marks the seriousness of abusing public confidence, aligning company law with the depositor-protection policy of the BUDS Act.

3.7 Compliance Matrix

1. Table 3.1 consolidates the principal Chapter V and 2014 Rules obligations as a working checklist for the company secretary and advising counsel.

Table 3.1 Company-deposit compliance matrix (Companies Act, 2013, Ch. V)

Requirement	Source	Substance
General meeting / special resolution	ss. 73(2), 76(1)	Members' resolution for member deposits; special resolution for eligible-company public deposits

Requirement	Source	Substance
Circular / advertisement	r. 4; Form DPT-1	Issue to members/public; file with ROC ≥ 30 days before issue
Deposit Repayment Reserve Account	s. 73(2)(c); r. 13	≥ 20% of deposits maturing next FY, funded by 30 April; ring-fenced
Credit rating (eligible companies)	r. 3(8)	At least investment grade; obtained and renewed annually; filed with ROC
Tenure of deposits	r. 3(1)	Not repayable on demand; minimum 6 months, maximum 36 months
Deposit trustee / security	r. 7–8	Trustee for secured deposits; charge created over assets
Annual return	r. 16; Form DPT-3	File by 30 June, audited, as on 31 March
Penalty for contravention	s. 76A	Company: ≥ ₹1 cr or 2× deposit (lower), up to ₹10 cr; officer: up to 7 yrs + fine

Chapter 4 The Reserve Bank of India and the Regulation of Non-Banking Deposit-Taking

4.1 The Statutory Foundation: Chapter III-B of the RBI Act

1. The RBI's authority over NBFCs and their deposit-taking rests on Chapter III-B, RBI Act, 1934 (inserted 1963, progressively strengthened) — a comprehensive power to regulate or prohibit deposit acceptance by non-banking institutions, issue directions in the public/depositor interest, and require registration.

2. s. 45-IA (added 1997, after several finance-company failures) makes registration with the Bank and a minimum net owned fund a condition precedent to carrying on NBFC business.

4.2 The Acceptance of Public Deposits: the Master Directions

1. The public-deposit regime for NBFCs is in the RBI's Master Directions (consolidating the 1998 and 2016 directions). Only an authorised deposit-taking NBFC (NBFC-D) may accept public deposits; most are now non-deposit-taking (NBFC-ND), the Bank having discouraged retail deposit-taking outside banking.

2. NBFC-D conditions are exacting: investment-grade credit rating; public deposits ceiled by net owned fund; fixed minimum/maximum tenure (not repayable on demand); a prescribed proportion held in liquid/approved securities; and capped interest and brokerage — banking prudential logic in attenuated form.

4.3 Scale-Based Regulation

1. Scale-Based Regulation (Oct 2021; consolidated in the 2023 Master Directions) reorganised NBFCs into four tiers — Base, Middle, Upper and a (presently empty) Top Layer — calibrating regulatory intensity to size, interconnectedness and risk.

2. It also raised the minimum net owned fund for the principal categories from ₹2 crore to ₹10 crore, in stages (₹5 crore by 31 March 2025; ₹10 crore by 31 March 2027).

4.4 The Prohibition on Unincorporated Bodies: Section 45-S

1. s. 45-S, RBI Act bars individuals, firms and unincorporated associations from accepting public deposits where their business includes receiving money by deposit or loan (narrow exceptions apart) — targeting the unincorporated money-lender/village financier outside all prudential supervision.

2. Its constitutional validity was upheld in ***T. Velayudhan Achari v. Union of India (1993) 2 SCC 582.***

   i. Held: s. 45-S is a reasonable restriction in the public interest on the right to trade (Art. 19(6)), protecting gullible depositors from unregulated collectors; the classification between incorporated and unincorporated takers bears a rational nexus to depositor protection.

   ii. Velayudhan Achari — that deposit-taking by entities outside prudential supervision may be prohibited outright — is the doctrinal forerunner of the BUDS Act, 2019 omnibus ban: mobilising public money is a supervised privilege, not an unqualified incident of the freedom of trade.

4.5 Compliance Matrix

Table 4.1 NBFC public-deposit compliance matrix (RBI Act, 1934; Master Directions)

Requirement	Source	Substance
Certificate of registration	s. 45-IA	Mandatory CoR from RBI before commencing NBFC business
Net owned fund	s. 45-IA; SBR Directions	₹10 cr (phased: ₹5 cr by Mar 2025, ₹10 cr by Mar 2027)
Authorisation to accept deposits	Master Directions	Only NBFC-D with specific permission; most NBFCs are ND
Investment-grade credit rating	Master Directions	Mandatory for deposit acceptance; annually renewed
Ceiling on public deposits	Master Directions	Quantum capped by reference to net owned fund
Liquid-asset / SLR-type maintenance	Master Directions	Prescribed % of deposits in unencumbered approved securities
Tenure and interest caps	Master Directions	Min/max tenure; not repayable on demand; ceiling on interest and brokerage
Prohibition on unincorporated bodies	s. 45-S	Individuals/firms barred from public deposits (upheld in Velayudhan Achari)

Chapter 5 SEBI, Securities and the Deposit–Investment Divide

5.1 Where Deposit-Taking Meets the Securities Law

1. SEBI enters deposit-taking at two junctures: (i) where public money is raised through an instrument that is in law a security — typically a debenture — attracting public-issue discipline; and (ii) where money is pooled and managed for a return, constituting a collective investment scheme (CIS) under s. 11AA, SEBI Act, 1992.

2. In both, SEBI's jurisdiction runs alongside — and sometimes competes with — the company-law and central-bank regulators.

5.2 Collective Investment Schemes: Section 11AA

1. s. 11AA defines a CIS by four cumulative conditions: contributions pooled and used for the scheme; made with a view to receiving profits, income, produce or property; the property managed on the investors' behalf; and investors having no day-to-day control.

2. The breadth lets SEBI capture agro-bonds, plantation, time-share and land-pooling schemes marketed as asset investments but in substance vehicles for mobilising public money — upheld in PGF Ltd. v. Union of India.

Ratio decidendi — *PGF Ltd. v. Union of India, (2013) 13 SCC 340*

i. Held (PGF): s. 11AA is constitutionally valid and SEBI has jurisdiction over CIS; a scheme selling and developing agricultural land for customers who exercise no day-to-day control satisfies the statutory conditions — true nature, not form, governs, and the protective object justifies a broad reading capturing schemes that garner public money under the guise of investment in land or produce.

5.3 The Deemed Public Issue and the Sahara Saga

1. The leading decision is Sahara India Real Estate Corporation Ltd. v. SEBI: two unlisted Sahara companies raised ~₹24,000 crore from nearly 3 crore investors through optionally fully convertible debentures (OFCDs), claiming a private placement beyond SEBI's reach. The Supreme Court rejected this.

2. It held that an offer to 50 or more persons is a deemed public issue under the proviso to s. 67(3), Companies Act, 1956, attracting listing and securities-law obligations; the OFCDs were "securities"; and SEBI could investigate and order refund even though the companies were unlisted.

Ratio decidendi — *Sahara India Real Estate Corpn. Ltd. v. SEBI, (2012) 10 SCC 603*

i. Ratio (Sahara): an offer to 50 or more persons is a deemed public issue under the proviso to s. 67(3) of the 1956 Act, whatever the issuer's "private placement" label, binding it to public-issue and listing requirements; SEBI's jurisdiction extends to such an issue by an unlisted company (SEBI's and the Central Government's powers being concurrent), and SEBI may direct refund with interest — substance prevails over form.

ii. Sahara is the high-water mark that public mobilisation cannot escape regulation via an instrument labelled private placement or hybrid; the more public the solicitation, the more insistently a regulator's protective jurisdiction attaches, and courts read overlapping jurisdictions harmoniously so no large collection falls into a vacuum.

5.4 The Boundary with Company and NBFC Deposits

1. Classify at the threshold: a debenture is a security — its public issue governed by securities and company-law offer provisions, not a "deposit" (secured debentures are expressly excluded); a CIS is governed by s. 11AA and the CIS Regulations, 1999, not the deposit rules.

2. Classification dictates the regulator, the disclosures and the consequences of default — the unifying thread being the Peerless–Sahara principle that substance governs form and the protective purpose guides classification.

P A R T T H R E E

PROHIBITORY AND PROTECTIVE REGIMES

The banning of unregulated schemes, the regulation of chits, and the protection of depositors

Chapter 6 The Banning of Unregulated Deposit Schemes Act, 2019

6.1 Genesis and Object

1. The BUDS Act, 2019 is the most comprehensive response yet to fraudulent deposit-taking — prompted by large collapses (Saradha, Rose Valley) in which unincorporated and quasi-corporate collectors took the savings of millions through schemes falling between the existing regulators.

2. Its architecture inverts the licensing model: instead of enumerating what is forbidden, it bans everything not permitted. An "Unregulated Deposit Scheme" is any deposit scheme that is not a "Regulated Deposit Scheme" under a First-Schedule regime (RBI, SEBI, MCA, insurance/pension regulators, State chit authorities); whatever bears the character of a deposit but falls outside that list is banned.

6.2 The Statutory Definition of "Deposit"

1. s. 2(4) defines "deposit" expansively: money received by advance, loan or "in any other form" by a deposit taker, with a promise to return — after a period or otherwise, in cash, kind or service, with or without any benefit — subject to carve-outs for genuine commercial receipts (bank loans, partners' capital, business advances against goods/services).

2. Breadth is the point: capturing money "in any other form," with or without benefit, forecloses evasion by re-labelling the receipt a contribution, membership fee or advance — the promised return brings it within the net.

6.3 The Three Prohibitions

1. Chapter II erects three prohibitions: s. 3 — general ban on promoting, operating, advertising or accepting deposits under an Unregulated Deposit Scheme; s. 4 — bans fraudulent default in

repayment even by a Regulated Deposit Scheme taker; s. 5 — bans knowingly false or misleading statements or information to induce investment or membership in an Unregulated Deposit Scheme.

6.4 Institutional Machinery: Competent Authority and Designated Court

1. Two-tier machinery. The Competent Authority (an officer not below Secretary rank) may provisionally attach the deposit taker's property and scheme proceeds, summon and examine persons, and require records.

2. The Designated Court (a judge not below District & Sessions Judge, constituted in consultation with the Chief Justice of the High Court) confirms attachment, directs realisation and equitable distribution among depositors, and tries offences; appeal lies to the High Court.

6.5 Restitution and the Priority of the Depositor

1. Restitution is central: realised monies are applied, under the Designated Court's supervision, to repay depositors, whose claims rank in priority yielding only to secured claims the law expressly preserves. A central online database of deposit takers (maintained by a Central-Government authority) lets agencies track operations across State boundaries.

6.6 Offences, Penalties and Investigation

1. Penalties are severe and graduated: running an Unregulated Deposit Scheme attracts imprisonment and fine; acceptance with default draws enhanced punishment; fraudulent default by a regulated taker and wrongful inducement are separately and stringently punished. Offences are cognizable and non-bailable; inter-State or grave cases may go to the CBI.

2. The omnibus prohibition's constitutional strength draws on T. Velayudhan Achari, K.K. Baskaran and their progeny sustaining the State's power to prohibit and penalise deposit-taking outside a supervised framework — the BUDS Act being the legislative consummation of that principle.

6.7 Compliance Matrix

Table 6.1 BUDS Act, 2019 — structural compliance and enforcement matrix

Element	Provision	Substance
Ban on unregulated schemes	s. 3	Prohibits promotion, operation, advertisement and acceptance of deposits under any Unregulated Deposit Scheme
Fraudulent default ban	s. 4	Bars fraudulent default in repayment even under a Regulated Deposit Scheme
Wrongful inducement ban	s. 5	Prohibits false or misleading inducement to participate
Definition of deposit	s. 2(4)	Expansive; money received with promise of return, with enumerated commercial carve-outs
Competent Authority	ss. 7–8	Officer ≥ Secretary rank; provisional attachment and civil-court powers
Designated Court	s. 8	Presided by ≥ District & Sessions Judge; confirms attachment, orders distribution
Central database	ss. 9–11	Online database of deposit takers for inter-State tracking
Depositor priority	ss. 12–16	Restitution to depositors in priority, subject to preserved secured claims
Appeal	s. 19	Appeal from Designated Court to the High Court

Element	Provision	Substance
Investigation	s. 30	CBI may be entrusted in inter-State or grave-public-interest cases

Chapter 7 Chit Funds, Prize Chits and Money Circulation Schemes

7.1 The Chit: An Indigenous Instrument of Saving

1. The chit fund is among India's oldest indigenous instruments of collective saving and credit: a fixed body of subscribers contribute a fixed sum periodically to a common fund, disbursed at each instalment to one subscriber (by lot, auction or tender) until all have had a turn — combining saving and borrowing (early-drawer = borrower; late-drawer = saver earning a dividend).

2. The Chit Funds Act, 1982 is the central code for conventional chits: prior State-Government sanction to commence a chit, registration of the chit agreement, security deposited by the foreman, a ceiling on aggregate chit amount referable to the foreman's net-owned funds, and supervision by a Registrar of Chits.

Ratio decidendi — *Shriram Chits & Investments (P) Ltd. v. Union of India, (1993) Supp (4) SCC 226*

i. Held (Shriram Chits): the Chit Funds Act, 1982 is constitutionally valid against Articles 14 and 19(1)(g) — chit business is amenable to regulation in the subscribers' interest; prior sanction, registration, security, ceilings and supervision are reasonable public-interest restrictions within legislative competence — a legitimate exercise of the State's protective power over those who entrust savings to a collective scheme.

7.2 The Prize Chit and the Money Circulation Scheme

1. The genuine chit must be sharply distinguished from the prize chit and money-circulation scheme, which the law bans rather than regulates: a prize chit collects subscriptions but confers a prize on some by lot and forfeits the rest's contributions; a money-circulation scheme promises quick money contingent on enrolling further members (the classic pyramid) — both pay the early entrant from later subscriptions and must collapse when fresh recruits run out.

Ratio decidendi — *Srinivasa Enterprises v. Union of India, (1980) 4 SCC 507*

1. Held (Srinivasa Enterprises): the Prize Chits and Money Circulation Schemes (Banning) Act, 1978 is valid — such schemes are inherently pernicious, promising illusory gain while redistributing the many's contributions to the few and bound to end in loss; total prohibition (not mere regulation) is a reasonable public-interest restriction, and the legislative judgment that only a ban would serve is not open to interference.

7.3 The Reach of the Banning Act

1. The Banning Act's breadth lets courts reach every mutation of the chain scheme, however disguised — promoters recast enrolment as a sale of goods/services or interpose a nominal product for a commercial veneer, but courts look through form to substance, asking whether the essential inducement is the prospect of earning money on enrolling further participants as held in— *Kuriachan Chacko v. State of Kerala, (2008) 8 SCC 708*

   i. Held (Kuriachan Chacko): the long-run impossibility of paying all participants does not exculpate the promoter — it is the very feature that makes the scheme a prohibited money-circulation scheme; a scheme whose returns depend on enrolling new members falls squarely within the definition, banned per se without proof that any individual was deceived — the mathematical certainty of collapse is its hallmark.

7.4 The Investigative Dimension: Freezing and Search

1. Deposit-collection fraud investigation often involves freezing accounts and searching premises; the limits of that coercive power are set by *State of West Bengal v. Swapan Kumar Guha(1982) 1 SCC 561*.

   i. Held (Swapan Kumar Guha): a criminal investigation must rest on information disclosing a cognizable offence — the ingredients of the offence are a condition precedent; where the scheme does not, on the material, answer the statutory description of a prohibited money-circulation scheme, it cannot stand on suspicion alone — coercive machinery must be anchored in a genuine disclosure of the offence, not conjecture.

7.5 The Boundary with Other Regimes

1. The chit and money-circulation regimes intersect the wider framework: a scheme masquerading as a chit but in substance pooling public money for a managed return may attract SEBI's CIS jurisdiction; one accepting deposits outside any regulated framework is also an Unregulated Deposit Scheme under the BUDS Act, 2019; and one fact-matrix may found offences under the Prize Chits Act, the BUDS Act and the general penal law at once — threshold classification governs both the regulator and the cumulation of liabilities.

7.6 Compliance and Distinction Matrix

Table 7.1 Chits, prize chits and money-circulation schemes — regulatory distinction

Instrument	Governing law	Status & ratio
Conventional chit	Chit Funds Act, 1982	Regulated; sanction, registration, security, ceiling (Shriram Chits)
Prize chit	Prize Chits Act, 1978	Banned per se (Srinivasa Enterprises)

Instrument	Governing law	Status & ratio
Money-circulation / chain scheme	Prize Chits Act, 1978	Banned; collapse-certainty is its hallmark (Kuriachan Chacko)
Pooled investment for return	SEBI Act, s. 11AA	May be a collective investment scheme (Ch. 5)
Any unregulated deposit	BUDS Act, 2019	Banned omnibus (Ch. 6)
Investigation threshold	CrPC / BNSS	Must disclose statutory offence (Swapan Kumar Guha)

Chapter 8 State Legislation for the Protection of Depositors

8.1 The Place of the State Enactments

1. Several States have enacted depositor-protection laws for financial establishments — the archetypes being the Tamil Nadu Protection of Interests of Depositors (in Financial Establishments) Act, 1997 and the Maharashtra Act, 1999, with counterparts in Andhra Pradesh, Telangana, Karnataka, Kerala and Puducherry.

2. They answered a wave of finance-establishment collapses in which operators defaulted and absconded, leaving depositors without remedy and the ordinary criminal law ill-suited to securing restitution.

8.2 The Common Scheme: Attachment and Restitution

1. Common architecture: on default, the State (through a Competent Authority) may attach the money and property of the establishment and of its promoters, partners, directors and managers; the Designated Court, after notice and inquiry, may make the attachment absolute,

sell the property and distribute proceeds rateably among depositors — a swift civil–criminal hybrid aimed at recovery and restitution, over and above punishment.

8.3 The Constitutional Challenge and its Resolution

1. The State Acts were challenged as (i) trenching on the central field occupied by the RBI Act, 1934 and the Companies Act (competence/repugnancy) and (ii) imposing unreasonable restrictions through summary attachment. The Supreme Court upheld their validity in *K.K. Baskaran v. State of Tamil Nadu, (2011) 3 SCC 793* — now the governing authority.

    i. Held (K.K. Baskaran): the pith and substance of the State laws is depositor protection and restitution — referable to State entries (money-lending, protection of the public, special contracts) — not the central banking/NBFC field; there is no repugnancy with the RBI Act, 1934 because the attachment-and-restitution mechanism occupies an area the central law does not, so the two stand together; the protective purpose toward the ruined small depositor is a legitimate, pressing object.

    ii. Significance: by placing the State Acts in the protective (not regulatory) field and treating attachment-restitution as complementary to central prudential supervision, the Court secured a layered system — the RBI supervises the licensed and solvent; the State machinery pursues the defaulting and fraudulent — laying the constitutional foundation for the restitution architecture later generalised by the BUDS Act, 2019.

8.4 The Interface with the Central Law after 2019

1. The BUDS Act, 2019 has not displaced the State Acts — they operate in tandem: the central Act supplies an omnibus prohibition and nationwide investigation/restitution machinery, while the State Acts furnish locally administered attachment and restitution.

2. A single defaulting establishment may face Designated Courts and Competent Authorities under both regimes; counsel must coordinate proceedings, avoid conflicting attachments and marshal depositors' claims across the two.

8.5 Compliance and Coordination Matrix

Table 8.1 State depositor-protection legislation — scheme and coordination

Feature	Mechanism	Authority / ratio
Trigger	Default by financial establishment in repayment of deposit	Competent Authority of the State
Attachment	Money and property of establishment, promoters, directors	Ad interim attachment by Government order
Adjudication	Confirmation, sale and rateable distribution	Designated Court (Sessions-rank)
Constitutional basis	Pith and substance — protection of depositors	Upheld in K.K. Baskaran (2011) 3 SCC 793
Repugnancy	No conflict with RBI Act, 1934	State and central law stand together
Post-2019 interface	Operates alongside BUDS Act, 2019	Complementary restitution machinery

P A R T F O U R

SYNTHESIS, ALLIED REGIMES AND COMPLIANCE

Banking deposits, consolidated jurisprudence, the allied regulators and the architecture of compliance

Chapter 9 Banking Deposits and Deposit Insurance

9.1 The Bank Deposit as the Paradigm Case

1. The bank deposit is the paradigm public deposit: accepting money from the public, repayable on demand or otherwise and withdrawable by cheque/draft/order, is the defining incident of banking under the Banking Regulation Act, 1949 — yet it is hedged by the most intensive prudential supervision in financial law (RBI licensing, capital adequacy, CRR/SLR, income-recognition and provisioning norms, and the banking inspectorate).

2. Because it is so closely supervised, the bank deposit sits outside the prohibitory regimes: it is a Regulated Deposit under the First Schedule to the BUDS Act, 2019, needs no sanction under the company-deposit rules, and is the archetype of lawful mobilisation of public savings — the benchmark against which the regulated and the unregulated are measured.

9.2 Deposit Insurance: The DICGC Framework

1. Bank depositors are further protected by deposit insurance administered by the Deposit Insurance and Credit Guarantee Corporation (a wholly-owned RBI subsidiary under the DICGC Act, 1961); every commercial, regional-rural, local-area and covered co-operative bank is an insured bank.

2. Cover: since 4 February 2020, ₹5 lakh per depositor per bank (principal + interest), aggregating all deposits held in the same right and capacity across the bank's branches.

3. The 2021 amendment added interim payment — depositors of a bank under moratorium or directions receive the insured amount within a defined period without awaiting liquidation — a direct response to co-operative-bank moratoria that materially advanced timely protection of the small depositor.

9.3 The Co-operative Bank and the Dual-Control Problem

1. The co-operative bank is at once a co-operative society (State or multi-State co-operative law) and a banking company (RBI discipline); this dual control long weakened supervision and exposed depositors when urban co-operative banks failed. The Banking Regulation (Amendment) Act, 2020 brought co-operative banks more fully within the RBI's supervisory and resolution powers while preserving their co-operative character.

9.4 The Bank Deposit in the Hierarchy of Deposits

1. The bank deposit sits at the apex of the hierarchy of public deposits — the most lawful and most protected. Descending: eligible-NBFC deposits (RBI-supervised, uninsured); company deposits (MCA, under the deposit rules); the regulated chit; and, at the base, the prohibited/unregulated schemes condemned by the banning legislation. The gradient of regulation tracks the gradient of protection, and every classification exercise locates the activity on this gradient.

9.5 Compliance Matrix

Table 9.1 Banking deposits and deposit insurance — framework matrix

Element	Source	Substance
Definition of banking	BR Act, s. 5(b)	Acceptance of deposits from the public, repayable and withdrawable
Licensing & prudential norms	BR Act; RBI Act	Licence, CRR, SLR, capital adequacy, provisioning
Deposit insurance	DICGC Act, 1961	Insured up to ₹5 lakh per depositor per bank (since 4 Feb 2020)

Element	Source	Substance
Interim payment	DICGC (Amdt) Act, 2021	Insured amount payable within stipulated period under moratorium
Co-operative banks	BR (Amdt) Act, 2020	Brought within RBI supervisory and resolution powers
Status under BUDS Act	First Schedule	Regulated Deposit; outside the omnibus ban

Chapter 10 The Consolidated Jurisprudence of Public Deposits

10.1 The Need for a Synthesis

1. Read in isolation the regimes seem disparate; read together, the Supreme Court's decisions disclose a few governing principles running through the whole field — a settled doctrine from which the practitioner can reason about any novel scheme, rather than deferring to whichever regulator asserts jurisdiction first.

10.2 The First Principle: Substance over Form

1. First principle — substance over form: the collector's label (deposit, advance, subscription, membership, debenture, bond) does not fix legal character; the court looks to commercial reality. Stated in RBI v. Peerless and at its apex in Sahara (an OFCD marketed to crores held, in substance, a public issue).

2. The principle cuts both ways — defeating evasive labels that would escape regulation, while keeping genuine commercial dealings out of a net designed for public-savings mobilisation.

10.3 The Second Principle: The Protective Purpose

1. Second principle — protective purpose: the legislation is protective, construed to advance depositor protection and suppress fraudulent/imprudent mobilisation. This canon underlies the

prohibitory statutes upheld in Srinivasa Enterprises, T. Velayudhan Achari and K.K. Baskaran, and the broad reading of the definitions in PGF and Sahara — justifying both the breadth of the bans and the intensity of the restitution machinery.

10.4 The Third Principle: Regulation, Prohibition and the Spectrum of Response

1. Third principle — the spectrum of response: the State may choose anywhere from supervised regulation to outright prohibition, and that legislative choice is not lightly disturbed. The genuine chit is regulated; the prize chit banned; banks and eligible NBFCs supervised; the unincorporated collector prohibited — some mobilisation is safely regulable, some so pernicious that only a ban serves.

10.5 The Fourth Principle: Concurrent and Harmonious Jurisdiction

1. Fourth principle — concurrent, harmonious jurisdiction: one mobilisation may engage several regulators, and courts read their jurisdictions harmoniously so no large collection escapes. Sahara (company law, SEBI and potentially the RBI — concurrent, gap-filling) and K.K. Baskaran (central and State protective laws) illustrate the point.

10.6 The Fifth Principle: The Anchoring of Coercive Power

1. Fifth principle — anchoring of coercive power: investigation, attachment and prosecution, however necessary, must rest on genuine disclosure of the statutory offence, not suspicion. Swapan Kumar Guha makes the ingredients of the alleged offence a condition precedent — tempering the protective statutes' armoury with the rule of law.

10.7 A Synthesis of the Authorities

1. Synthesis — the five principles form a working grammar for any deposit question: (i) what, in substance, is the transaction? (ii) what mischief does the statute suppress, and how is it therefore construed? (iii) where on the regulation–prohibition spectrum does the legislature place it? (iv) which regulators are engaged, and how are they harmonised? (v) is the coercive power anchored in a disclosed offence? Applied to the settled authorities, these usually resolve even the novel case.

10.8 Table of Governing Principles

Table 10.1 The five governing principles and their leading authorities

Principle	Statement	Leading authority
Substance over form	True commercial nature, not label, governs	Peerless; Sahara
Protective purpose	Construe to protect depositors, suppress mischief	Srinivasa; Velayudhan Achari; Baskaran
Spectrum of response	Regulation to prohibition is a legislative choice	Shriram Chits; Srinivasa
Concurrent jurisdiction	Regulators' powers read harmoniously	Sahara; Baskaran
Anchoring of coercion	Coercive process needs disclosed offence	Swapan Kumar Guha

Chapter 11 The Allied Regulatory Jurisdictions

11.1 The Place of the Allied Regulators

1. The core regulators — RBI, SEBI, MCA and the Designated Courts of the protective statutes — decide who may take deposits, on what terms and with what consequences for default.

2. Beyond that core, three allied authorities — the Competition Commission of India (CCI), the Ministry of Electronics and Information Technology (MeitY) and the Telecom Regulatory Authority of India (TRAI) — condition how the business is conducted. Their jurisdiction is collateral, not central: none authorises, prohibits or supervises deposit-taking; each regulates a competitive, digital or communicative dimension of the enterprise.

11.2 The Competition Commission of India

1. The CCI (Competition Act, 2002) touches deposit-takers at three points: combinations above the asset/turnover thresholds (a bank or NBFC merger may need CCI approval in addition to RBI sanction); abuse of a dominant position (unfair conditions on depositors or foreclosure of competition in financial services); and anti-competitive agreements (collusive fixing of interest rates or charges).

2. The RBI and CCI jurisdictions are complementary — the RBI appraising the prudential, the CCI the competitive dimension — with statutory exemptions for certain banking arrangements to avoid duplicated scrutiny. Competition law shapes the structural evolution of the industry, not the act of deposit-taking itself.

11.3 The Ministry of Electronics and Information Technology

1. MeitY administers the Information Technology Act, 2000 and the Digital Personal Data Protection Act, 2023. A deposit-taker is a data fiduciary in handling depositor data — bound by consent, purpose limitation, data security and data-principal rights — and, as services migrate online, is also subject to the intermediary/digital-services regime under the IT Act and rules.

2. The salient task is reconciling the data-minimisation and purpose-limitation principles with the record-keeping and reporting duties owed to financial regulators. The jurisdiction is collateral: it governs the handling of the depositor's data, not the lawfulness of the deposit.

11.4 The Telecom Regulatory Authority of India

1. TRAI's framework on unsolicited commercial communication governs deposit solicitation by voice call and message — telemarketer registration, honouring customer preferences, and strengthened measures against misuse of communication channels for fraudulent financial solicitation.

2. Because fraudulent schemes are often propagated through unsolicited communication, regulating the channel has become an indirect instrument against deposit fraud. But the

jurisdiction governs the channel of solicitation, not the substance of the deposit — hence allied, not core.

11.5 A Candid Assessment

1. The allied regulators are not co-equal with the core authorities: the RBI, SEBI, MCA and the protective statutes decide whether and how deposits may be accepted; the CCI, MeitY and TRAI condition the competitive structure, data practices and marketing channels. Counsel must attend to the allied jurisdictions as part of a complete compliance architecture, without mistaking the collateral for the central.

11.6 Allied-Jurisdiction Matrix

Table 11.1 Allied regulators — collateral jurisdiction over the deposit-taking enterprise

Regulator	Instrument	Collateral relevance
Competition Commission	Competition Act, 2002	Combinations, dominance, anti-competitive agreements among deposit-takers
MeitY	DPDP Act, 2023; IT Act, 2000	Depositor data protection; digital platform and intermediary obligations
TRAI	TCCCP Regulations	Unsolicited commercial communication in deposit solicitation
Core regulators (cf.)	RBI / SEBI / MCA / State PID	Direct authorisation, supervision and prohibition of deposit-taking

Chapter 12 The Architecture of Compliance

12.1 From Doctrine to Practice

1. Doctrine must become a working compliance method: for each engagement, identify the applicable regime, satisfy its threshold conditions, and discharge its continuing obligations — reduced below to a sequence of inquiries and a schedule of compliances.

12.2 The Threshold Inquiry: Classification

1. Classification comes first — the regime follows the character of the transaction. Ask, in sequence: (i) is the receipt a "deposit," or within an exclusion? (ii) if a deposit, is the taker a bank, an NBFC, a company under the deposit rules, a chit foreman, or an unincorporated person? (iii) is the instrument a security or a CIS contribution (securities law)? (iv) is it a prize chit or money-circulation scheme (banned outright)? (v) is it a Regulated Deposit Scheme under the First Schedule to the BUDS Act, 2019, or an Unregulated (prohibited) one? Pursued in order, these identify the governing regime and its compliances (see Figure 12.1).1

Figure 12.1 The classification decision-path

Step	Ask, in sequence	Consequence / route
1	Is the receipt a "deposit", or an excluded receipt?	Excluded → no deposit regime. Deposit → continue ▼
2	Who receives it — bank, NBFC, company, chit	RBI · RBI · MCA · State Registrar · BANNED (s. 45-S) ▼

[1] The classification inquiry operationalises the substance-over-form principle of Peerless and Sahara: the adviser must determine the true character of the transaction before the applicable regime can be ascertained. Misclassification at the threshold is the most consequential error in deposit compliance.

Step	Ask, in sequence	Consequence / route
	foreman, or unincorporated person?	
3	Is the instrument a security or a contribution to a CIS?	SEBI — deemed public issue / s. 11AA ▼
4	Is it a prize chit or a money-circulation (Ponzi) scheme?	BANNED per se — 1978 Act ✗
5	Is it a Regulated Deposit Scheme (BUDS First Schedule)?	YES → lawful under its regulator ✓ NO → PROHIBITED (BUDS Act) ✗

12.3 The Conditions of Lawful Deposit-Taking

1. Before accepting any deposit, satisfy the regime's threshold conditions — for a company: resolutions, credit rating where required, deposit insurance/trustee arrangements, the prescribed circular/advertisement, and the deposit repayment reserve; for an NBFC: certificate of registration, net-owned funds at the prescribed level, investment-grade rating, and specific authorisation to accept deposits; for a chit: prior sanction, registration of the chit agreement and deposited security.

12.4 The Continuing Obligations

1. Deposit-taking is a continuing relationship, not a single event. Recurring duties: periodical returns (Form DPT-3 for a company; prudential returns for an NBFC); maintenance of prescribed liquid assets/repayment reserve; observance of ceilings on quantum, tenure and interest; honouring depositors' rights of premature withdrawal, nomination and maturity

intimation; and timely repayment of principal and interest. Default attracts penalty; fraudulent default attracts the criminal sanctions of the BUDS Act, 2019.[2]

12.5 The Consequences of Default

1. Consequences of default are graduated by regime and gravity: company-deposit contraventions — s. 76A, Companies Act, 2013 (fine on the company; fine and imprisonment for the officer in default); breach of RBI directions — the penal provisions of the RBI Act, 1934; running an Unregulated Deposit Scheme — cognizable, non-bailable offences under the BUDS Act, 2019, with provisional attachment and Designated-Court restitution; the State protective statutes superadd their own attachment-and-restitution regime — underscoring the importance of correct threshold classification.[3]

12.6 The Master Compliance Checklist

1. Table 12.1 consolidates the principal compliances across the regimes as a practical aid — not a substitute for the regime-specific analysis each engagement demands.

Table 12.1 Master compliance checklist for the business of public deposits

Stage	Compliance	Governing regime
Classification	Determine true character of receipt and recipient	Peerless / Sahara; BUDS First Schedule

[2] For companies, the annual return of deposits in Form DPT-3 is to be filed by 30 June in respect of the position as on 31 March; the deposit repayment reserve is to be funded by 30 April each year. For deposit-taking NBFCs, the Reserve Bank's directions prescribe periodical returns and the maintenance of liquid assets. The depositor-protection incidents — premature withdrawal, nomination and maturity intimation — were the subject of the Reserve Bank's revisions of 1 January 2025.

[3] Companies Act, 2013, s. 76A (penalty for contravention of the deposit provisions); Reserve Bank of India Act, 1934 (penal provisions for contravention of directions); Banning of Unregulated Deposit Schemes Act, 2019, ss. 21–23 (punishments). The consequences are cumulative across the regimes engaged by a single mobilisation.

Stage	Compliance	Governing regime
Eligibility	CoR / net worth / NOF / rating / sanction	Cos Act s. 76; RBI Act s. 45-IA; Chit Funds Act
Authorisation	Resolutions, circular/advertisement, trustee/insurance	Deposit Rules, 2014; Master Directions
Reserves	Deposit repayment reserve; liquid assets	Rule 13; Master Directions
Ceilings	Quantum, tenure, interest, brokerage caps	Deposit Rules; Master Directions
Returns	DPT-3 (by 30 June); NBFC prudential returns	Rule 16; RBI Directions
Depositor rights	Premature withdrawal, nomination, maturity intimation	Rules; RBI revisions 1 Jan 2025
Repayment	Timely repayment of principal and interest	All regimes
Default exposure	Penalty / attachment / restitution / prosecution	s. 76A; RBI Act; BUDS Act; State PID Acts
Allied compliance	Competition, data protection, communication	Competition Act; DPDP Act; TRAI

Chapter 13 Conclusion: The Road Ahead

13.1 A Field Brought to Coherence

1. The field was long governed by fragmented, reactive law — each enactment a response to a particular crisis, each regulator guarding a corner. Beneath the fragmentation lies a coherent jurisprudence, animated by the protective purpose and disciplined by substance over form.

2. From Peerless to Sahara and from Srinivasa Enterprises to K.K. Baskaran, the Supreme Court has woven the enactments into a connected fabric, and the BUDS Act, 2019 has supplied the omnibus prohibition the field long required.

13.2 The Achievements of the Framework

1. The framework now achieves a creditable measure of depositor protection: the licensed bank is intensively supervised, deposit-insured and (since 2021) backed by interim payment under moratorium; the NBFC faces graduated scale-based prudential discipline; the company is constrained by the deposit rules and s. 76A; the chit is regulated and the prize chit banned; and the once-elusive unregulated collector is now caught by the omnibus prohibition and pursued by central and State restitution machinery — the gaps through which the fraudulent collector escaped are largely closed.

13.3 The Continuing Tensions

1. Tensions remain: multiple regulators impose overlapping compliance on the honest enterprise and a confusing diversity of remedies on the depositor; central–State restitution coordination is imperfect; deposit-taking's migration to digital platforms outpaces a framework built for physical collection, and reconciling financial record-keeping with data-minimisation is unfinished; and the fraudulent collector's ingenuity will keep testing the definitions and the regulators' vigilance.

13.4 The Road Ahead

1. The road ahead lies in consolidation (harmonising the definitions of "deposit" and rationalising overlapping compliances), coordination (protocols among the regulators and the central and

State restitution authorities so the depositor is not prejudiced by diffused jurisdiction), and vigilance (courts and regulators continuing to look through form to substance, construe the protective legislation purposively, and anchor coercive power in the rule of law).

2. The framework's abiding object is the protection of the saver — the small depositor, the pensioner, the villager subscribing to a chit — who parts with money on the promise of its return; its measure of success is not doctrinal elegance but the security of their savings. To that measure this treatise commends the framework, and its principles to the practitioners, regulators and judges who administer it.

Appendix A Consolidated Comparison of the Deposit Regimes

The following table consolidates, for ready reference, the principal regimes governing the business of public deposits, the authority that administers each, the instrument that constitutes it, and the leading consequence of its contravention. It is a summary aid and must be read subject to the detailed treatment in the substantive chapters.

Table A.1 The deposit regimes at a glance

Regime	Regulator	Key consequence
Banking deposits	RBI / DICGC	Prudential supervision; insurance to ₹5 lakh
NBFC deposits	RBI (SBR framework)	CoR, NOF, rating; penal provisions of RBI Act
Company deposits	MCA	DRR, DPT-3; penalty under s. 76A
Securities / CIS	SEBI	Deemed public issue; refund (Sahara); s. 11AA (PGF)

Regime	Regulator	Key consequence
Genuine chits	State Registrar of Chits	Sanction, security, ceiling (Shriram Chits)
Prize chits / chain	Banned	Prohibited per se (Srinivasa; Kuriachan Chacko)
Unregulated schemes	BUDS competent authority	Omnibus ban; attachment; restitution
State PID matters	State competent authority / Designated Court	Attachment and restitution (K.K. Baskaran)